

Sheldon Independent School District

Annual Financial Report

For the Fiscal Year Ended June 30, 2020

Sheldon Independent School District
 Annual Financial Report
 For the Fiscal Year Ended June 30, 2020
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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, 2020 at a meeting of the Board of Trustees of such school district on the 17th day of Nov., 2020.


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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 18, 2020 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 18, 2020

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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, 2020.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$13,162,522 (net position).
- The District's total net position decreased by \$2,579,064 from current operations.
- As of the close of the fiscal year, the District's governmental funds had combined ending fund balances of \$76,661,875, a decrease of \$39,277,355 as compared to the preceding period. The change in governmental fund balances was primarily due to the completion of 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 \$27,735,146, or 27 percent of the fiscal year's total general fund expenditures.
- The District's total net bonded debt decreased by \$15,380,000 (four 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-two 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, debt service fund, and capital projects funds, which are considered to be major funds. Data from the other nineteen 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 statement 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. The District did not have any major special revenue funds; 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 \$13,162,522.

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 \$43,009,374. 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 106,739,400	\$ 155,465,826	\$ 5,022	\$ 7,692	\$ 106,744,422	\$ 155,473,518
Capital assets, net of accumulated depreciation	413,207,769	388,531,949	-	-	413,207,769	388,531,949
Total assets	519,947,169	543,997,775	5,022	7,692	519,952,191	544,005,467
Total deferred outflows of resources	24,737,498	18,674,192	-	-	24,737,498	18,674,192
Current liabilities	30,847,374	41,564,373	335	2,522	30,847,709	41,566,895
Long-term liabilities outstanding	478,689,708	490,442,796	-	-	478,689,708	490,442,796
Total liabilities	509,537,082	532,007,169	335	2,522	509,537,417	532,009,691
Total deferred inflows of resources	21,989,750	14,928,382	-	-	21,989,750	14,928,382
Net position						
Net investment in capital assets	43,009,374	36,835,593	-	-	43,009,374	36,835,593
Restricted	8,677,593	16,140,732	-	-	8,677,593	16,140,732
Unrestricted	(38,529,132)	(37,239,909)	4,687	5,170	(38,524,445)	(37,234,739)
Total net position	\$ 13,157,835	\$ 15,736,416	\$ 4,687	\$ 5,170	\$ 13,162,522	\$ 15,741,586

Net position of \$8,677,593 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 decreased by \$2,579,064 as a result of increased expenditures for instruction.

Governmental Activities. Governmental activities decreased the District's net position by \$2,578,581.

Sheldon Independent School District's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue:						
Program revenues:						
Charges for services	\$ 748,175	\$ 896,739	\$ 218,280	\$ 282,569	\$ 966,455	\$ 1,179,308
Operating grants and contributions	25,383,058	16,844,048	-	-	25,383,058	16,844,048
General revenues:						
Property taxes, levied for general purposes	57,881,443	59,601,320	-	-	57,881,443	59,601,320
Property taxes, levied for debt service	20,714,141	16,145,078	-	-	20,714,141	16,145,078
Grants and contributions not restricted to specific programs	43,873,066	14,454,773	-	-	43,873,066	14,454,773
Investment earnings	1,832,821	3,051,301	-	-	1,832,821	3,051,301
Gain (loss) on sale of capital asset	22,393	10,414	-	-	22,393	10,414
Miscellaneous	806,978	662,037	-	-	806,978	662,037
Total revenues	151,262,075	111,665,710	218,280	282,569	151,480,355	111,948,279
Expenses:						
Instruction	79,156,880	54,882,770	-	-	79,156,880	54,882,770
Instructional resources and media services	1,157,177	901,507	-	-	1,157,177	901,507
Curriculum and instructional staff development	139,445	156,833	-	-	139,445	156,833
Instructional leadership	3,102,299	2,256,302	-	-	3,102,299	2,256,302
School leadership	6,648,026	4,480,673	-	-	6,648,026	4,480,673
Guidance, counseling, and evaluation services	2,646,721	2,085,270	-	-	2,646,721	2,085,270
Social work services	44,506	42,312	-	-	44,506	42,312
Health services	887,673	635,398	-	-	887,673	635,398
Student transportation	7,220,934	4,760,170	-	-	7,220,934	4,760,170
Food services	7,211,416	5,823,262	-	-	7,211,416	5,823,262
Extracurricular activities	2,940,801	2,360,500	-	-	2,940,801	2,360,500
General administration	2,816,431	2,238,283	-	-	2,816,431	2,238,283
Plant maintenance and operations	11,741,692	11,131,044	-	-	11,741,692	11,131,044
Security and monitoring services	1,664,297	1,082,367	-	-	1,664,297	1,082,367
Data processing services	1,838,248	1,031,631	-	-	1,838,248	1,031,631
Community services	118,469	72,060	-	-	118,469	72,060
Interest on long-term debt	13,816,828	11,413,514	-	-	13,816,828	11,413,514
Issuance costs and fees	234,747	970,604	-	-	234,747	970,604
Facilities repair and maintenance	9,768,478	1,971,385	-	-	9,768,478	1,971,385
Contracted instructional services between schools	-	1,446,005	-	-	-	1,446,005
Other intergovernmental charges	592,588	440,102	-	-	592,588	440,102
Day care	-	-	311,763	281,534	311,763	281,534
Total expenses	153,747,656	110,181,992	311,763	281,534	154,059,419	110,463,526
Increase in net position before transfers	(2,485,581)	1,483,718	(93,483)	1,035	(2,579,064)	1,484,753
Transfers	(93,000)	-	93,000	-	-	-
Change in net position	(2,578,581)	1,483,718	(483)	1,035	(2,579,064)	1,484,753
Net position - beginning	15,736,416	14,252,698	5,170	4,135	15,741,586	14,256,833
Net position - ending	\$ 13,157,835	\$ 15,736,416	\$ 4,687	\$ 5,170	\$ 13,162,522	\$ 15,741,586

Revenues are generated primarily from two sources: grants and contributions and property taxes. Grants and contributions (\$69,257,644) represent 45 percent of total revenues and property taxes (\$78,595,584) represent 51 percent of total revenues. The remaining \$3,410,367 is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$79,156,880), which represents 51 percent of total expenses. Interest on long-term debt (\$13,816,828) and plant maintenance and operations (\$11,741,692) represent 9 and 8 percent, respectively, of total expenses. Facilities repair and maintenance (\$9,768,478) represents 6 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 \$483. Revenues decreased by \$64,289, or 23 percent, primarily due to the decrease of community participation in the day care resulting from the COVID-19 pandemic. Expenditures decreased by \$30,229, or 11 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 \$76,661,875, a decrease of \$39,277,355 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 \$27,735,146 while total fund balance was \$35,870,105. 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 27 percent of total general fund expenditures, while total fund balance represents 35 percent of that same total. The fund balance of the general fund increased \$8,966,456 during the fiscal year, primarily due to the increase in state aid due to an increase in the foundation school program allotment.

The debt service fund had a total fund balance of \$10,987,352, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance decreased \$7,304,268 during the fiscal year, primarily due to 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 \$27,492,854. The net decrease in fund balance during the current period in the capital projects fund was \$40,678,894 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 \$4,821,593 for teacher salary increases, plant maintenance and operations expenditure function was increased by \$2,744,425 for contracted services and supplies and facilities acquisition and construction was increased by \$3,176,000 for repairs and maintenance on District assets.

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, 2020 was \$413,207,769 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and construction in progress. The increase in net capital assets for the current fiscal year was \$24,675,820.

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
	Amount	Amount	Amount	Amount	Amount	Amount
Land and improvements	\$ 38,227,787	\$ 38,227,787	\$ -	\$ -	\$ 38,227,787	\$ 38,227,787
Buildings and improvements	368,150,763	164,179,437	-	-	368,150,763	164,179,437
Furniture and equipment	6,829,219	5,506,209	-	-	6,829,219	5,506,209
Construction in progress	-	180,618,516	-	-	-	180,618,516
Totals	\$413,207,769	\$388,531,949	\$ -	\$ -	\$413,207,769	\$388,531,949

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					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds	\$ 391,829,996	82	\$ 407,209,996	84	\$ (15,380,000)	(4)
Premiums	21,430,818	4	21,229,471	4	201,347	1
Accreted interest on capital appreciation bonds	95,847	-	83,242	-	12,605	15
Total bonds payable, net	413,356,661		428,522,709		(15,166,048)	
Compensated absences	735,720	-	708,608	-	27,112	4
Net pension liability	29,746,825	6	26,688,171	5	3,058,654	11
Net OPEB liability	34,850,502	7	34,523,308	7	327,194	1
Totals	\$ 478,689,708	99	\$ 490,442,796	100	\$ (11,753,088)	

The District's total net bonded debt decreased by \$15,380,000 (four 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 can be found in Note 1.O. and Note 9 to the financial statements as indicated in the table of contents of this report.

Additional information on the District's net pension liability can be found in Note 1.N. 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 (2020-21) student enrollment is 10,220, a 1% increase from the preceding year.
- District staff totals 1,438 employees in 2020-21, of which 654 are teachers and 250 are teacher aides and secretaries.
- The District added an additional campus for student instruction for a total of 11 campuses.
- Property values of the District are projected to increase 2% for the 2020-21 year.
- A maintenance and operations tax rate of \$1.0416 and a debt service tax rate of \$.46 (a total rate of \$1.5016) were adopted for 2020-21.

All of these factors and others were considered in preparing the District's budget for the 2020-21 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

Exhibit A-1

Statement of Net Position

June 30, 2020

Data Control Codes		Primary Government		
		Governmental Activities	Business-type Activities	Total
ASSETS				
1110	Cash and cash equivalents	\$ 10,934,578	\$ 7,227	\$ 10,941,805
1120	Current investments	72,732,006	-	72,732,006
1220	Property taxes receivables	5,843,473	-	5,843,473
1230	Allowance for uncollectable taxes	(570,183)	-	(570,183)
1240	Due from other governments	12,334,362	-	12,334,362
1260	Internal balances	2,205	(2,205)	-
1267	Due from fiduciary funds	60,285	-	60,285
1300	Inventories	413,041	-	413,041
1810	Restricted cash and investments	4,858,230	-	4,858,230
1910	Long-term investments	131,403	-	131,403
Capital assets, not being depreciated:				
1510	Land and improvements	38,227,787	-	38,227,787
Capital assets, net of accumulated depreciation:				
1520	Buildings and improvements	368,150,763	-	368,150,763
1530	Furniture and equipment	6,829,219	-	6,829,219
1000	Total assets	519,947,169	5,022	519,952,191
DEFERRED OUTFLOWS OF RESOURCES				
1705	Deferred outflows - pension	16,325,054	-	16,325,054
1706	Deferred outflows - OPEB	7,199,450	-	7,199,450
1710	Deferred charge on refunding	1,212,994	-	1,212,994
1700	Total deferred outflows of resources	24,737,498	-	24,737,498
LIABILITIES				
2110	Accounts payable	15,213,888	335	15,214,223
2140	Interest payable	5,532,434	-	5,532,434
2150	Payroll deductions and withholdings	772,155	-	772,155
2160	Accrued wages payable	8,792,316	-	8,792,316
2177	Due to fiduciary funds	2,612	-	2,612
2180	Due to other governments	73,485	-	73,485
2300	Unearned revenue	460,484	-	460,484
Noncurrent liabilities:				
2501	Due within one year	13,242,015	-	13,242,015
2502	Due in more than one year	400,850,366	-	400,850,366
2540	Net pension liability	29,746,825	-	29,746,825
2545	Net OPEB liability	34,850,502	-	34,850,502
2000	Total liabilities	509,537,082	335	509,537,417
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred inflows - pension	6,912,905	-	6,912,905
2606	Deferred inflows - OPEB	15,076,845	-	15,076,845
2600	Total deferred inflows of resources	21,989,750	-	21,989,750
NET POSITION				
3200	Net investment in capital assets	43,009,374	-	43,009,374
3820	Restricted for grants	2,227,199	-	2,227,199
3850	Restricted for debt service	6,450,394	-	6,450,394
3900	Unrestricted	(38,529,132)	4,687	(38,524,445)
3000	TOTAL NET POSITION	\$ 13,157,835	\$ 4,687	\$ 13,162,522

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, 2020

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
PRIMARY GOVERNMENT							
Governmental activities:							
0011	Instruction	\$ 79,156,880	\$ 117,621	\$ 14,291,458	\$ (64,747,801)	\$ -	\$ (64,747,801)
0012	Instructional resources and media services	1,157,177	-	68,278	(1,088,899)	-	(1,088,899)
0013	Curriculum and instructional staff development	139,445	-	-	(139,445)	-	(139,445)
0021	Instructional leadership	3,102,299	-	414,405	(2,687,894)	-	(2,687,894)
0023	School leadership	6,648,026	-	490,294	(6,157,732)	-	(6,157,732)
0031	Guidance, counseling, and evaluation services	2,646,721	-	382,768	(2,263,953)	-	(2,263,953)
0032	Social work services	44,506	-	-	(44,506)	-	(44,506)
0033	Health services	887,673	-	887,394	(279)	-	(279)
0034	Student transportation	7,220,934	-	383,379	(6,837,555)	-	(6,837,555)
0035	Food services	7,211,416	-	6,983,900	(227,516)	-	(227,516)
0036	Cocurricular/extracurricular activities	2,940,801	630,554	80,126	(2,230,121)	-	(2,230,121)
0041	General administration	2,816,431	-	177,524	(2,638,907)	-	(2,638,907)
0051	Plant maintenance and operations	11,741,692	-	234,441	(11,507,251)	-	(11,507,251)
0052	Security and monitoring services	1,664,297	-	103,057	(1,561,240)	-	(1,561,240)
0053	Data processing services	1,838,248	-	226,824	(1,611,424)	-	(1,611,424)
0061	Community services	118,469	-	100,729	(17,740)	-	(17,740)
0072	Interest on long-term debt	13,816,828	-	558,481	(13,258,347)	-	(13,258,347)
0073	Issuance costs and fees	234,747	-	-	(234,747)	-	(234,747)
0081	Facilities repair and maintenance	9,768,478	-	-	(9,768,478)	-	(9,768,478)
0099	Other intergovernmental charges	592,588	-	-	(592,588)	-	(592,588)
TG	Total governmental activities	153,747,656	748,175	25,383,058	(127,616,423)	-	(127,616,423)
Business-type activities:							
0001	Day Care	311,763	218,280	-	-	(93,483)	(93,483)
TB	Total business-type activities	311,763	218,280	-	-	(93,483)	(93,483)
TP	TOTAL PRIMARY GOVERNMENT	\$154,059,419	\$ 966,455	\$ 25,383,058	(127,616,423)	(93,483)	(127,709,906)
General revenues:							
MT	Property taxes, levied for general purposes				57,881,443	-	57,881,443
DT	Property taxes, levied for debt service				20,714,141	-	20,714,141
GC	Grants and contributions not restricted to specific programs				43,873,066	-	43,873,066
IE	Investment earnings				1,832,821	-	1,832,821
GS	Gain on sale of capital asset				22,393	-	22,393
MI	Miscellaneous				806,978	-	806,978
FR	Transfers				(93,000)	93,000	-
TR	Total general revenues				125,037,842	93,000	125,130,842
CN	Change in net position				(2,578,581)	(483)	(2,579,064)
NB	Net position - beginning				15,736,416	5,170	15,741,586
NE	NET POSITION - ENDING				\$ 13,157,835	\$ 4,687	\$ 13,162,522

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

Sheldon Independent School District
 Balance Sheet
 Governmental Funds
 June 30, 2020

<u>Data Control Codes</u>		<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS			
1110	Cash and cash equivalents	\$ 5,953,187	\$ 3,076,078
1120	Current investments	28,726,099	2,734,445
1220	Property taxes receivables	4,497,173	1,346,300
1230	Allowance for uncollectable taxes	(442,802)	(127,381)
1240	Due from other governments	10,323,213	-
1260	Due from other funds	2,576,505	191,003
1300	Inventories	355,146	-
1810	Restricted cash and investments	-	4,858,230
1910	Long-term investments	131,403	-
1000	Total assets	<u>52,119,924</u>	<u>12,078,675</u>
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 52,119,924</u>	<u>\$ 12,078,675</u>
LIABILITIES			
2110	Accounts payable	\$ 1,680,680	\$ -
2150	Payroll deductions and withholdings	772,155	-
2160	Accrued wages payable	8,540,587	-
2170	Due to other funds	1,185,649	-
2180	Due to other governments	73,485	-
2300	Unearned revenue	326,001	-
2000	Total liabilities	<u>12,578,557</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2620	Unavailable revenue - property taxes	<u>3,671,262</u>	<u>1,091,323</u>
2600	Total deferred inflows of resources	<u>3,671,262</u>	<u>1,091,323</u>
FUND BALANCES			
Nonspendable			
3410	Inventories	355,146	-
Restricted for:			
3450	Grants	56,073	-
3470	Capital acquisitions and contractual obligations	873,740	-
3480	Debt service	-	10,987,352
Committed to:			
3545	Other	-	-
Assigned to:			
3590	Assigned - other	6,850,000	-
3600	Unassigned	<u>27,735,146</u>	<u>-</u>
3000	Total fund balances	<u>35,870,105</u>	<u>10,987,352</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 52,119,924</u>	<u>\$ 12,078,675</u>

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

<u>Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 586,906	\$ 1,318,407	\$ 10,934,578
40,621,041	650,421	72,732,006
-	-	5,843,473
-	-	(570,183)
-	2,011,149	12,334,362
-	913,201	3,680,709
-	57,895	413,041
-	-	4,858,230
-	-	131,403
<u>41,207,947</u>	<u>4,951,073</u>	<u>110,357,619</u>
<u>\$ 41,207,947</u>	<u>\$ 4,951,073</u>	<u>\$ 110,357,619</u>
\$ 12,964,454	\$ 568,754	\$ 15,213,888
-	-	772,155
-	251,729	8,792,316
750,639	1,684,543	3,620,831
-	-	73,485
-	134,483	460,484
<u>13,715,093</u>	<u>2,639,509</u>	<u>28,933,159</u>
-	-	4,762,585
-	-	4,762,585
-	-	355,146
-	2,171,126	2,227,199
27,492,854	-	28,366,594
-	-	10,987,352
-	140,438	140,438
-	-	6,850,000
-	-	27,735,146
<u>27,492,854</u>	<u>2,311,564</u>	<u>76,661,875</u>
<u>\$ 41,207,947</u>	<u>\$ 4,951,073</u>	<u>\$ 110,357,619</u>

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Sheldon Independent School District
 Reconciliation of the Governmental Funds Balance
 Sheet to the Statement of Net Position
 June 30, 2020

Exhibit C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1) \$ 76,661,875

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	\$ 516,761,661	
Accumulated depreciation	<u>(103,553,892)</u>	413,207,769

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.		4,762,585
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Long-term liabilities, including bonds payable, 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	\$ (391,829,996)	
Premiums on bonds	(21,430,818)	
Accreted interest on capital appreciation bonds	(95,847)	
Accrued interest on bonds	(5,532,434)	
Compensated absences	(735,720)	
Net pension liability	(29,746,825)	
Net OPEB liability	<u>(34,850,502)</u>	(484,222,142)

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.		1,212,994
---	--	-----------

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.		16,325,054
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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.		(6,912,905)
---	--	-------------

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.		7,199,450
--	--	-----------

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.		<u>(15,076,845)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1) \$ 13,157,835

Sheldon Independent School District
Statement of Revenues, Expenditures, and Changes
in Fund Balances
Governmental Funds
For the For the Fiscal Year Ended June 30, 2020

<u>Data Control Codes</u>		<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES			
5700	Local and intermediate sources	\$ 58,206,805	\$ 20,995,118
5800	State program revenues	48,677,787	124,597
5900	Federal program revenues	3,427,598	-
5020	Total revenues	110,312,190	21,119,715
EXPENDITURES			
Current:			
0011	Instruction	59,969,393	-
0012	Instructional resources and media services	832,555	-
0013	Curriculum and instructional staff development	139,445	-
0021	Instructional leadership	2,637,998	-
0023	School leadership	6,004,978	-
0031	Guidance, counseling, and evaluation services	2,211,555	-
0032	Social work services	43,711	-
0033	Health services	774,361	-
0034	Student transportation	6,356,754	-
0035	Food services	-	-
0036	Cocurricular/extracurricular activities	2,057,011	-
0041	General administration	2,620,439	-
0051	Plant maintenance and operations	11,193,826	-
0052	Security and monitoring services	1,568,154	-
0053	Data processing services	1,544,665	-
0061	Community services	7,636	-
Debt service:			
0071	Principal on long-term debt	715,000	13,640,000
0072	Interest on long-term debt	60,431	14,783,160
0073	Issuance costs and fees	-	234,747
Capital outlay:			
0081	Facilities acquisition and construction	1,964,627	-
Intergovernmental:			
0099	Other intergovernmental charges	592,588	-
6030	Total expenditures	101,295,127	28,657,907
1100	Excess (deficiency) of revenues over (under) expenditures	9,017,063	(7,538,192)
OTHER FINANCING SOURCES (USES)			
7901	Refunding bonds issued	-	14,155,000
7912	Sale of real and personal property	22,393	-
7916	Premium or discount on issuance of bonds	-	1,485,851
7949	Other resources	20,000	-
8911	Transfers out	(93,000)	-
8940	Payment to refunded bonds escrow agent	-	(15,406,927)
7080	Total other financing sources (uses)	(50,607)	233,924
1200	Net change in fund balances	8,966,456	(7,304,268)
0100	Fund balances - beginning	26,903,649	18,291,620
3000	FUND BALANCES - ENDING	\$ 35,870,105	\$ 10,987,352

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

Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 964,655	\$ 712,227	\$ 80,878,805
-	2,154,373	50,956,757
-	11,669,784	15,097,382
<hr/>	<hr/>	<hr/>
964,655	14,536,384	146,932,944
-	7,945,526	67,914,919
-	7,737	840,292
-	-	139,445
-	193,689	2,831,687
-	-	6,004,978
-	166,771	2,378,326
-	-	43,711
-	-	774,361
-	-	6,356,754
-	6,206,503	6,206,503
-	-	2,057,011
-	-	2,620,439
-	-	11,193,826
-	83,367	1,651,521
-	124,028	1,668,693
-	69,412	77,048
-	-	14,355,000
-	-	14,843,591
-	-	234,747
41,643,549	-	43,608,176
-	-	592,588
<hr/>	<hr/>	<hr/>
41,643,549	14,797,033	186,393,616
<hr/>	<hr/>	<hr/>
(40,678,894)	(260,649)	(39,460,672)
-	-	14,155,000
-	-	22,393
-	-	1,485,851
-	-	20,000
-	-	(93,000)
-	-	(15,406,927)
<hr/>	<hr/>	<hr/>
-	-	183,317
<hr/>	<hr/>	<hr/>
(40,678,894)	(260,649)	(39,277,355)
<hr/>	<hr/>	<hr/>
68,171,748	2,572,213	115,939,230
<hr/>	<hr/>	<hr/>
\$ 27,492,854	\$ 2,311,564	\$ 76,661,875

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 For the Fiscal Year Ended June 30, 2020

Exhibit C-3

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2) \$ (39,277,355)

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	\$ 34,451,963	
Depreciation expense	<u>(9,776,143)</u>	24,675,820

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. 1,092,753

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	\$ (14,155,000)	
Premium on issuance of bonds	(1,485,851)	
Payment to escrow agent for advance refunding	15,406,927	
Repayment of bond principal	14,355,000	
Amortization of deferred loss on refunding bonds	(76,287)	
Amortization of premium on bonds payable	940,480	
Accreted interest on capital appreciation bonds	<u>(12,605)</u>	14,972,664

The change in the interest expense accrual amount for the current year from prior year amount was: 175,175

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	\$ 2,501,266	
Deferred inflows increased	(2,901,624)	
Net pension liability increased	<u>(3,058,654)</u>	(3,459,012)

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	\$ 3,755,424	
Deferred inflows increased	(4,159,744)	
Net OPEB liability increased	<u>(327,194)</u>	(731,514)

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. (27,112)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1) \$ (2,578,581)

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, 2020

Exhibit D-1

<u>Data Control Codes</u>		<u>Enterprise Fund Early Learning Center - Daycare</u>
	ASSETS	
	Current assets:	
1110	Cash and cash equivalents	\$ 7,227
1000	Total assets	7,227
	LIABILITIES	
	Current liabilities:	
2110	Accounts payable	335
2170	Due to other funds	2,205
2000	Total liabilities	2,540
	NET POSITION	
3900	Unrestricted	4,687
3000	TOTAL NET POSITION	<u>\$ 4,687</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 For the Fiscal Year Ended June 30, 2020

Exhibit D-2

<u>Data Control Codes</u>		<u>Enterprise Fund Early Learning Center - Daycare</u>
	OPERATING REVENUES	
5700	Local and intermediate sources	\$ 218,280
5020	Total operating revenues	218,280
	OPERATING EXPENSES	
6100	Payroll costs	306,739
6200	Professional and contracted services	3,458
6300	Supplies and materials	804
6400	Other operating costs	762
6030	Total operating expenses	311,763
	Loss before contributions and transfers	(93,483)
7915	Transfers in	93,000
1200	Change in net position	(483)
0100	Net position - beginning	5,170
3000	NET POSITION - ENDING	<u>\$ 4,687</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, 2020

Exhibit D-3

	<u>Enterprise Funds</u> <u>Early Learning</u> <u>Center - Daycare</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 218,280
Cash payments to suppliers for goods and services	(38,013)
Cash payments to employees	(308,705)
	<hr/>
Net cash provided (used) by operating activities	(128,438)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	93,000
	<hr/>
Net cash provided by noncapital financing activities	93,000
	<hr/>
Net decrease in cash and cash equivalents	(35,438)
Cash and cash equivalents - beginning	42,665
	<hr/>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 7,227</u>
RECONCILIATION OF OPERATING LOSS TO NET	
CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (93,483)
Change in assets and liabilities:	
Decrease in accounts payable	(221)
Decrease in accrued wages payable	(1,966)
Decrease in due to other funds	(32,768)
	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (128,438)</u>

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

Sheldon Independent School District
Statement of Net Position
Fiduciary Funds
June 30, 2020

Exhibit E-1

<u>Data Control Codes</u>		<u>810 Private-Purpose Trust Fund Scholarship Fund</u>	<u>865 Agency Fund Student Activity</u>
	ASSETS		
1110	Cash and cash equivalents	\$ 127,916	\$ 161,663
1120	Current investments	193,974	37,099
1260	Due from other funds	-	2,612
		<hr/>	<hr/>
1000	TOTAL ASSETS	321,890	<u>\$ 201,374</u>
	LIABILITIES		
2170	Due to other funds	60,285	\$ -
2190	Due to student groups	67,301	201,374
		<hr/>	<hr/>
2000	TOTAL LIABILITIES	127,586	<u>\$ 201,374</u>
	NET POSITION		
3800	Held in trust for private purposes	<hr/> 194,304	
3000	TOTAL NET POSITION	<u>\$ 194,304</u>	

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

Sheldon Independent School District
Statement of Changes in Net Position
Fiduciary Fund
For the For the Fiscal Year Ended June 30, 2020

Exhibit E-2

<u>Data Control Codes</u>		<u>810 Private-Purpose Trust Fund Scholarship Fund</u>
	ADDITIONS	
5700	Local and intermediate sources	\$ 55,038
	Total additions	55,038
	DEDUCTIONS	
6499	Scholarships	43,450
	Total deductions	43,450
	Change in net position	11,588
	Net position - beginning	182,716
	NET POSITION - ENDING	<u>\$ 194,304</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 (with the exception of agency funds which are custodial in nature thus do not have a measurement focus). 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 *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.

Private purpose trust funds are used to account for resources legally held in trust under which principal and income benefit individuals, private organizations or other governments. The District's private-purpose trust funds represent scholarship funds being held in trust for students.

The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

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

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, 2020 are reported as current investments. Any investments with longer maturities are reported as long-term investments.

H. 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.

I. 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.

J. 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

K. 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.

L. 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.

M. 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.

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Notes to the Basic Financial Statements

N. 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.

O. 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.

P. Fund Balances and Net Position

Net position on the government-wide and proprietary fund 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 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.

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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, 2020, 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	\$	6,500,000
Emergency repairs		<u>350,000</u>
Total	\$	<u><u>6,850,000</u></u>

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.

Q. 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, 2020 will change, and that change could be material to the District’s financial statements.

Sheldon Independent School District
Notes to the Basic Financial Statements

Note 2. Deposits and Investments

A summary of the District’s cash and investments at June 30, 2020, is shown below:

	Cash and Cash Equivalents	Current Investments	Long-term Investments	Restricted investments	Total Investments	Total Cash, Cash Equivalents, and Investments
General fund	\$ 5,953,187	\$ 28,726,099	\$ 131,403	\$ -	\$ 28,857,502	\$ 34,810,689
Debt service fund	3,076,078	2,734,445	-	4,858,230	7,592,675	10,668,753
Capital projects fund	586,906	40,621,041	-	-	40,621,041	41,207,947
Non-major governmental funds	1,318,407	650,421	-	-	650,421	1,968,828
Total governmental funds	10,934,578	72,732,006	131,403	4,858,230	77,721,639	88,656,217
Enterprise fund	7,227	-	-	-	-	7,227
Total government-wide	10,941,805	72,732,006	131,403	4,858,230	77,721,639	88,663,444
Fiduciary funds	289,579	231,073	-	-	231,073	520,652
Totals	\$ 11,231,384	\$ 72,963,079	\$ 131,403	\$ 4,858,230	\$ 77,952,712	\$ 89,184,096
Current investments					\$ 72,963,079	
Long-term investments					131,403	
Restricted investments					4,858,230	
Total investments					\$ 77,952,712	

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.

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Notes to the Basic Financial Statements

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.

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.

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Notes to the Basic Financial Statements

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.

The District's investments at June 30, 2020, are shown below:

	Local Government Investment Pools	Certificates of Deposit	US Treasury Securities	US Agency Securities	Repurchase Agreement	Total
General fund:						
Current investments	\$ 24,680,759	\$ 4,037,649	\$ -	\$ 7,691	\$ -	\$ 28,726,099
Long-term investments	-	-	29,094	102,309	-	131,403
Debt service fund:						
Current investments	2,734,445	-	-	-	-	2,734,445
Restricted investments	-	-	-	-	4,858,230	4,858,230
Capital projects fund:						
Current investments	40,621,041	-	-	-	-	40,621,041
Non-major governmental funds:						
Current investments	650,421	-	-	-	-	650,421
Total governmental funds	68,686,666	4,037,649	29,094	110,000	4,858,230	77,721,639
Fiduciary funds:						
Current investments	-	231,073	-	-	-	231,073
Totals	\$ 68,686,666	\$ 4,268,722	\$ 29,094	\$ 110,000	\$ 4,858,230	\$ 77,952,712

The District holds all US government securities to maturity date. 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.

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Notes to the Basic Financial Statements

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.

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 investment portfolio is measured at amortized cost; therefore the District's investment is measured at amortized cost. TexSTAR's investment portfolio is measured at fair value; therefore the District's investment is measured at the net asset value of the pool shares.

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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, 2020:

	June 30, 2020	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost:							
Investment pools:							
Lone Star Government Overnight Fund	48,466,930	-	-	-	62.17%	35	AAA*
Lone Star Corporate Overnight Fund	1,622,584	-	-	-	2.08%	43	AAA*
Investments measured at net asset value:							
Investment pools:							
TexSTAR	18,597,152	-	-	-	23.86%	31	AAAm*
Investments measured at cost:							
Repurchase agreement	4,858,230	-	-	-	6.23%	-	A-2**
Certificates of deposit - Woodforest	231,073	-	-	-	0.30%	194	Not Rated***
Certificates of deposit - GCFCU	4,037,649	-	-	-	5.18%	101	Not Rated***
Investments measured at fair value:							
Corporate bonds	13,602	-	13,602	-	0.02%	634	Aaa**
US treasury securities	29,094	29,094	-	-	0.04%	682	Aaa**
US agency securities:							
CMO	72,735	-	72,735	-	0.09%	2,765	Not Rated
CMBS	6,091	-	6,091	-	0.01%	3,890	Not Rated
Agency bonds	17,572	-	17,572	-	0.02%	480	Aaa**
Total value	\$ 77,952,712	\$ 29,094	\$ 110,000	\$ -	100.00%	36	
Portfolio weighted average maturity						36	

* Standard & Poor's rating

** Moody's rating

*** Certificates of deposit are insured or collateralized

The District's investments classified within Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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, 2020, 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, certificates of deposit, and US Treasury and Agency securities 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, 2020, the fair market value of the pledged securities was \$5,154,115.

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, 2020, the credit rating assigned to the counterparty is "A2" by Moody's and "A-" by Fitch.

Note 3. Receivables

Net receivables, at June 30, 2020, consist of the following:

	General Fund	Debt Service	Capital Projects	Nonmajor Funds	Total
Property taxes	\$ 4,497,173	\$ 1,346,300	\$ -	\$ -	\$ 5,843,473
Due from other governments:					
State	10,323,213	-	-	1,597,546	11,920,759
Federal	-	-	-	413,603	413,603
Other receivables	-	-	-	-	-
Gross receivables	14,820,386	1,346,300	-	2,011,149	18,177,835
Less allowance for uncollectibles - property taxes	(442,802)	(127,381)	-	-	(570,183)
Total receivables, net	\$ 14,377,584	\$ 1,218,919	\$ -	\$ 2,011,149	\$ 17,607,652

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, 2020 consisted of the following individual fund balances:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General fund	\$ 2,576,505	\$ 1,185,649
Debt service fund	191,003	-
Capital projects fund	-	750,639
Nonmajor governmental funds	<u>913,201</u>	<u>1,684,543</u>
Total governmental funds	3,680,709	3,620,831
Proprietary funds:		
Enterprise fund	<u>-</u>	<u>2,205</u>
Total proprietary funds	-	2,205
Fiduciary funds:		
Scholarship fund	-	60,285
Agency funds	<u>2,612</u>	<u>-</u>
Total fiduciary funds	<u>2,612</u>	<u>60,285</u>
Total - all funds	<u><u>\$ 3,683,321</u></u>	<u><u>\$ 3,683,321</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, 2020, the District transferred \$93,000 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, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 38,227,787	\$ -	\$ -	\$ 38,227,787
Construction in progress	180,618,516	32,255,033	(212,873,549)	-
Total capital assets, not being depreciated	218,846,303	32,255,033	(212,873,549)	38,227,787
Capital assets, being depreciated:				
Buildings and improvements	248,350,348	212,873,549	-	461,223,897
Furniture and equipment	15,536,930	2,196,930	(423,883)	17,309,977
Total capital assets, being depreciated	263,887,278	215,070,479	(423,883)	478,533,874
Less accumulated depreciation for:				
Buildings and improvements	(84,170,911)	(8,902,223)	-	(93,073,134)
Furniture and equipment	(10,030,721)	(873,920)	423,883	(10,480,758)
Total accumulated depreciation	(94,201,632)	(9,776,143)	423,883	(103,553,892)
Total capital assets, being depreciated, net	169,685,646	205,294,336	-	374,979,982
Governmental activities capital assets, net	\$ 388,531,949	\$ 237,549,369	\$(212,873,549)	\$ 413,207,769

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

Function	Amount
11 Instruction	\$ 6,106,393
12 Instructional resources and media services	273,421
21 Instructional leadership	91,140
23 School leadership	273,421
31 Guidance, counseling, and evaluation services	91,140
33 Health services	91,140
34 Student transportation	590,406
35 Food services	723,980
36 Cocurricular/extracurricular activities	831,876
41 General administration	91,140
51 Plant maintenance and operations	520,946
53 Data processing services	91,140
Total depreciation expense - governmental activities	\$ 9,776,143

The District has five active construction projects which were substantially complete as of June 30, 2020. 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 for C.E. King Middle School, and façade work to Monahan Elementary School, and which have a remaining commitment of \$7,003,652 at year end.

Sheldon Independent School District
Notes to the Basic Financial Statements

Note 6. Long-term Liabilities and Debt Service Requirements

Long-term liability activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligation bonds and tax note	\$ 407,209,996	\$ 14,155,000	\$ (29,535,000)	\$ 391,829,996	\$ 12,135,000
Premiums/discounts	21,229,471	1,485,851	(1,284,611)	21,430,818	961,519
Accreted interest on capital appreciation bonds	83,242	12,605	-	95,847	13,066
Total bonds payable, net	428,522,709	15,653,456	(30,819,611)	413,356,661	13,109,585
Compensated absences	708,608	64,482	(37,370)	735,720	132,430
Net pension liability	26,688,171	9,116,708	(6,058,054)	29,746,825	-
Net OPEB liability	34,523,308	6,064,065	(5,736,871)	34,850,502	-
Governmental activities long-term liabilities	\$ 490,442,796	\$ 30,898,711	\$ (42,651,906)	\$ 478,689,708	\$ 13,242,015

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.

Bonded debt and maintenance tax note payable as of June 30, 2020 is as follows:

Series	Interest Rate	Maturity Date	Original Issue Amount	Beginning Balance	Additions	Reductions	Ending Balance
Unlimited Tax School Building Bonds, Series 2005B	0.00%	2020	\$ 3,000,000	\$ 3,000,000	\$ -	\$ (3,000,000)	\$ -
Maintenance Tax Notes, Series 2006	3.875% to 4.125%	2021	8,200,000	1,465,000	-	(715,000)	750,000
Unlimited Qualified School Construction Bonds, Series 2010	5.632%	2027	8,200,000	8,200,000	-	-	8,200,000
Unlimited Tax School Building Bonds, Series 2010A	2.000% to 4.000%	2040	8,804,450	7,220,000	-	(7,220,000)	-
Unlimited Tax School Building Bonds, Series 2011	3.000% to 5.000%	2041	6,000,000	5,180,000	-	(5,180,000)	-
Unlimited Tax Refunding Bonds, Series 2011	2.125% to 3.000%	2028	3,559,996	2,989,996	-	(2,985,000)	4,996
Unlimited Tax School Building and Refunding Bonds, Series 2012	1.000% to 3.000%	2032	9,465,000	8,405,000	-	(165,000)	8,240,000
Unlimited Tax School Building and Refunding Bonds, Series 2013	2.000% to 3.500%	2043	20,295,000	17,415,000	-	(1,385,000)	16,030,000
Unlimited Tax School Building and Refunding Bonds, Series 2014	2.000% to 4.000%	2039	9,750,000	8,115,000	-	(350,000)	7,765,000
Unlimited Tax School Building and Refunding Bonds, Series 2015	3.000% to 5.000%	2040	16,040,000	14,070,000	-	(505,000)	13,565,000
Unlimited Tax School Building and Refunding Bonds, Series 2016	3.000% to 5.000%	2040	40,960,000	34,730,000	-	(1,985,000)	32,745,000
Unlimited Tax School Building and Refunding Bonds, Series 2016A	3.000% to 5.000%	2041	50,310,000	47,040,000	-	(1,275,000)	45,765,000
Unlimited Tax School Building Bonds, Series 2017	3.000% to 5.000%	2042	96,835,000	92,405,000	-	(2,385,000)	90,020,000
Unlimited Tax School Building and Refunding Bonds, Series 2018	3.000% to 5.000%	2048	98,665,000	97,720,000	-	(200,000)	97,520,000
Unlimited Tax School Building and Refunding Bonds, Series 2019	2.750% to 5.000%	2049	59,255,000	59,255,000	-	(1,840,000)	57,415,000
Unlimited Tax School Building and Refunding Bonds, Series 2019A	2.250% to 5.000%	2041	14,155,000	-	14,155,000	(345,000)	13,810,000
				<u>\$ 407,209,996</u>	<u>\$ 14,155,000</u>	<u>\$ (29,535,000)</u>	<u>\$ 391,829,996</u>

Sheldon Independent School District

Notes to the Basic Financial Statements

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 12,135,000	\$ 14,633,394	\$ 26,768,394
2022	11,900,000	14,069,981	25,969,981
2023	12,290,000	13,512,756	25,802,756
2024	12,765,000	12,940,569	25,705,569
2025	13,240,000	12,414,350	25,654,350
2026-2030	80,919,996	52,431,317	133,351,313
2031-2035	84,150,000	36,227,166	120,377,166
2036-2040	83,740,000	22,000,994	105,740,994
2041-2045	52,470,000	9,582,638	62,052,638
2046-2049	28,220,000	2,006,950	30,226,950
Totals	\$ 391,829,996	\$ 189,820,115	\$ 581,650,111

At June 30, 2020, the District did not have authorized but unissued bonds.

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, 2020:

Series	Restricted Cash and Temporary Investments	Maturity Date	Maturity Amount
Unlimited Qualified School Construction Bonds, Series 2010	\$ 4,858,230	2027	\$ 8,200,000
Totals	\$ 4,858,230		\$ 8,200,000

Advance Refunding

In December 2019, the District issued \$14,155,000 in Unlimited Tax School Building and Refunding bonds (Series 2019A), with interest rates ranging from 2.25 percent to 5.00 percent, to be used for the construction, acquisition, and equipment of school buildings in the District and to advance refund \$15,180,000 of outstanding 2010A and both 2011 series bonds with an average interest rate of 3.44 percent. The net proceeds of approximately \$15.6 million (including a premium on issuance of approximately \$1.485 million and payment of approximately \$235,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2010A and 2011 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.

Sheldon Independent School District

Notes to the Basic Financial Statements

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$8,990. This difference, reported in the accompanying government-wide statement of net position as a deferred outflow of resources, is being charged to operations through the year 2041 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 21 years by approximately \$3,074,000 and to obtain an economic gain (difference between present values of the old and new debt service payments) of approximately \$2,442,000.

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, 2020.

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	\$ 56,772,803	\$ 20,710,028	\$ -	\$ -	\$ 77,482,831
Investment income	552,920	285,090	964,655	30,156	1,832,821
Charges for services	345,625	-	-	673,244	1,018,869
Gifts and bequests	152,080	-	-	-	152,080
Other	315,929	-	-	8,827	324,756
Totals	\$ 58,139,357	\$ 20,995,118	\$ 964,655	\$ 712,227	\$ 80,811,357

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.

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_cafra.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Sheldon Independent School District

Notes to the Basic Financial Statements

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	
	2020	2019
Member	7.7%	7.7%
Non-employer contribution entity (State)	7.5%	6.8%
Employers (District)	7.5%	6.8%
Employers (District - Non-OASDI)*	1.5%	1.5%

*SB12 requires an increase in employer contributions by public school districts, charter schools and regional education service centers. Prior to SB12, only those employers not participating in social security were required to pay a 1.5% contributions (Non-OASDI surcharge). Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution irrespective of participation in social security.

The contribution amounts for the District's fiscal year 2020 are as follows:

District contributions	\$	2,565,113
Member contributions		5,534,816
NECE on-behalf contributions (State)		3,564,401

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.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the member's salary.

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

At June 30, 2020, the District reported a liability of \$29,746,825 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the collective net pension liability	\$ 29,746,825
State's proportionate share of the net pension liability associated with the District	<u>42,051,975</u>
Total	<u><u>\$ 71,798,800</u></u>

The net pension liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2018 rolled forward to August 31, 2019. 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, 2018 through August 31, 2019.

Sheldon Independent School District

Notes to the Basic Financial Statements

At the measurement date of August 31, 2019, the District's proportion of the collective net pension liability was 0.05722% which was an increase of 0.00874% from its proportion measured as of August 31, 2018.

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$12,629,898 and revenue of \$6,605,773 for support provided by the State.

At June 30, 2020, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 124,963	\$ 1,032,857
Changes in assumptions	9,228,926	3,813,829
Difference between projected and actual investment earnings on pension plan investments	298,692	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	4,438,589	2,066,219
Contributions paid to TRS subsequent to the measurement date	2,233,884	-
	<u> </u>	<u> </u>
Totals	\$ 16,325,054	\$ 6,912,905

\$2,233,884 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, 2021. 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,		
<u> </u>		
2021	\$	1,768,058
2022		1,413,964
2023		1,655,182
2024		1,602,133
2025		824,482
Thereafter		<u>(85,554)</u>
Total	\$	<u>7,178,265</u>

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, 2018. Update procedures were used to roll forward the total pension liability to August 31, 2019 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 2019	2.63%. 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)	2116
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, 2018 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 arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2019 are summarized below:

Asset Class	Target Allocation*	Long-term Expected Arithmetic Real Rate of Return
Global equity:		
U.S.	18.00%	5.70%
Non-U.S. developed	13.00%	6.90%
Emerging markets	9.00%	8.95%
Directional hedge funds	4.00%	3.53%
Private equity	13.00%	10.18%
Stable value:		
U.S. Treasuries	11.00%	1.11%
Stable value hedge funds	4.00%	3.09%
Real return:		
Global inflation linked bonds	3.00%	0.70%
Real estate	14.00%	5.21%
Energy, natural resources and infrastructure	5.00%	7.48%
Risk parity:		
Risk parity	5.00%	3.70%
Asset allocation leverage cash	1.00%	-0.30%
Totals	100.0%	

* FY 2019 target allocation based on the strategic asset allocation dated 10/1/2019.

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	\$ 45,725,191	\$ 29,746,825	\$ 16,801,264

Change of Assumptions Since the Prior Measurement Date

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

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; 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.

Sheldon Independent School District

Notes to the Basic Financial Statements

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.

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>2020</u>	<u>2019</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, 2020 are as follows:

District contributions	\$ 607,336
Member contributions	467,268
NECE on-behalf contributions (State)	1,008,870

Sheldon Independent School District

Notes to the Basic Financial Statements

In addition, the State of Texas contributed \$316,762, \$183,575 and \$176,410 in 2020, 2019, and 2018, respectively, for on-behalf payments for Medicare Part D.

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.

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

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

At June 30, 2020, the District reported a liability of \$34,850,502 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District are as follows:

District's proportionate share of the net OPEB liability	\$ 34,850,502
State's proportionate share of the net OPEB liability associated with the District	<u>46,308,521</u>
Total	<u><u>\$ 81,159,023</u></u>

The net OPEB liability was measured as of August 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as August 31, 2018 rolled forward to August 31, 2019. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.07369%, which was an increase of 0.00455% from its proportion measured as of August 31, 2018.

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$2,559,353 and revenue of \$1,220,503 for support provided by the State.

At June 30, 2020, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 1,709,713	\$ 5,702,915
Changes of assumptions	1,935,674	9,373,930
Difference between projected and actual earnings on OPEB plan investments	3,760	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	3,030,158	-
District contributions paid subsequent to the measurement date	<u>520,145</u>	<u>-</u>
Totals	<u><u>\$ 7,199,450</u></u>	<u><u>\$ 15,076,845</u></u>

Sheldon Independent School District

Notes to the Basic Financial Statements

\$520,145 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, 2021. 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,	
2021	\$ (1,536,742)
2022	(1,536,742)
2023	(1,537,959)
2024	(1,538,655)
2025	(1,538,465)
Thereafter	<u>(708,977)</u>
Total	\$ <u>(8,397,540)</u>

Actuarial Methods and Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2018. Update procedures were used to roll forward the total OPEB liability to August 31, 2019.

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, 2019 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.

The initial medical trend rates were 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50 % over a period of 13 years.

Sheldon Independent School District

Notes to the Basic Financial Statements

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

Actuarial cost method	Individual entry age normal
Single discount rate	2.63%
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
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

The impact of the Cadillac Tax that is returning in fiscal year 2023 has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability at August 31, 2019. This was a decrease of 1.06% in the discount rate since the August 31, 2018 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".

Sheldon Independent School District

Notes to the Basic Financial Statements

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 (2.63%) in measuring the net OPEB liability.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
District's proportionate share of the net OPEB liability	\$ 42,075,738	\$ 34,850,502	\$ 29,198,193

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:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 28,429,817	\$ 34,850,502	\$ 43,451,271

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 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total 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. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
- The trend rates were reset to better reflect the plan's anticipated experience. This change increased the total OPEB liability.
- 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%. These changes decreased the total OPEB liability.

Change of Benefit Terms Since the Prior Measurement Date

There were no changes in benefit terms since the prior measurement date.

Sheldon Independent School District

Notes to the Basic Financial Statements

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.

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, 2020, the District foregoes collecting property taxes totaling \$3,156,296 resulting from the M&O tax rate of \$1.0684 per \$100 of taxable value. The qualified properties per the agreements had a taxable value of \$455,422,700 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. Subsequent Events

On October 15, 2020, the District sold approximately 8 acres of unimproved land for approximately \$2,034,000 to another local governmental entity.

On November 1, 2020, District issued \$6,945,000 in Unlimited Tax Refunding Bonds, Series 2020.

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the District's operations and financial results at this time.

Required Supplementary Information

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Sheldon Independent School District
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
General Fund
For the For the Fiscal Year Ended June 30, 2020

Exhibit G-1

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 57,069,250	\$ 58,532,420	\$ 58,206,805	\$ (325,615)
5800	State program revenues	35,033,901	43,808,901	48,677,787	4,868,886
5900	Federal program revenues	3,215,000	4,719,000	3,427,598	(1,291,402)
5020	Total revenues	95,318,151	107,060,321	110,312,190	3,251,869
EXPENDITURES					
Current:					
0011	Instruction	55,959,674	60,781,267	59,969,393	811,874
0012	Instructional resources and media services	845,440	917,295	832,555	84,740
0013	Curriculum and instructional staff development	283,549	274,920	139,445	135,475
0021	Instructional leadership	2,684,758	3,184,413	2,637,998	546,415
0023	School leadership	5,480,393	6,029,215	6,004,978	24,237
0031	Guidance, counseling, and evaluation services	2,598,112	2,227,590	2,211,555	16,035
0032	Social work services	40,349	47,849	43,711	4,138
0033	Health services	761,003	844,930	774,361	70,569
0034	Student transportation	5,525,532	6,507,319	6,356,754	150,565
0036	Cocurricular/extracurricular activities	2,680,353	2,410,588	2,057,011	353,577
0041	General administration	2,852,715	2,986,814	2,620,439	366,375
0051	Plant maintenance and operations	10,028,429	12,772,854	11,193,826	1,579,028
0052	Security and monitoring services	1,744,582	1,846,269	1,568,154	278,115
0053	Data processing services	1,338,781	1,477,206	1,544,665	(67,459)
0061	Community services	22,855	23,678	7,636	16,042
Debt service:					
0071	Principal on long-term debt	715,000	716,000	715,000	1,000
0072	Interest on long-term debt	62,000	61,000	60,431	569
Capital outlay:					
0081	Facilities acquisition and construction	1,078,654	4,254,654	1,964,627	2,290,027
Intergovernmental:					
0099	Other intergovernmental charges	-	600,000	592,588	7,412
6030	Total expenditures	94,717,179	107,963,861	101,295,127	6,668,734
1100	Excess (deficiency) of revenues over (under) expenditures	600,972	(903,540)	9,017,063	9,920,603
OTHER FINANCING SOURCES (USES)					
7912	Sale of real and personal property	-	23,000	22,393	(607)
7949	Other resources	1,638,000	2,112,000	20,000	(2,092,000)
8911	Transfers out	-	(140,000)	(93,000)	47,000
8949	Other uses	-	(256,000)	-	256,000
7080	Total other financing sources (uses)	1,638,000	1,739,000	(50,607)	(1,789,607)
7989	Other non-operating revenues	-	68,000	-	(68,000)
1200	Net change in fund balance	2,238,972	903,460	8,966,456	8,062,996
0100	Fund balance - beginning	26,903,649	26,903,649	26,903,649	-
3000	FUND BALANCE - ENDING	\$ 29,142,621	\$ 27,807,109	\$ 35,870,105	\$ 8,062,996

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

Sheldon Independent School District

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 Six Fiscal Years*

	<u>2020</u>
District's proportion of the net pension liability	0.05722%
District's proportionate share of the net pension liability	\$ 29,746,825
State's proportionate share of the net pension liability associated with the District	<u>42,051,975</u>
TOTALS	<u>\$ 71,798,800</u>
District's covered payroll	\$ 61,646,828
District's proportionate share of the net pension liability as a percentage of its covered payroll	48.25%
Plan fiduciary net position as a percentage of the total pension liability	75.24%

* 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.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.04849%	0.05384%	0.05768%	0.05930%	0.03889%
\$ 26,688,171	\$ 17,215,912	\$ 21,795,467	\$ 20,961,902	\$ 10,381,059
48,041,019	26,638,986	32,398,523	30,914,126	25,647,821
<u>\$ 74,729,190</u>	<u>\$ 43,854,898</u>	<u>\$ 54,193,990</u>	<u>\$ 51,876,028</u>	<u>\$ 36,028,880</u>
\$ 57,390,948	\$ 56,381,175	\$ 56,838,001	\$ 54,422,769	\$ 49,819,013
46.50%	30.53%	38.35%	38.52%	20.84%
73.74%	82.17%	78.00%	78.43%	83.25%

Sheldon Independent School District
 Schedule of the District's Contributions to the
 Teacher Retirement System of Texas Pension Plan
 For the Last Six Fiscal Years*

	<u>2020</u>
Contractually required contributions	\$ 2,565,113
Contributions in relation to the contractually required contributions	<u>(2,565,113)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u><u>\$ -</u></u>
District's covered payroll	\$ 71,878,515
Contribution as a percentage of covered payroll	3.57%

* The amounts presented for the fiscal years were determined as of the District's year end, June 30th.
 For years prior to 2019, the District's fiscal year end was August 31st.
 Ten years of data is not available.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,542,451	\$ 1,777,997	\$ 1,764,641	\$ 1,832,559	\$ 1,755,911
<u>(1,542,451)</u>	<u>(1,777,997)</u>	<u>(1,764,641)</u>	<u>(1,832,559)</u>	<u>(1,755,911)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 51,149,351	\$ 57,390,948	\$ 56,381,175	\$ 56,838,001	\$ 54,422,769
3.02%	3.10%	3.13%	3.22%	3.23%

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 Three Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.07369%	0.06914%	0.00681%
District's proportionate share of the net OPEB liability	\$ 34,850,502	\$ 34,523,308	\$ 29,603,039
State's proportionate share of the net pension liability associated with the District	<u>46,308,521</u>	<u>49,079,488</u>	<u>43,880,484</u>
TOTALS	<u>\$ 81,159,023</u>	<u>\$ 83,602,796</u>	<u>\$ 73,483,523</u>
District's covered payroll	\$ 61,646,828	\$ 57,390,948	\$ 56,381,175
District's proportionate share of the net pension liability as a percentage of its covered payroll	56.53%	60.15%	52.51%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	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
 Schedule of the District's Contributions to the
 Teacher Retirement System of Texas OPEB Plan
 For the Last Three Fiscal Years*

Exhibit G-5

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 607,336	\$ 445,288	\$ 463,378
Contributions in relation to the contractually required contributions	<u>(607,336)</u>	<u>(445,288)</u>	<u>(463,378)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered payroll	\$ 71,878,515	\$ 51,149,351	\$ 57,390,948
Contribution as a percentage of covered payroll	0.84%	0.87%	0.81%

* The amounts presented for the fiscal years were determined as of the District's year end, June 30th.
 For the years prior to 2019, the District's fiscal year end was August 31st.
 Ten years of data is not available.

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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, 2020. Expenditures in function 53 exceeded budgeted amounts by approximately \$67,459. This was due to a cyber ransomware attack perpetrated in March 2020 during which District servers were maliciously encrypted by a third party. Board approval was obtained to disburse funds to obtain access to the servers to resume operations.

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 18, 2019. 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, facilities acquisition and construction, plant maintenance and operations and instruction expenditures.

Sheldon Independent School District
Notes to the Required Supplementary Information

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:

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
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.

Supplementary Information

Sheldon Independent School District
 Combining Balance Sheet
 Nonmajor Governmental Funds
 Special Revenue Funds
 June 30, 2020

<u>Data Control Codes</u>		211	224
		<u>ESSA, Title I, Part A - Improving Basic Programs</u>	<u>IDEA - Part B, Formula</u>
ASSETS			
1110	Cash and cash equivalents	\$ 5,923	\$ 4,136
1120	Current investments	-	-
1240	Due from other governments	290,831	320,955
1260	Due from other funds	-	-
1300	Inventories	-	-
		<hr/>	<hr/>
1000	TOTAL ASSETS	<u>\$ 296,754</u>	<u>\$ 325,091</u>
LIABILITIES			
2110	Accounts payable	\$ 1,076	\$ 1,025
2160	Accrued wages payable	-	-
2170	Due to other funds	295,678	324,066
2300	Unearned revenue	-	-
		<hr/>	<hr/>
2000	Total liabilities	296,754	325,091
FUND BALANCES			
Restricted for:			
3450	Grants	-	-
Committed to:			
3545	Other	-	-
		<hr/>	<hr/>
3000	Total fund balances	-	-
		<hr/>	<hr/>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 296,754</u>	<u>\$ 325,091</u>

225	240	244	254	255	263
IDEA - Part B, Preschool	National School Breakfast & Lunch Program	Career and Technical - Basic Grant	Perkins Career Cluster	ESSA, Title II, Part A - Teacher & Principal Training & Recruiting	Title III, Part A, English Language Acquisition & Enhancement
\$ -	\$ 1,002,468	\$ 5,001	\$ -	\$ 2,733	\$ 6,882
-	650,421	-	-	-	-
-	286,121	393,273	-	21,477	72,851
-	478,698	-	-	-	-
-	57,895	-	-	-	-
<u>\$ -</u>	<u>\$ 2,475,603</u>	<u>\$ 398,274</u>	<u>\$ -</u>	<u>\$ 24,210</u>	<u>\$ 79,733</u>
\$ -	\$ 33,265	\$ 44,576	\$ -	\$ -	\$ -
-	251,729	-	-	-	-
-	-	353,698	-	24,210	79,733
-	19,483	-	-	-	-
-	304,477	398,274	-	24,210	79,733
-	2,171,126	-	-	-	-
-	-	-	-	-	-
-	2,171,126	-	-	-	-
<u>\$ -</u>	<u>\$ 2,475,603</u>	<u>\$ 398,274</u>	<u>\$ -</u>	<u>\$ 24,210</u>	<u>\$ 79,733</u>

Sheldon Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds - Continued
June 30, 2020

		265	274
Data Control Codes		<u>21st Century Grant</u>	<u>GEAR UP</u>
ASSETS			
1110	Cash and cash equivalents	\$ 5,247	\$ 5,957
1120	Current investments	-	-
1240	Due from other governments	400,546	41,044
1260	Due from other funds	-	-
1300	Inventories	-	-
1000	TOTAL ASSETS	<u>\$ 405,793</u>	<u>\$ 47,001</u>
LIABILITIES			
2110	Accounts payable	\$ 4,844	\$ 3,451
2160	Accrued wages payable	-	-
2170	Due to other funds	400,949	43,550
2300	Unearned revenue	-	-
2000	Total liabilities	405,793	47,001
FUND BALANCES			
Restricted for:			
3450	Grants	-	-
Committed to:			
3545	Other	-	-
3000	Total fund balances	-	-
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 405,793</u>	<u>\$ 47,001</u>

283	287	289	397	410	428
Texas Homeless Youth	ESSA, Title IV, Part A, SSAE	Federally Funded Special Revenue Funds	Advanced Placement Incentives	State Textbook Fund	Pre-K Grant 2
\$ 147	\$ 1,024	\$ 17,077	\$ -	\$ 4,043	\$ 115,000
-	-	-	-	-	-
4,352	7,599	20,326	-	41,115	-
-	-	-	-	434,503	-
-	-	-	-	-	-
<u>\$ 4,499</u>	<u>\$ 8,623</u>	<u>\$ 37,403</u>	<u>\$ -</u>	<u>\$ 479,661</u>	<u>\$ 115,000</u>
\$ -	\$ -	\$ -	\$ -	\$ 479,661	\$ -
-	-	-	-	-	-
4,499	8,623	37,403	-	-	-
-	-	-	-	-	115,000
4,499	8,623	37,403	-	479,661	115,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 4,499</u>	<u>\$ 8,623</u>	<u>\$ 37,403</u>	<u>\$ -</u>	<u>\$ 479,661</u>	<u>\$ 115,000</u>

Sheldon Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds - Continued
June 30, 2020

		429	459
<u>Data Control Codes</u>		<u>State Funded Special Revenue Funds</u>	<u>Shared Services Arrangements</u>
ASSETS			
1110	Cash and cash equivalents	\$ 1,975	\$ -
1120	Current investments	-	-
1240	Due from other governments	27,292	83,367
1260	Due from other funds	-	-
1300	Inventories	-	-
1000	TOTAL ASSETS	<u>\$ 29,267</u>	<u>\$ 83,367</u>
LIABILITIES			
2110	Accounts payable	\$ 856	\$ -
2160	Accrued wages payable	-	-
2170	Due to other funds	28,411	83,367
2300	Unearned revenue	-	-
2000	Total liabilities	29,267	83,367
FUND BALANCES			
Restricted for:			
3450	Grants	-	-
Committed to:			
3545	Other	-	-
3000	Total fund balances	-	-
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,267</u>	<u>\$ 83,367</u>

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<u>Campus Activity Fund</u>	<u>Total Nonmajor Funds (See Exhibit C-1)</u>
\$ 140,794	\$ 1,318,407
-	650,421
-	2,011,149
-	913,201
-	57,895
\$ 140,794	\$ 4,951,073
\$ 140,794	\$ 4,951,073
\$ -	\$ 568,754
-	251,729
356	1,684,543
-	134,483
356	2,639,509
-	2,171,126
140,438	140,438
140,438	2,311,564
\$ 140,794	\$ 4,951,073

Sheldon Independent School District

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds
For the For the Fiscal Year Ended June 30, 2020

<u>Data Control Codes</u>		211	224
		<u>ESSA, Title I, Part A - Improving Basic Programs</u>	<u>IDEA - Part B, Formula</u>
REVENUES			
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	1,859,082	1,879,787
		<hr/>	<hr/>
5020	Total revenues	1,859,082	1,879,787
EXPENDITURES			
Current:			
0011	Instruction	1,791,120	1,712,621
0012	Instructional resources and media services	-	-
0021	Instructional leadership	-	395
0031	Guidance, counseling, and evaluation services	-	166,771
0035	Food services	-	-
0052	Security and monitoring services	-	-
0053	Data processing services	-	-
0061	Community services	67,962	-
		<hr/>	<hr/>
6030	Total expenditures	1,859,082	1,879,787
1200	Net change in fund balances	-	-
0100	Fund balances - beginning	-	-
		<hr/>	<hr/>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>

225	240	244	254	255	263
IDEA - Part B, Preschool	National School Breakfast & Lunch Program	Career and Technical - Basic Grant	Perkins Career Cluster	ESSA, Title II, Part A - Teacher & Principal Training & Recruiting	Title III, Part A, English Language Acquisition & Enhancement
\$ -	\$ 502,916	\$ -	\$ -	\$ -	\$ -
-	201,610	-	-	-	-
18,192	5,177,920	705,619	9,074	342,684	288,591
18,192	5,882,446	705,619	9,074	342,684	288,591
18,192	-	705,619	9,074	251,421	287,141
-	-	-	-	-	-
-	-	-	-	91,263	-
-	-	-	-	-	-
-	6,206,503	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,450
18,192	6,206,503	705,619	9,074	342,684	288,591
-	(324,057)	-	-	-	-
-	2,495,183	-	-	-	-
\$ -	\$ 2,171,126	\$ -	\$ -	\$ -	\$ -

Sheldon Independent School District

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds – Continued
For the For the Fiscal Year Ended June 30, 2020

		265	274
<u>Data Control Codes</u>		<u>21st Century Grant</u>	<u>GEAR UP</u>
REVENUES			
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	543,306	349,936
		<hr/>	<hr/>
5020	Total revenues	543,306	349,936
EXPENDITURES			
Current:			
0011	Instruction	543,306	349,936
0012	Instructional resources and media services	-	-
0021	Instructional leadership	-	-
0031	Guidance, counseling, and evaluation services	-	-
0035	Food services	-	-
0052	Security and monitoring services	-	-
0053	Data processing services	-	-
0061	Community services	-	-
		<hr/>	<hr/>
6030	Total expenditures	543,306	349,936
1200	Net change in fund balances	-	-
0100	Fund balances - beginning	-	-
		<hr/>	<hr/>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>

283	287	289	397	410	428
Texas Homeless Youth	ESSA, Title IV, Part A, SSAE	Federally Funded Special Revenue Funds	Advanced Placement Incentives	State Textbook Fund	Pre-K Grant 2
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	90,025	1,617,601	-
45,949	133,720	315,924	-	-	-
45,949	133,720	315,924	90,025	1,617,601	-
45,949	32,790	191,896	90,025	1,616,500	-
-	-	-	-	-	-
-	100,930	-	-	1,101	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	124,028	-	-	-
-	-	-	-	-	-
45,949	133,720	315,924	90,025	1,617,601	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Sheldon Independent School District

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds – Continued
For the For the Fiscal Year Ended June 30, 2020

		429	459
<u>Data Control Codes</u>		<u>State Funded Special Revenue Funds</u>	<u>Shared Services Arrangements</u>
REVENUES			
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	161,770	83,367
5900	Federal program revenues	-	-
		<hr/>	<hr/>
5020	Total revenues	161,770	83,367
EXPENDITURES			
Current:			
0011	Instruction	161,770	-
0012	Instructional resources and media services	-	-
0021	Instructional leadership	-	-
0031	Guidance, counseling, and evaluation services	-	-
0035	Food services	-	-
0052	Security and monitoring services	-	83,367
0053	Data processing services	-	-
0061	Community services	-	-
		<hr/>	<hr/>
6030	Total expenditures	161,770	83,367
1200	Net change in fund balances	-	-
0100	Fund balances - beginning	-	-
		<hr/>	<hr/>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>

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<u>Campus Activity Fund</u>	<u>Total Nonmajor Funds (See Exhibit C-2)</u>
\$ 209,311	\$ 712,227
-	2,154,373
-	11,669,784
209,311	14,536,384
138,166	7,945,526
7,737	7,737
-	193,689
-	166,771
-	6,206,503
-	83,367
-	124,028
-	69,412
145,903	14,797,033
63,408	(260,649)
77,030	2,572,213
\$ 140,438	\$ 2,311,564

Sheldon Independent School District
 Schedule of Delinquent Taxes Receivable
 For the For the Fiscal Year Ended June 30, 2020

Year Ended June 30,	Tax Rates		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	\$ Various	\$ Various	\$ Various
2012	1.0900	0.3400	3,505,474,406
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 (School year under audit)	1.0684	0.3800	5,401,138,007

1000 TOTALS

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

Exhibit J-1

<u>Beginning Balance 7/1/2019</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 6/30/2020</u>
\$ 425,599	\$ -	\$ 3,123	\$ 1,019	\$ (89)	\$ 421,368
115,219	-	1,182	443	(38)	113,556
66,752	-	2,827	882	1,072	64,115
101,155	-	27,221	8,491	1,745	67,188
270,919	-	49,191	10,931	7,540	218,337
313,200	-	73,129	16,251	35,899	259,719
287,635	-	81,083	16,632	38,269	228,189
564,410	-	210,067	43,091	45,996	357,248
1,084,852	-	569,984	146,150	(31,374)	337,344
<u>-</u>	<u>78,230,083</u>	<u>58,886,753</u>	<u>20,944,371</u>	<u>3,590,038</u>	<u>1,988,997</u>
<u>\$ 3,229,741</u>	<u>\$ 78,230,083</u>	<u>\$ 59,904,560</u>	<u>\$ 21,188,261</u>	<u>\$ 3,689,058</u>	4,056,061
					<u>1,787,412</u>
					<u>\$ 5,843,473</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 For the Fiscal Year Ended June 30, 2020

Exhibit J-2

<u>Data Control Codes</u>		<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>		
REVENUES					
5700	Local and intermediate sources	\$ 857,325	\$ 857,325	\$ 502,916	\$ (354,409)
5800	State program revenues	134,486	134,486	201,610	67,124
5900	Federal program revenues	5,886,253	5,886,253	5,177,920	(708,333)
5020	Total revenues	6,878,064	6,878,064	5,882,446	(995,618)
EXPENDITURES					
Current:					
0035	Food services	7,579,820	8,358,557	6,206,503	2,152,054
6030	Total expenditures	7,579,820	8,358,557	6,206,503	2,152,054
1100	Excess (deficiency) of revenues over (under) expenditures	(701,756)	(1,480,493)	(324,057)	1,156,436
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	-	1,480,493	-	(1,480,493)
7080	Total other financing sources (uses)	-	1,480,493	-	(1,480,493)
1200	Net change in fund balance	(701,756)	-	(324,057)	(324,057)
0100	Fund balance - beginning	2,495,183	2,495,183	2,495,183	-
3000	FUND BALANCE - ENDING	<u>\$ 1,793,427</u>	<u>\$ 2,495,183</u>	<u>\$ 2,171,126</u>	<u>\$ (324,057)</u>

Sheldon Independent School District
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balances – Budget and Actual
 Debt Service Fund
 For the For the Fiscal Year Ended June 30, 2020

Exhibit J-3

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 22,985,000	\$ 23,525,000	\$ 20,995,118	\$ (2,529,882)
5800	State program revenues	130,000	130,000	124,597	(5,403)
5020	Total revenues	23,115,000	23,655,000	21,119,715	(2,535,285)
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	11,172,000	13,801,887	13,640,000	161,887
0072	Interest on long-term debt	14,980,000	14,783,230	14,783,160	70
0073	Issuance costs and fees	-	169,912	234,747	(64,835)
6030	Total expenditures	26,152,000	28,755,029	28,657,907	97,122
1100	Excess (deficiency) of revenues over (under) expenditures	(3,037,000)	(5,100,029)	(7,538,192)	(2,438,163)
OTHER FINANCING SOURCES (USES)					
7901	Refunding bonds issued	-	-	14,155,000	14,155,000
7911	Issuance of bonds	-	14,155,000	-	(14,155,000)
7916	Premium or discount on issuance of bonds	-	2,351,959	1,485,851	(866,108)
8940	Payment to refunded bonds escrow agent	-	(15,406,930)	(15,406,927)	3
7080	Total other financing sources (uses)	-	1,100,029	233,924	(866,105)
1200	Net change in fund balance	(3,037,000)	(4,000,000)	(7,304,268)	(3,304,268)
0100	Fund balance - beginning	18,291,620	18,291,620	18,291,620	-
3000	FUND BALANCE - ENDING	\$ 15,254,620	\$ 14,291,620	\$ 10,987,352	\$ (3,304,268)

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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, 2020, 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 18, 2020.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2020-003 to be a significant deficiency.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2020-002.

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 18, 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, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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, 2020.

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 not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-004 and 2020-005, that we consider to be significant deficiencies.

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 18, 2020

Sheldon Independent School District
 Schedule of Findings and Questioned Costs
 For the For the Fiscal Year Ended June 30, 2020

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 No

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 Child Nutrition Cluster
- 84.010A Title I
- 84.027A and 84.173A Special Education Cluster

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 For the Fiscal Year Ended June 30, 2020

Section 2. Financial Statement Findings

2020-001: Lack of Account Reconciliations in Grant Funds

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:

During the audit it was determined that receivables were overstated for revenues recognized in the previous period. Grant receivables were overstated by \$140,820 and general fund revenue was overstated by \$140,820.

Cause:

During the fiscal year ended June 30, 2020, reconciliations were not maintained for certain grant funds and the District improperly recognized revenue in the general fund for funds that were received that should have been applied against a receivable balance in the grant funds.

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 indicating whether funds received meet the criteria for revenue recognition in the current fiscal year or if they should be applied against receivables that were recorded to recognize revenue in a prior period.

Views of Responsible Officials and Planned Corrective Action Plan

See corrective action plan.

2020-002 PEIMS Reporting

Type of finding: Noncompliance

Criteria

As permitted by the Texas Education Code, the District elected to change a June 30 fiscal year end effective for the periods after the fiscal year ending August 31, 2018. The first fiscal period after implementation of the changes was a ten-month period, from September 1, 2018 through June 30, 2019. However, the Texas Education Agency (TEA) requires school districts to report financial data through the Public Education Information Management System (PEIMS) on a twelve-month reporting basis for the purposes of the administration of state and federal regulatory activities, as well as state funding calculations under Foundation School Program. Therefore, to meet the TEA requirements, in the first year of implementation of a change to a June 30 fiscal year end, the budget and actual financial data reported through PEIMS must be for the period beginning September 1 and ending August 31 (two months beyond the July 1 start date of the following fiscal year).

Condition:

The actual financial data reported to the TEA through PEIMS by the District for the fiscal period beginning on September 1, 2018 was on a ten-month basis, for the period beginning September 1, 2018 and ending June 30, 2019.

Sheldon Independent School District

Schedule of Findings and Questioned Costs – Continued

For the For the Fiscal Year Ended June 30, 2020

Cause:

The District's annual financial report for the fiscal period ending June 30, 2020 was correctly on a ten-month basis. However, the District failed to adjust the ten-month data in its annual financial report to a twelve-month basis in order to submit the twelve months of data as required by the TEA.

Effect or Potential Effect:

During the fiscal year ended June 30, 2020, the TEA notified the District that it was found to be noncompliant with the maintenance of effort requirements applicable to Elementary and Secondary Education Act Federal grant programs for the fiscal year ending June 30, 2019. This finding of noncompliance was attributable to the fact that the District failed to report a full twelve months of expenditures for that period. Additionally, the data reported through PEIMS affects the TEA's various other administrative activities, as well as the calculation of the state funding allocable to the District.

Recommendation:

We recommend that the District review its procedures for PEIMS reporting and take action to rectify the incorrect PEIMS reporting of the prior period.

Views of Responsible Officials and Planned Corrective Action Plan

See corrective action plan.

2020-003 Internal Control over Financial Reporting – 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.

Condition:

During the fiscal year ended June 30, 2020, the District's information system was accessed by an unauthorized third party. The unauthorized third party encrypted the District's information system and demanded payment in exchange for a password to decrypt the information system.

Cause:

The District's information system contained vulnerabilities that the unauthorized third party was able to exploit to gain unauthorized remote access. The District was unable to identify the root cause or access point of the breach.

Effect or Potential Effect:

The District negotiated with the unauthorized third party which resulted in the District's paying the unauthorized third party approximately \$307,000, of which \$100,000 was provided by the District's cybersecurity insurer.

Recommendation:

We recommend the District implement measures to enhance network security and ensure the risk of unauthorized access to its information systems is mitigated. These measures include hardening servers, utilizing advanced network security devices, such as firewalls and monitoring tools, performing periodic security assessments, and following/keeping up to date with best practices for network security. We recommend increasing cybersecurity insurance to the maximum coverage allowed per the District's budget.

Sheldon Independent School District

Schedule of Findings and Questioned Costs – Continued
For the For the Fiscal Year Ended June 30, 2020

Views of Responsible Officials and Planned Corrective Action Plan

See corrective action plan.

Section 3. Federal Award Findings and Questioned Costs

Finding 2020-004

Information on Federal Program:

CFDA 84.010A – ESEA Title I, Part A – Improving Basic Programs

United States Department of Education

Pass-Through Entity: Texas State Department of Education

Award Number: 191610101101924/2061010101924

Compliance Requirements: Matching, Level of Effort, Earmarking

Type of Finding: Significant Deficiency in Internal Control Over Compliance

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 a “maintenance of effort” (MOE) compliance requirement applicable to Elementary and Secondary Education Act (ESEA) programs which stipulates that a local education agency (LEA) may receive funds under an applicable program only if the state education agency (SEA) finds that the combined fiscal effort per student or the aggregate expenditures of the LEA from State and local funds for free public education for the preceding year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year, unless specifically waived by the Department of Education.

Condition:

During the fiscal year ended June 30, 2020, the District did not have effective internal controls over compliance with the MOE requirement described above. As described under finding 2020-002, the District was notified by the TEA that it was found to be noncompliant with the MOE requirements applicable to the ESEA programs for the prior fiscal year ending June 30, 2019. This finding of noncompliance was attributable to the fact that the District failed to report a full twelve months of expenditures for that period, and upon further investigation, the District’s management determined that when measured against the full twelve months of expenditures, the District did in fact comply with this requirement. However, effective internal controls over compliance with the MOE requirement would have detected the error and prevented inaccurate reporting. The fact that the District’s self-reported data, while inaccurate, resulted in a finding of noncompliance, is an indication that actual noncompliance would likely not be detected or prevented by the District’s internal controls over compliance.

Cause:

The District did not have adequately designed controls in place to ensure compliance with the MOE requirement.

Effect or Potential Effect:

Noncompliance with the MOE requirement could occur and not be prevented, or detected and corrected, by the District’s system of internal control over compliance, leading to potential loss of federal award funding.

Questioned Costs:

N/A

Sheldon Independent School District

Schedule of Findings and Questioned Costs – Continued

For the For the Fiscal Year Ended June 30, 2020

Context:

MOE is determined on an annual basis and therefore there is only one instance of the control over compliance during any given fiscal year. The District's control over compliance did not operate as designed for this one instance.

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.

Finding 2020-005

Information on Federal Program:

CFDA 84.010A – ESEA Title I, Part A – Improving Basic Programs

United States Department of Education

Pass-Through Entity: Texas State Department of Education

Award Number: 191610101101924/2061010101924

Compliance Requirements: Allowable Costs/Cost Principles

Type of Finding: Significant Deficiency in Internal Control Over Compliance

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 an allowable costs/cost principles compliance requirement applicable to Elementary and Secondary Education Act (ESEA) programs which stipulates that a local education agency (LEA) must maintain time and effort distribution records that support the portion of time and effort dedicated to the program.

Condition:

During the fiscal year ended June 30, 2020, the District did not have effective internal controls over compliance with the allowable costs/cost principles requirement described above. The District was unable to produce time and effort distribution records for an employee whose payroll expenditures were charged to the program.

Cause:

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

Effect or Potential Effect:

Noncompliance with the allowable costs/cost principles requirement could occur and not be prevented, or detected and corrected, by the District's system of internal control over compliance, leading to potential loss of federal award funding.

Questioned Costs:

\$102

Sheldon Independent School District

Schedule of Findings and Questioned Costs – Continued

For the For the Fiscal Year Ended June 30, 2020

Context:

\$102 of the known questioned costs related to the employee for which time and effort distribution records were not produced. The total payroll expenditures sampled were \$28,485. For one out of 12 items in our sample, the District's internal controls did not operate to ensure that the expenditure was supported by time and effort documentation and as a result the District did not produce such records.

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 For the Fiscal Year Ended June 30, 2020

Section 4. Schedule of Prior Audit Findings and Questioned Cost

SHELDON INDEPENDENT SCHOOL DISTRICT

Prior Year Finding and Questioned Costs

2019 – 001: Lack of Account Reconciliation in Grant Funds

Business office shall adopt additional controls along with corrective action plan 2020-2021 to address this deficiency.

Anticipated Completion Date: December 11, 2020

Contact Person: Abraham George, CFO

Board of Trustees

Latricia Archie, President
Eileen Palmer, Vice President
Angela Cormier, Secretary
Ken Coleman, Member
Erika Martinez, Member
Devora Myles, Member
Fred Rivas, Member

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 Plan

2020-001: Lack of Account Reconciliation of Grant Funds

Planned Corrective Action:

Business office shall clear all the prior year receivables and ensure that all revenue received are accounted in the correct accounting period. The CFO shall review this process at the year end.

Anticipated Completion Date: December 11, 2020

Contact Person: Abraham George, CFO

2020-002: PEIMS Reporting

Planned Corrective Action:

The District shall reach out to TEA and submit additional data for two months to comply with the twelve month data reporting requirement for the fiscal year 2019. The CFO shall follow the TEA guidance in making this data reporting to TEA.

Anticipated Completion Date: December 18, 2020

Contact Person: Abraham George, CFO

2020-003: Internal Control over Financial Reporting Information Technology

Planned Corrective Action:

District management will revisit the network security plans and make changes needed to enhance the security level. We will engage consultants to implement latest technology and equipment in this process. Cyber Security insurance needs to be reviewed annually.

Anticipated Completion Date: January 22, 2021

Contact Person: Abraham George, CFO

Board of Trustees

Laticia Archie, President
Eileen Palmer, Vice President
Angela Cormier, Secretary
Ken Coleman, Member
Erika Martinez, Member
Devora Myles, Member
Fred Rivas, Member

King Davis
Superintendent of Schools

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

2020-004: Information on Federal Program

Planned Corrective Action:

Business Office shall verify yearly financial data for compliance requirement before PEIMS submission. This particular non-compliance overlaps with Finding # 2020-002 and will be addressed in concurrence with Finding # 2020-002.

Anticipated Completion Date: December 18, 2020

Contact Person: Abraham George, CFO

2020-005: Information on Federal Program

Planned Corrective Action:

Internal controls in place for this compliance area are to be revisited and additional review/approval levels are to be followed to meet the federal program requirements.

Anticipated Completion Date: December 18, 2020

Contacts: Abraham George, CFO

Dr. Brenda Dearmon, Executive Director for Federal Programs/Grants

Sheldon Independent School District
Schedule of Expenditures of Federal Awards
For the For the Fiscal Year Ended June 30, 2020

Exhibit K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through State Department of Education:			
National School Breakfast Program	10.553	71401901	\$ 220,923
National School Breakfast Program	10.553	71402001	916,478
Total	10.553		1,137,401
National School Lunch Program	10.555	71301901	447,522
National School Lunch Program	10.555	71302001	1,926,105
Passed Through State Department of Agriculture:			
National School Lunch Program - Non-Cash Assistance	10.555	806780706	319,278
Total	10.555		2,692,905
COVID 19 Summer Food Service Program	10.559	806780706	1,089,228
Summer Food Service Program	10.559	806780706	6,858
Total	10.559		1,096,086
Total Child Nutrition Cluster			4,926,392
Child and Adult Care Food Program	10.558	806780706	251,528
TOTAL U.S. DEPARTMENT OF AGRICULTURE			5,177,920
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	19610101101924	300,397
ESEA Title I, Part A - Improving Basic Programs	84.010A	20610101101924	1,600,711
Total CFDA 84.010			1,901,108
Special Education Cluster (IDEA):			
IDEA - Part B, Formula	84.027A	196600011019246600	549,350
IDEA - Part B, Formula	84.027A	206600011019246600	1,370,646
Total	84.027A		1,919,996
IDEA - Part B, Preschool	84.173A	206610011019246610	18,192
Total Special Education Cluster (IDEA)			1,938,188
Career and Technology - Carl D. Perkins Basic Grant	84.048A	19420006101924	380
Career and Technology - Carl D. Perkins Basic Grant	84.048A	20420006101924	89,147
Perkins Reserve	84.048A	204200287110104	616,472
Perkins Career Cluster	84.048A	184200557110037	9,074
Total CFDA 84.048			715,073
Texas Gear Up Grant	84.334S	185111017110005	105,558
Texas Gear Up Grant	84.334S	195111017110005	244,378
Total CFDA 84.334			349,936
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	19671001101924	74,638
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	20671001101924	220,622
Total CFDA 84.365			295,260
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	19694501101924	15,292
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	20694501101924	334,810
Total CFDA 84.367			350,102
Summer School LEP	84.369A	69551902	10,685
Title IV, Part A, Subpart 1	84.424A	19680101101924	25,210
Title IV, Part A, Subpart 1	84.424A	20680101101924	110,965
Total CFDA 84.424			136,175
Restart Hurricane Recovery	84.938A	18511701101924	270,924
Texas Hurricane Homeless Youth	84.938B	19513701101924	46,994
Total CFDA 84.938			317,918
Passed Through Harris County Department of Education:			
Title IV, Part B 21st Century Community Learning Centers	84.287C	S287C190044	543,306
TOTAL U.S. DEPARTMENT OF EDUCATION			6,557,751

The Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Sheldon Independent School District
 Schedule of Expenditures of Federal Awards
 For the For the Fiscal Year Ended June 30, 2020

Exhibit K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
477 Cluster:			
Passed Through Harris County Department of Education:			
Child Care and Development Fund	93.596	2820CCMC24	<u>45,000</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>45,000</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Texas Department of Public Safety			
FEMA - Disaster Grants	97.036	4332-2801	<u>2,050,791</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>2,050,791</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 13,831,462</u>

The Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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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, 2020. 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.

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	\$	13,831,462
SHARS		832,036
Federal interest subsidy		433,884
		<hr/>
Total federal revenues per Exhibit C-2	\$	15,097,382

Note 4. Disaster grants – Public Assistance (97.036)

The accompanying schedule of expenditures of federal awards include \$2,050,791 of grant expenditures approved by FEMA in the current period that were incurred 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, 2020

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 to not have made timely payments.) 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.	Yes
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	\$ 95,847