

SHERMAN

Independent School District

Annual Report of Certain Financial and Local Debt Information

Fiscal Year Ended June 30, 2023

Denotes Required Information Pursuant to Local Government Code, Section 140.008

This report was posted on the District's website on December 22, 2023.



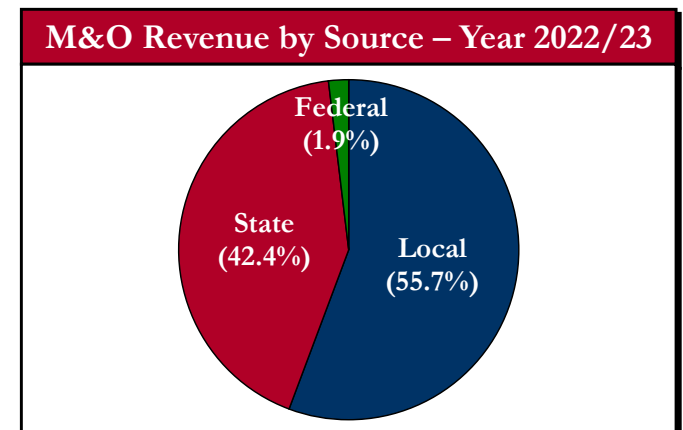
☑ Overview of Certain Financial/Bond Ratings

- ☐ **Overview:** Sherman Independent School District (the “District”) has been assigned the following independent financial/bond ratings that indicate the relative strength of the District’s financial and debt management:
 - **School Financial Integrity Rating System of Texas (“FIRST”):** Pursuant to Subchapter D, Chapter 39 of the Texas Education Code, the State annually deploys a financial accountability rating system to distinguish the level of a school district’s financial performance based upon certain uniform criteria.
 - ✓ Based on data for year 2021/22, the District was assigned a 2022/23 FIRST Rating of “Superior Achievement” and the District’s score was 94 out of a possible 100 points.
 - **Credit Ratings:** The District also maintains independent ratings from certain nationally recognized credit rating agencies, such as Moody’s Investors Service and S&P Global Ratings, that evaluate the District’s financial strength and its ability to pay its existing bonds.
 - ✓ **Moody’s Investors Service:** Assigns a “Aa3” credit rating to the District, defined as “Judged to be of high quality and are subject to very low credit risk.”
 - ✓ **S&P Global Ratings:** Assigns a “AA-” credit rating to the District, defined as “Having a very strong capacity to meet its financial commitments. It differs from the highest rating only to a small degree.”



Overview of State Funding System

- ❑ **State Funding System – Where Do the District’s Revenues Come From:** Sherman ISD is legally required to operate pursuant to the requirements of the Texas Education Code. In particular, the Texas Education Code determines the District’s ability to generate local tax revenues for maintenance & operation purposes and for the repayment of voter-approved bonds. In this regard, the District annually sets two (2) separate tax rates that are levied upon its certified taxable value that is independently determined by the Grayson Central Appraisal District:
- **Maintenance & Operations (“M&O”) Tax Rate:** To provide funds for the “day to day” operational expenses of the District, including instructional programs, teacher salaries, instructional supplies, security, student transportation, extracurricular activities, utilities, facility infrastructure/maintenance, etc.
 - ✓ The District’s annual funds for maintenance & operation purposes primarily consist of a combination of State funding and local M&O taxes. In general, the dollar amount of each component is determined by the District’s “Equalized Wealth per Student” (i.e. taxable value / weighted average daily attendance) as set by the State. For year 2022/23, the District’s sources for M&O revenues are summarized to the right.
 - ✓ On August 27, 2016, voters approved a tax ratification election to increase the District’s M&O tax rate to \$1.17. Prior to such ratification, the District was limited to a \$1.04 tax rate for maintenance and operations. Beginning in year 2019/20, the District’s M&O tax rate became subject to compression pursuant to House Bill 3 that was enacted during the 2019 legislative session.





☑ Overview of State Funding System

- **Interest & Sinking Fund (“I&S”) Tax Rate:** To provide funds to pay the principal and interest on bonds approved by a majority of voters for capital improvements. The District does not receive any facilities funding from the State for the payment of bonds. The following summarizes the District’s bond programs approved by voters over the last 18 years:

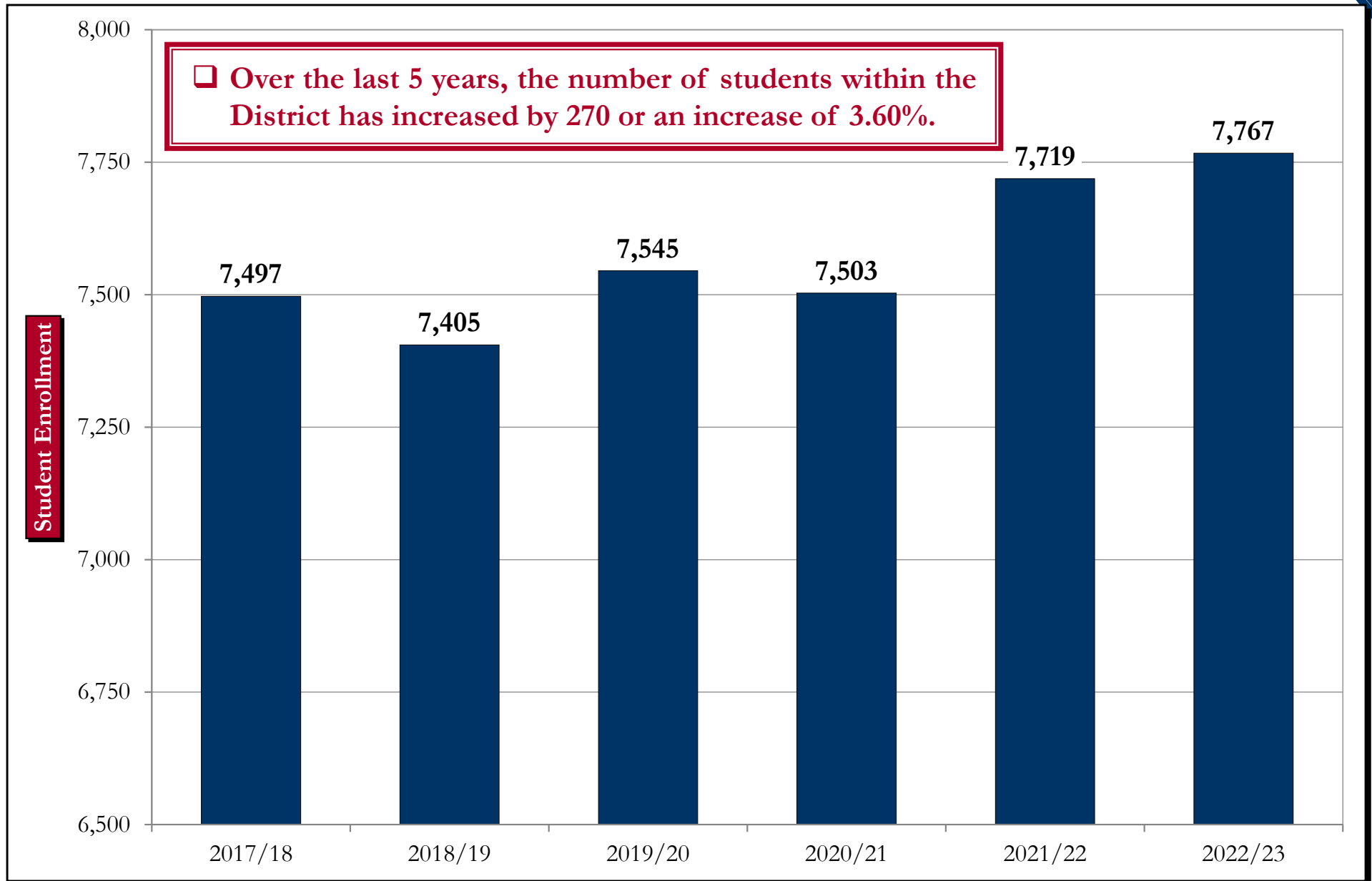
District’s Historical Bond Elections Approved By Voters

Election Date	Purpose	Student Enrollment	Election Amount	Dollar Amount Remaining To Be Issued - As of June 30, 2023	Dollar Amount Remaining To Be Issued - As of Dec. 15, 2023
September 10, 2005	School Building & Renovations	6,353	\$77,000,000	\$0	\$0
November 7, 2017	School Building & Technology	7,497	\$176,000,000	\$0	\$0
May 6, 2023	School Building & Stadium	7,767	\$540,000,000	\$540,000,000	\$286,290,000
Total Dollar Amount Of Authorized But Unissued Bonds - As of June 30, 2023:					\$286,290,000

- ✓ As of fiscal year ended June 30, 2023, the District had \$4,114,032 within its Capital Projects Fund for existing/future projects.

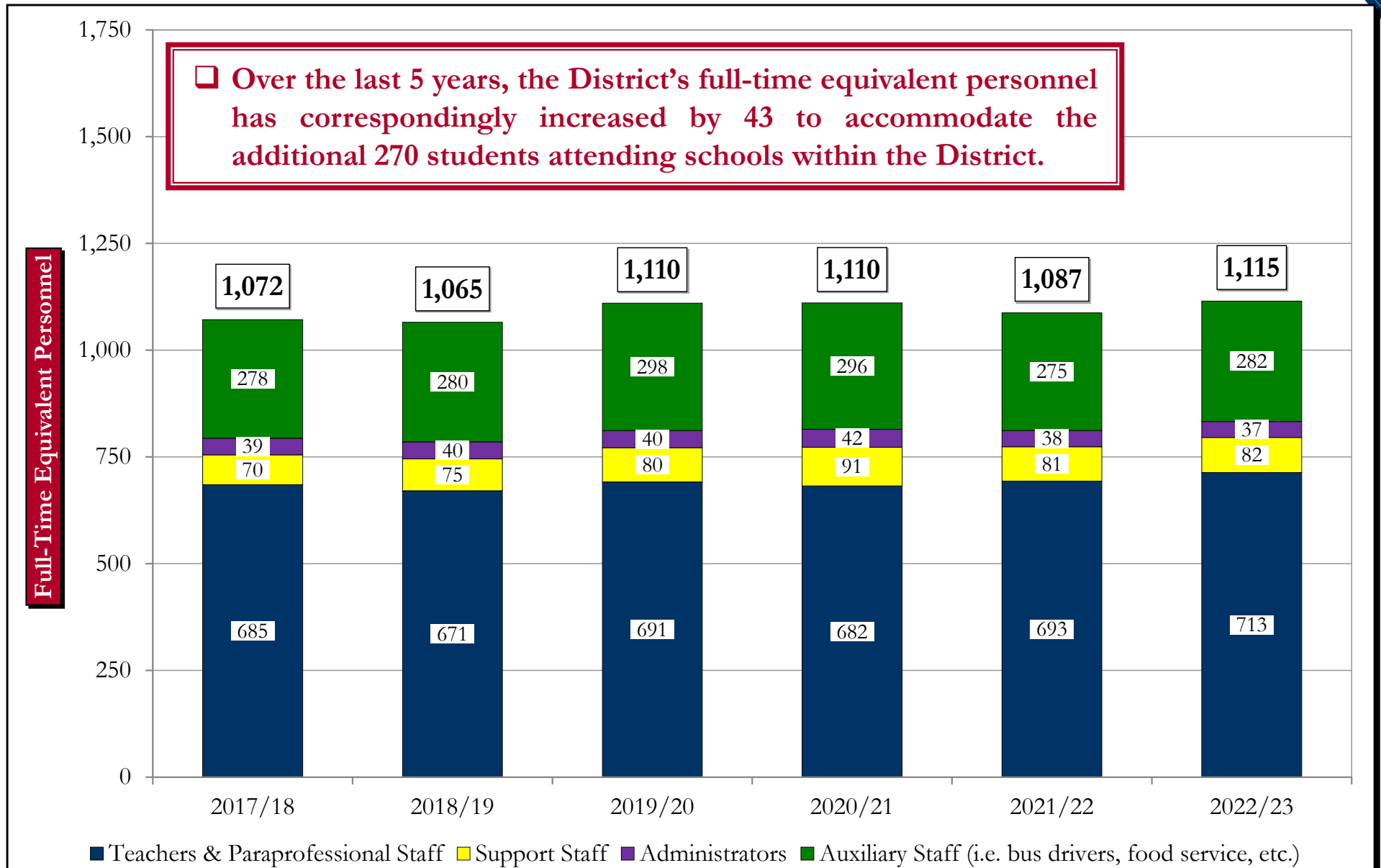


Historical Student Enrollment



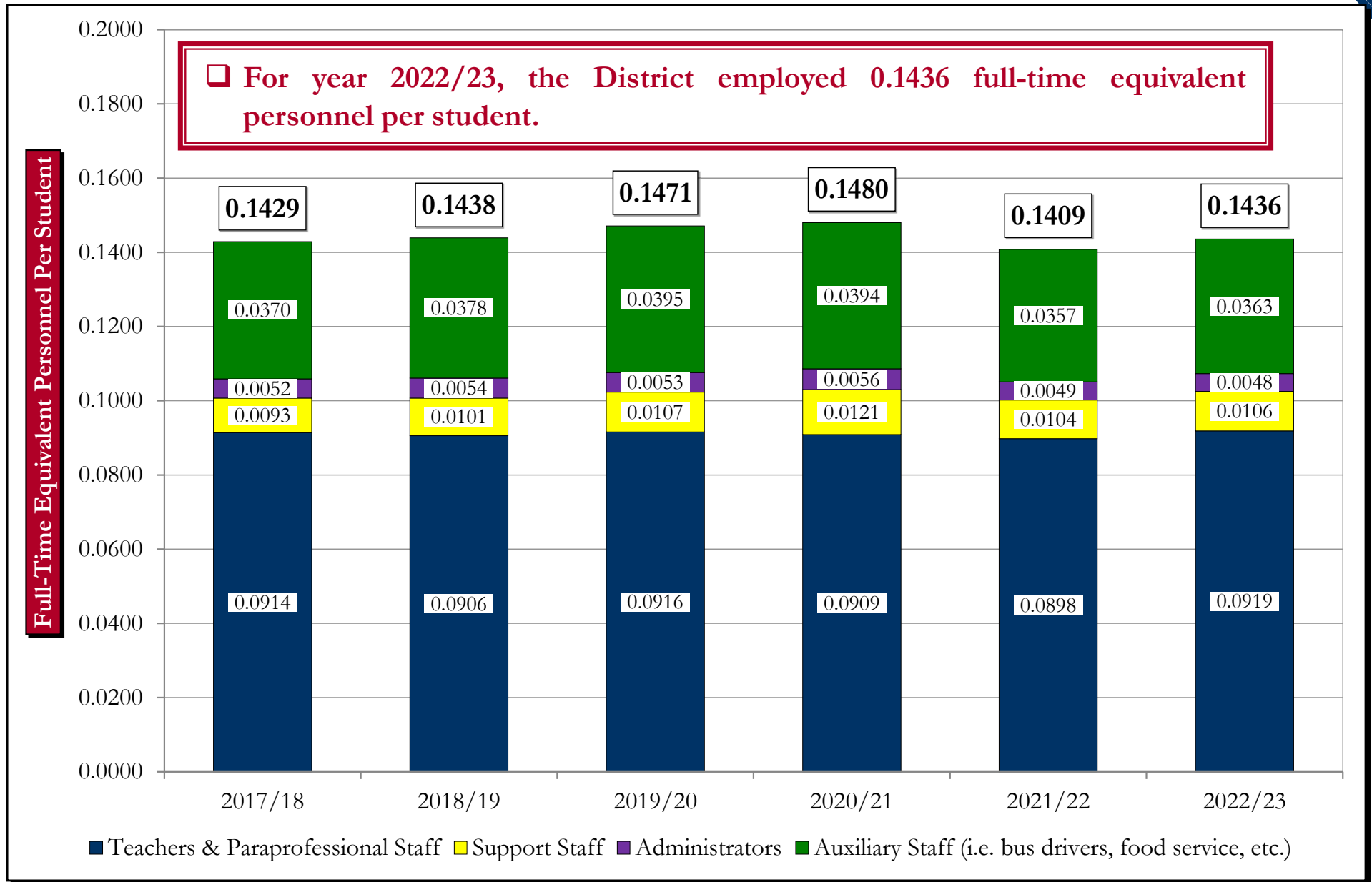


Full-Time Equivalent Personnel



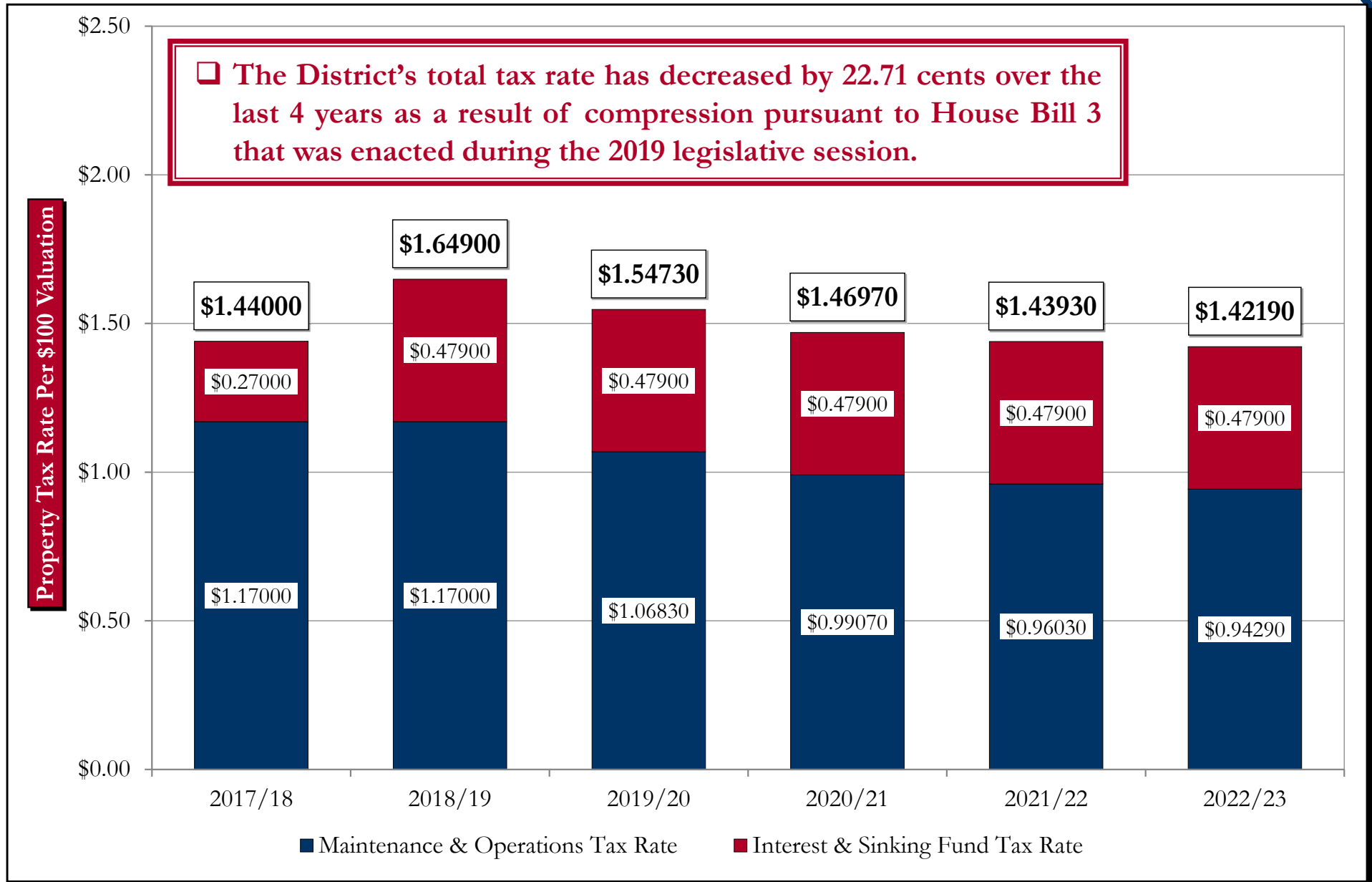


Full-Time Equivalent Personnel Per Student



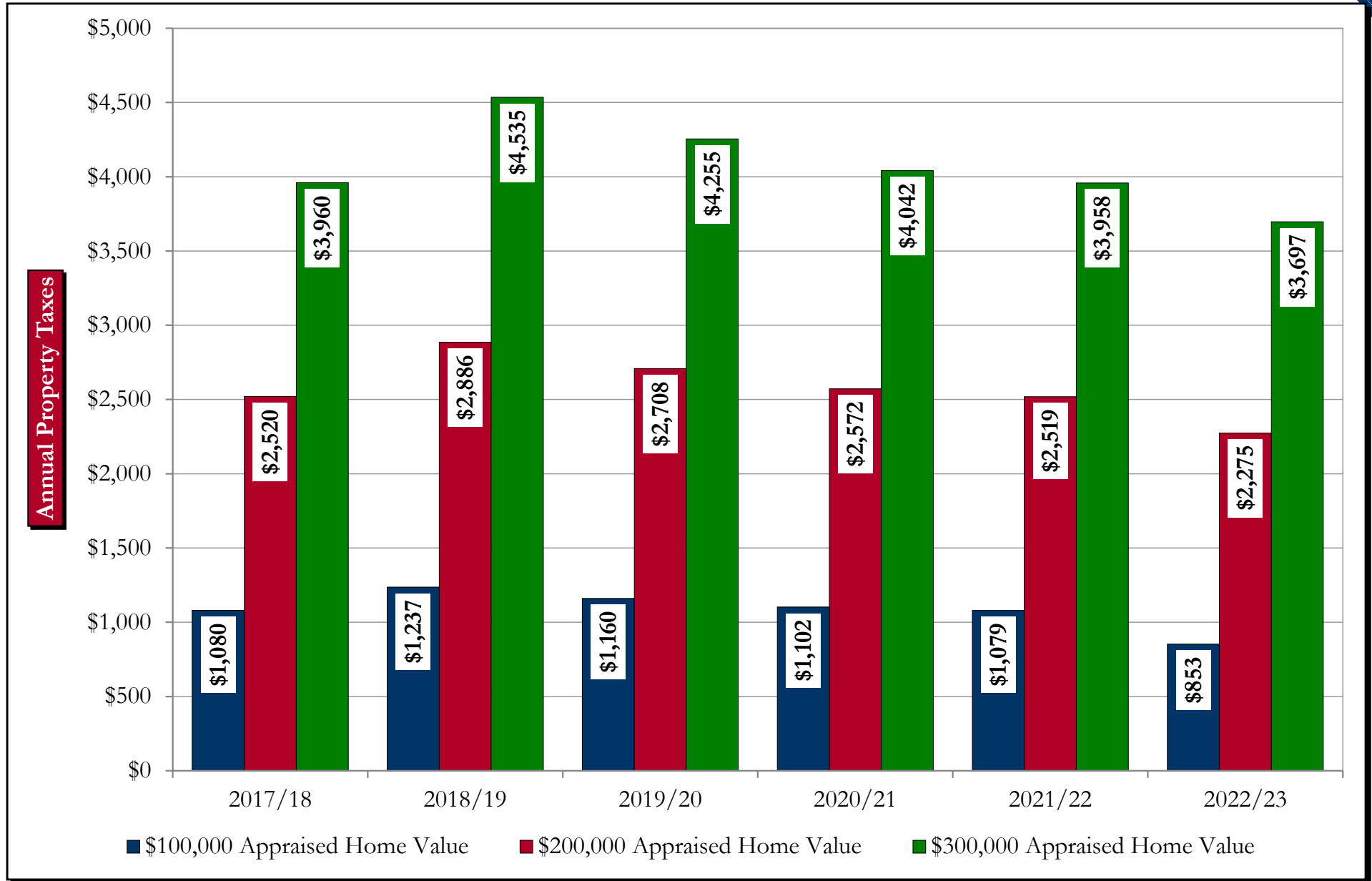


Historical Tax Rates





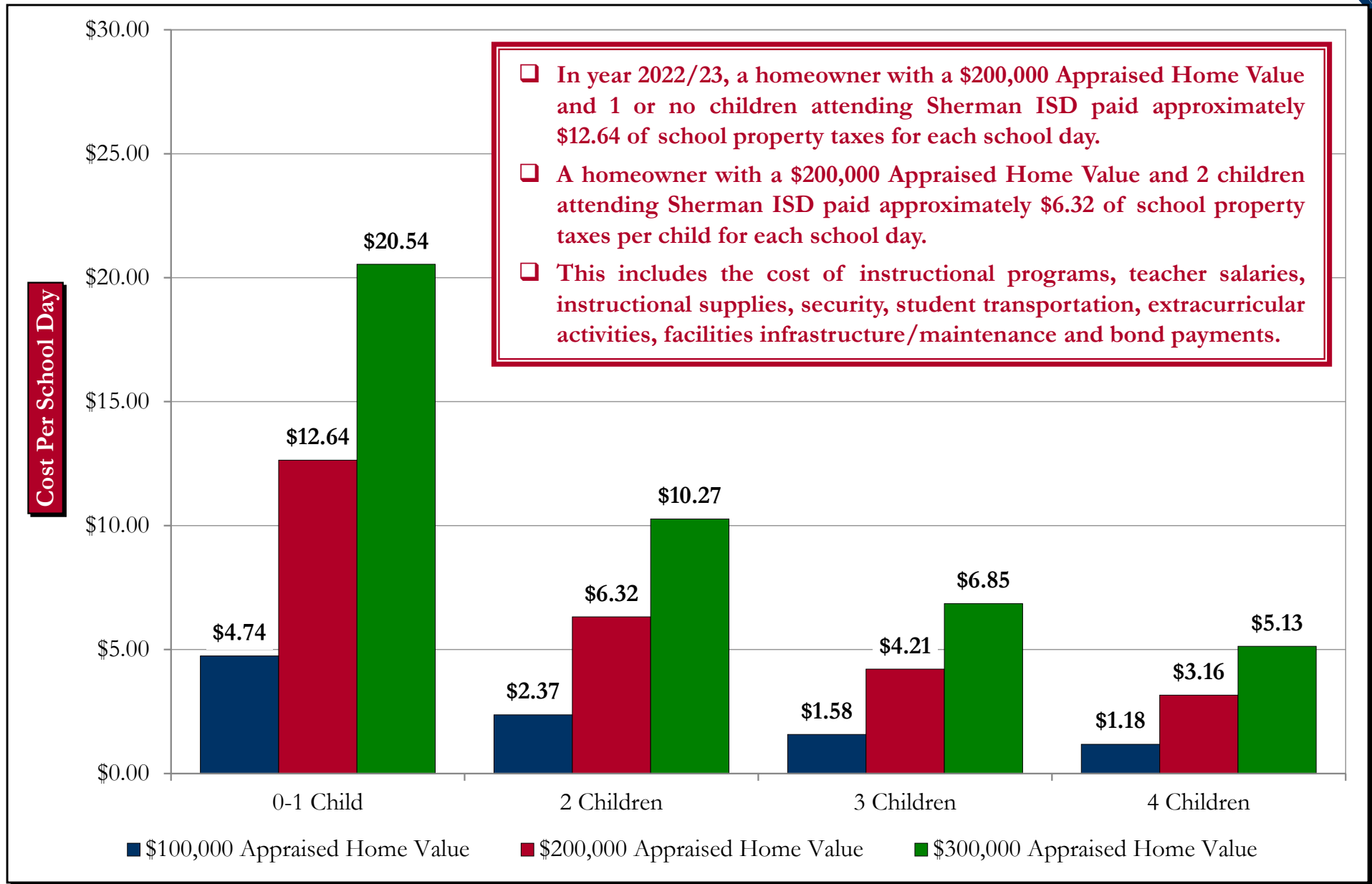
Historical Total Property Taxes For Maintenance and Operations and Voter-Approved Bonds – For Various Appraised Home Values



Note: Taxes are net of the State-mandated residential homestead exemption.



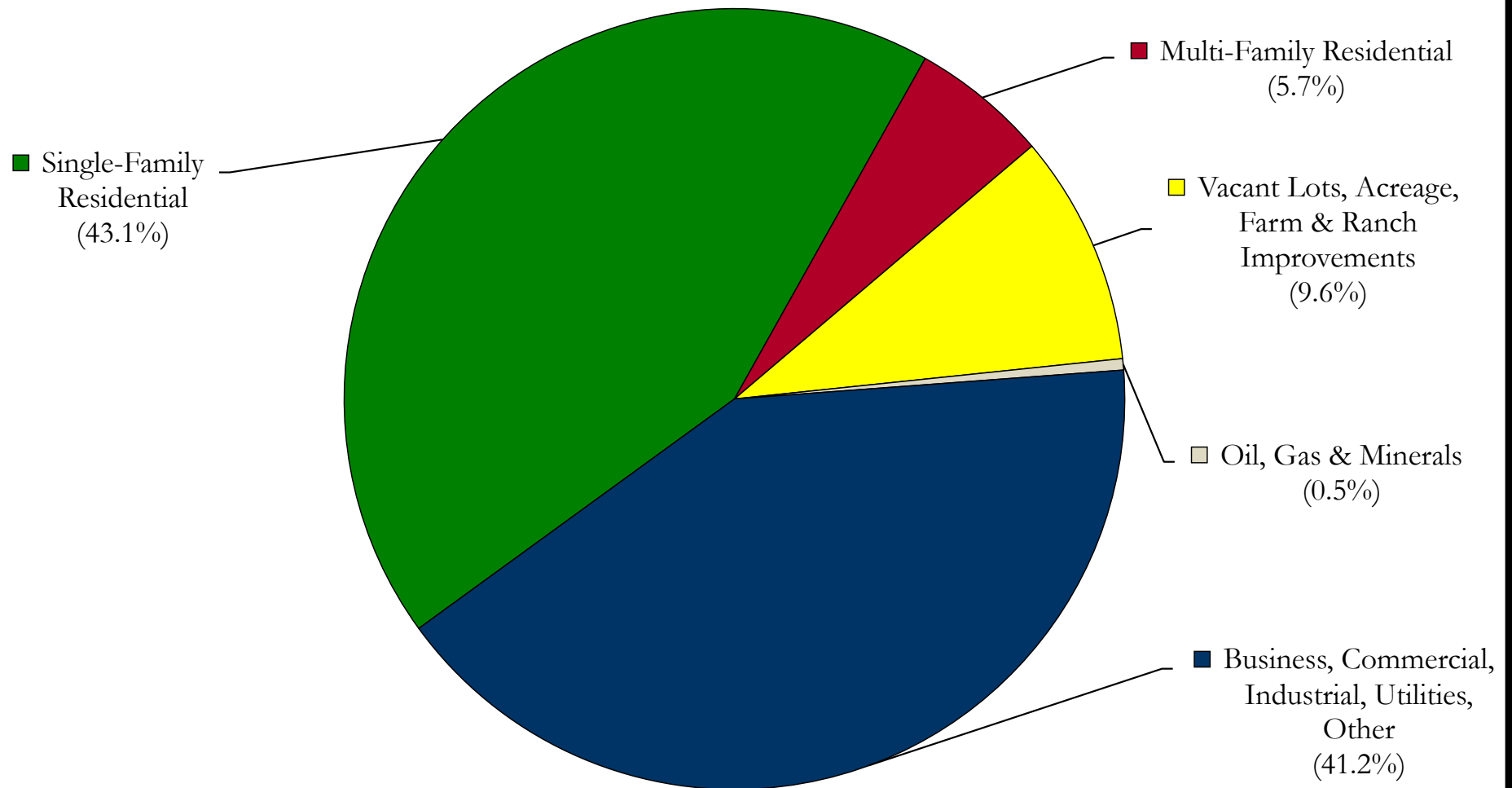
Summary of Property Tax Cost Per School Day – For Various Appraised Home Values – Year 2022/23





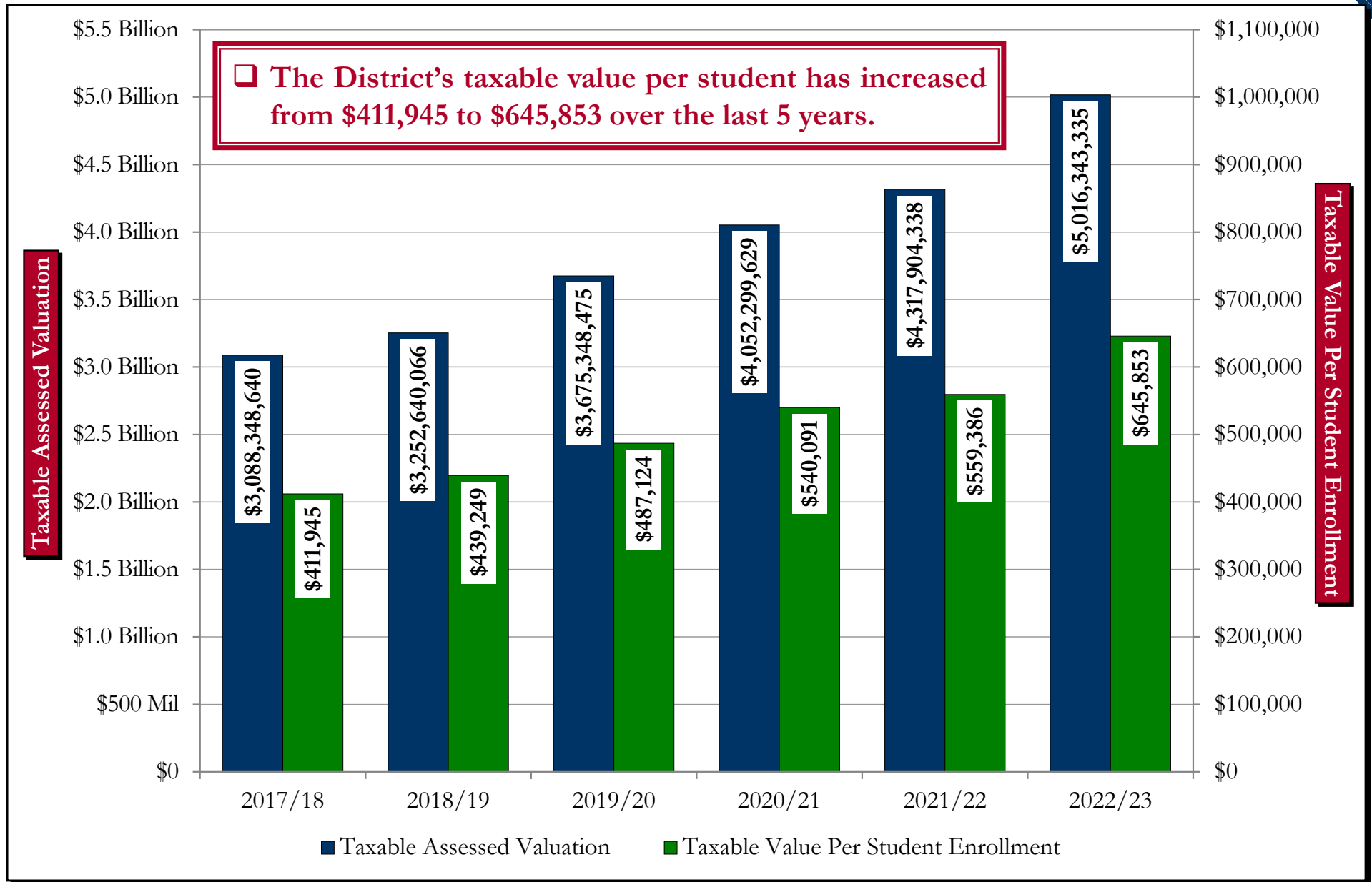
Composition of Total Assessed Valuation – Year 2022/23

For year 2022/23, Single-Family Residential properties comprised 43.1% of the District's total assessed valuation and other property categories comprised 56.9%.





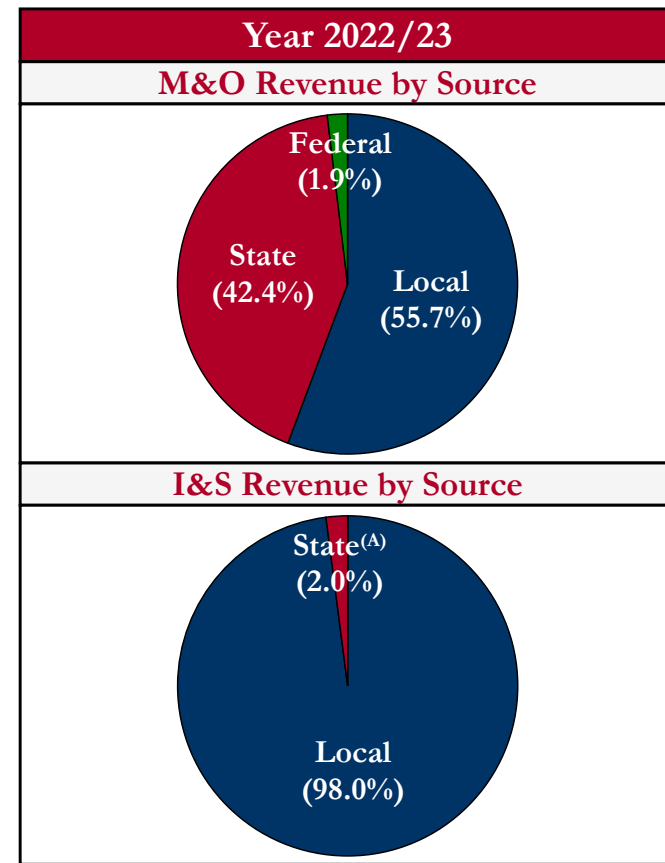
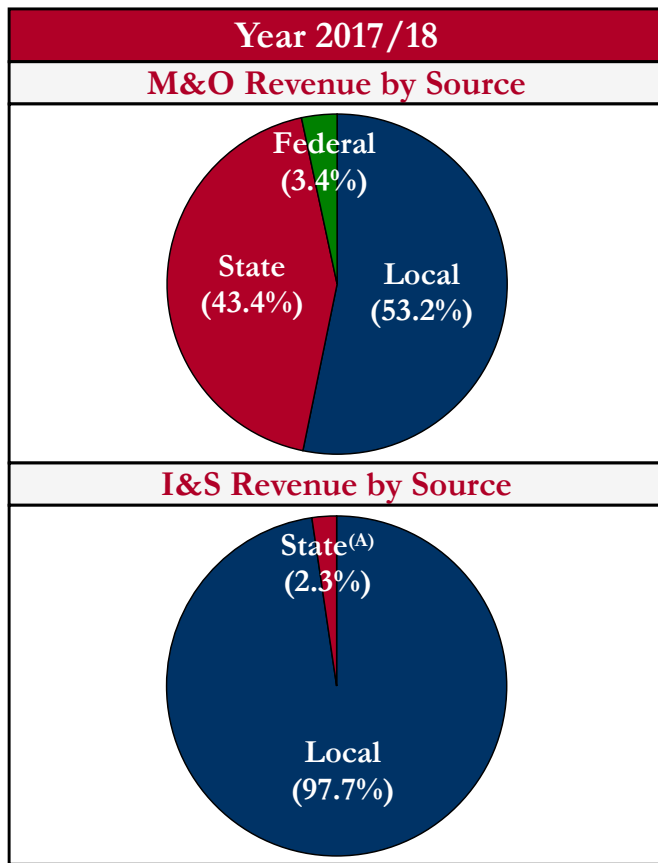
Historical Taxable Assessed Valuation and Taxable Value Per Student Enrollment





General Fund and Debt Service Fund – Revenue By Source

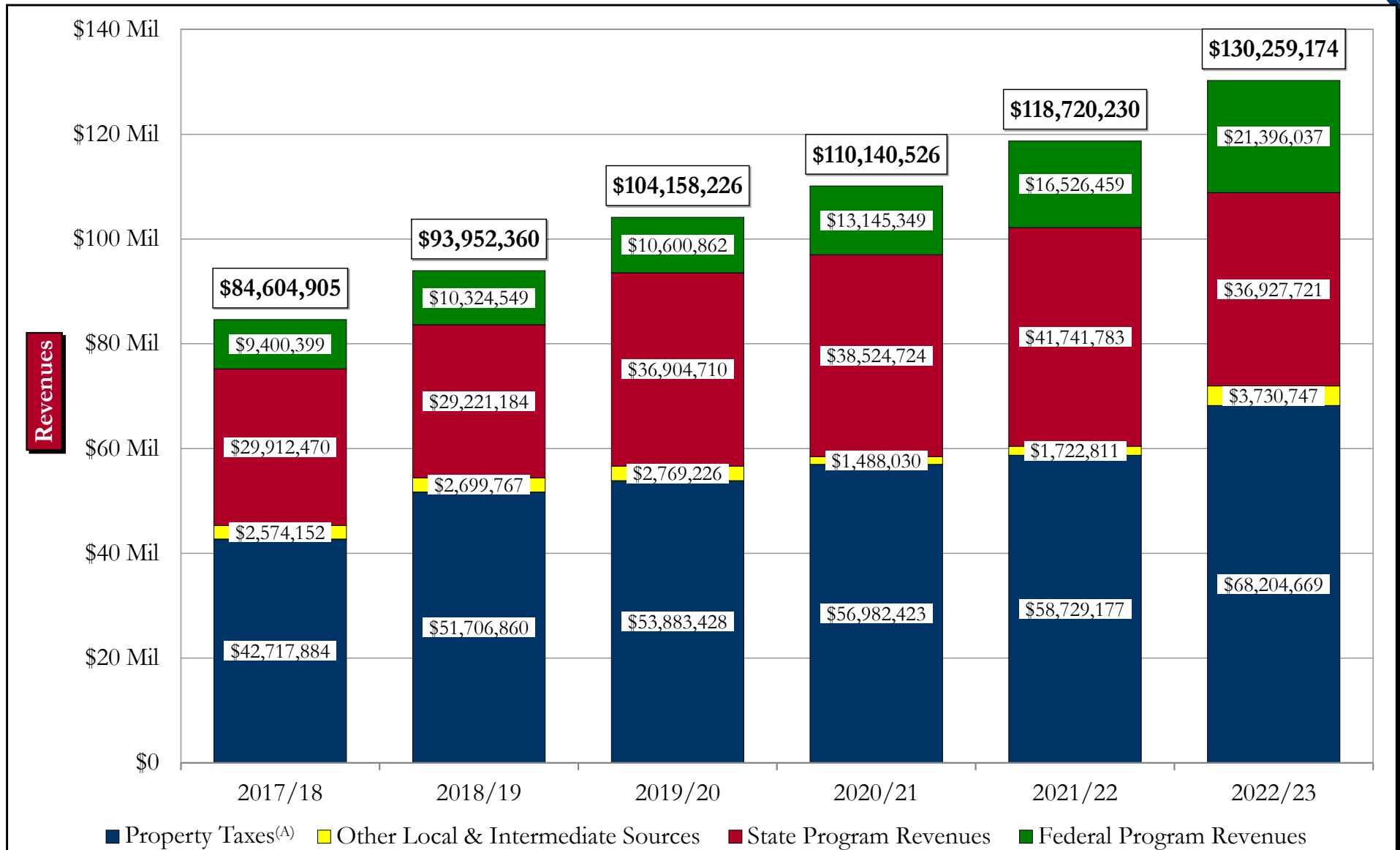
- ❑ The State funding system is structured to provide the District with an “equalized” dollar amount per student. The revenue sources for maintenance and operations and repayment of bonds is summarized below.
- ❑ The District does not receive any facilities funding from the State for the payment of voter-approved bonds.



^(A) Represents payment from State received for lost tax revenues resulting from increase of residential homestead exemption in year 2015/16.



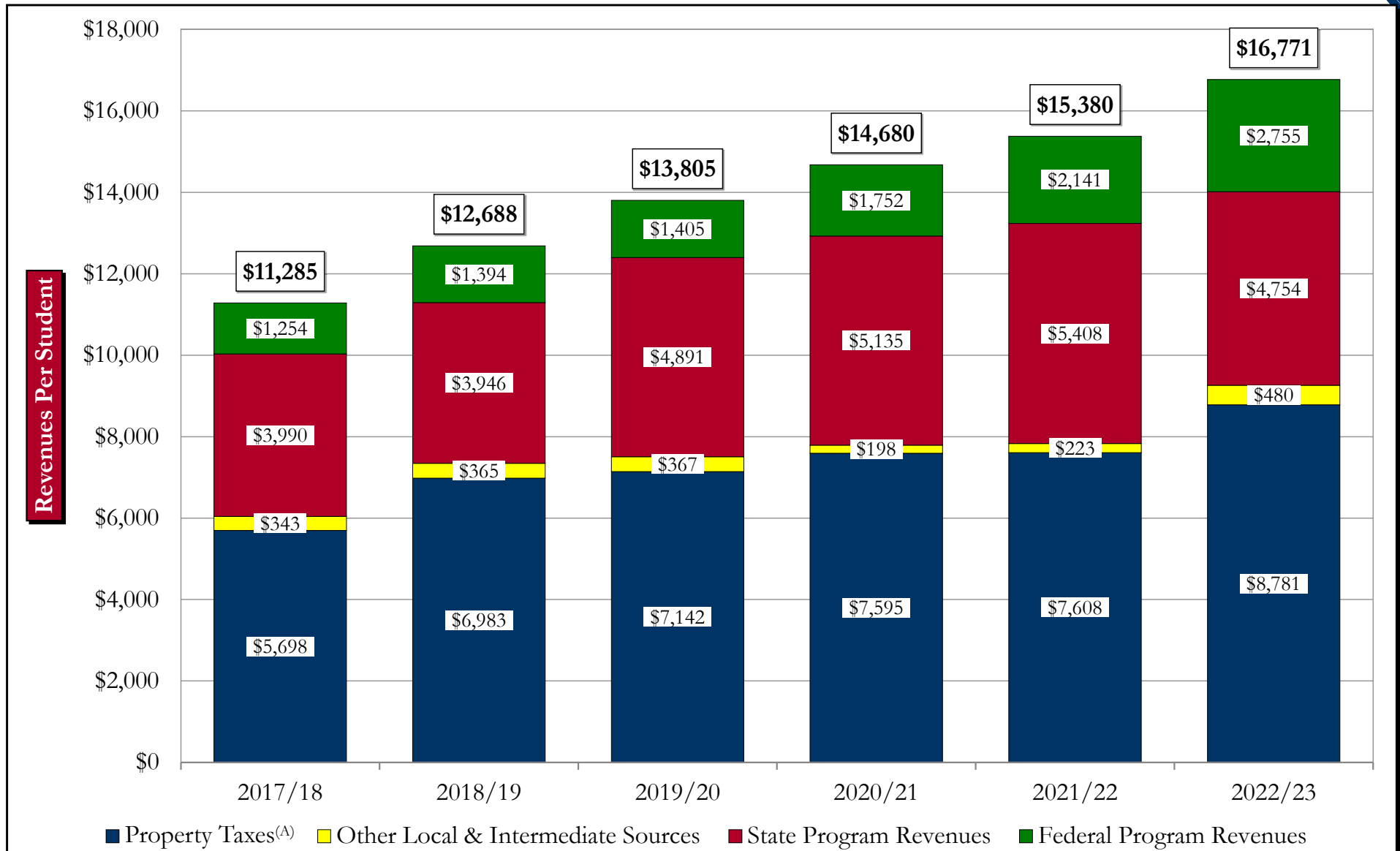
Total Revenues (All Governmental Funds*) By Source



^(A) Includes maintenance and operation expenses and bond payments of voter-approved bonds.



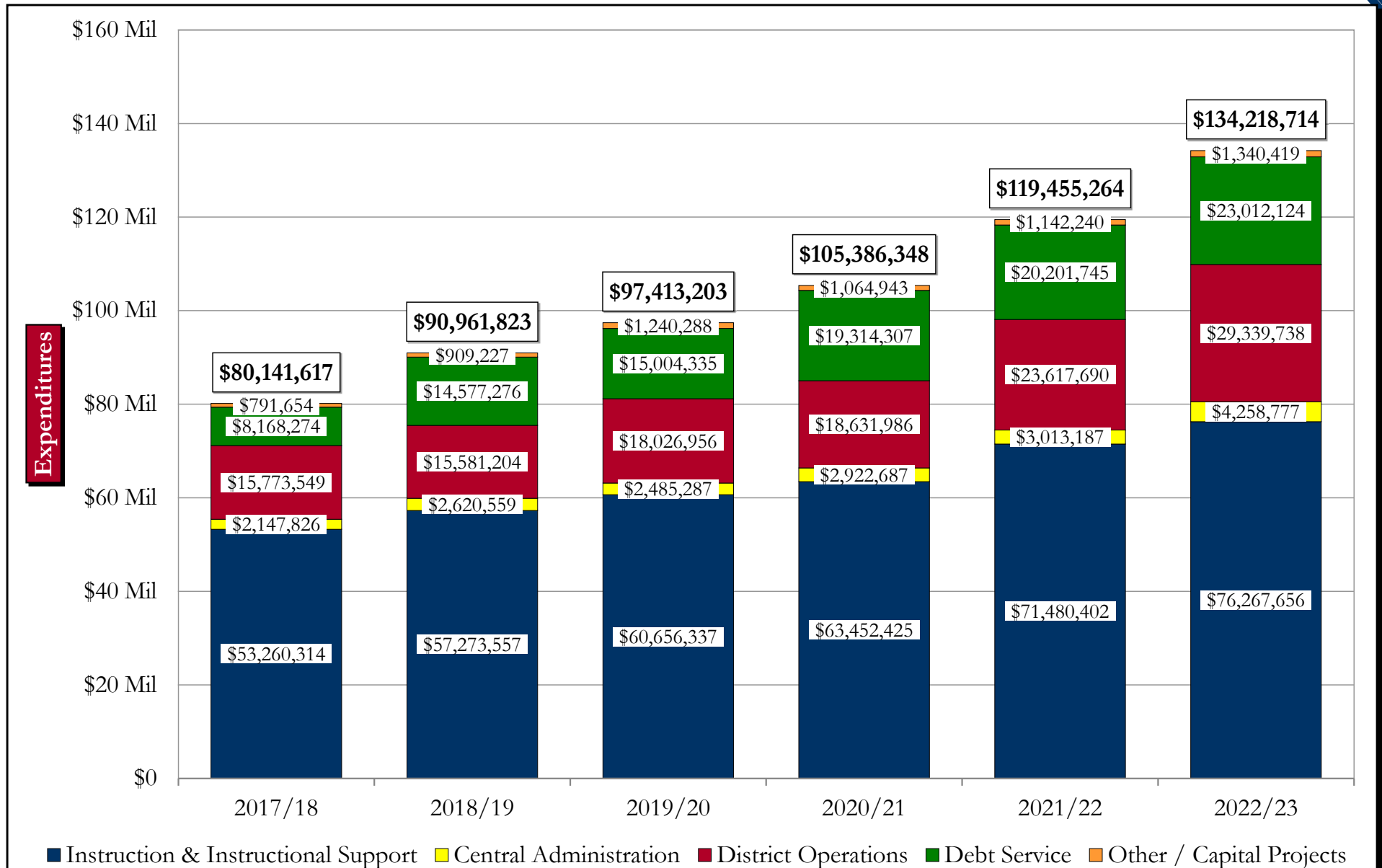
Total Revenues (All Governmental Funds*) Per Student



^(A) Includes maintenance and operation expenses and bond payments of voter-approved bonds.



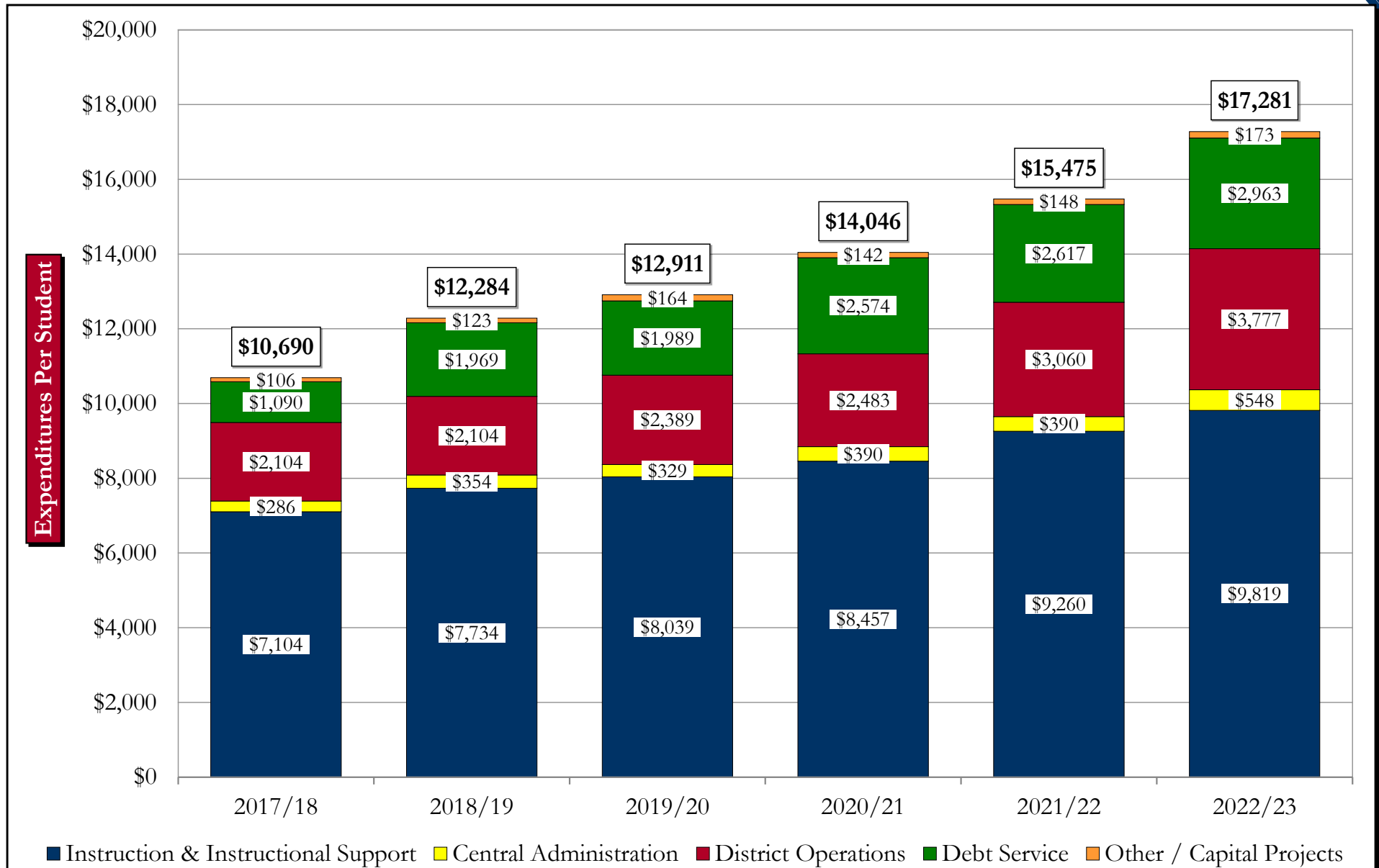
Total Expenditures (All Governmental Funds*) By Source



*Excludes Capital Projects Fund. Source: District's Audited Financial Statements and District records.



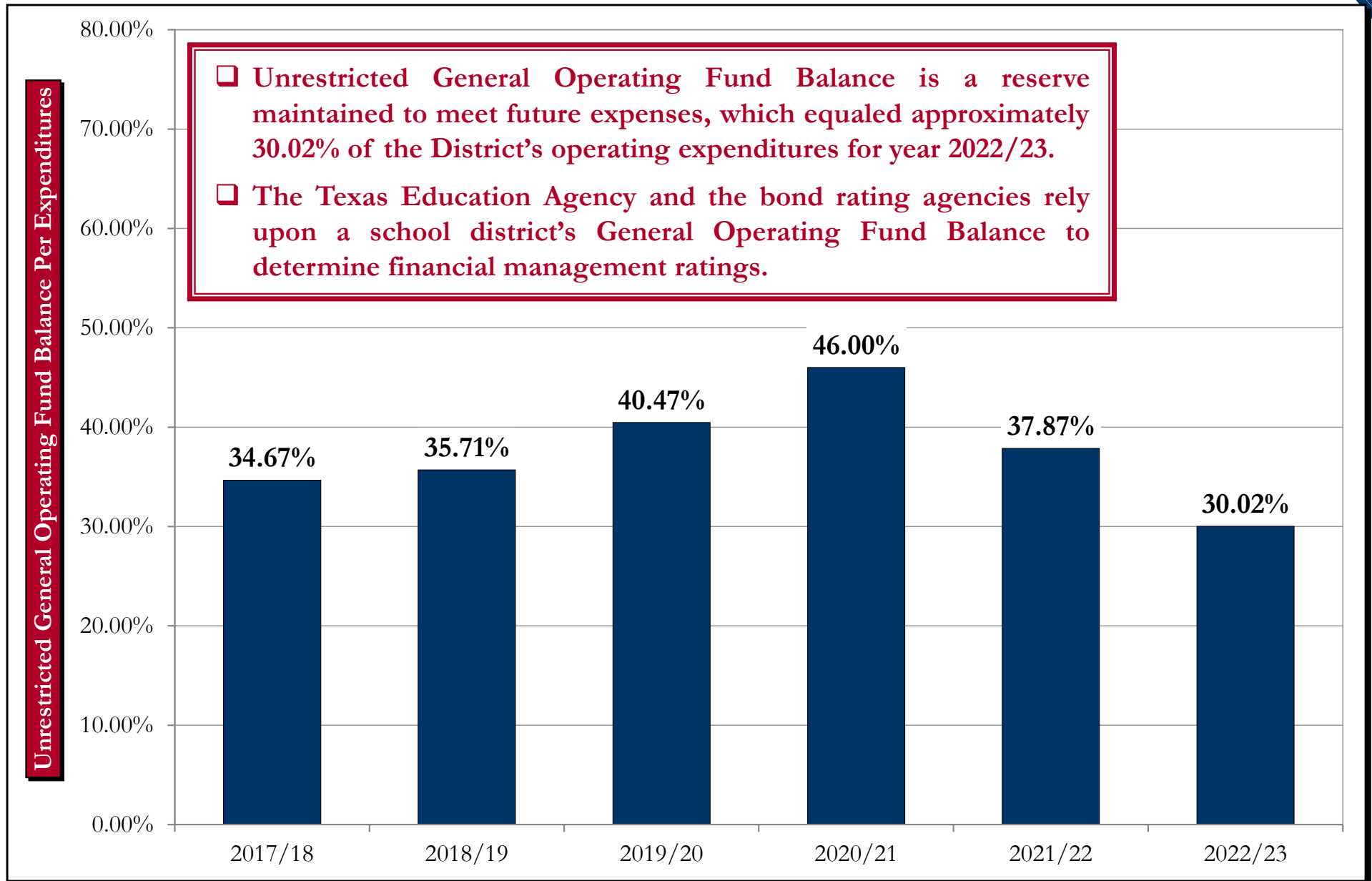
Total Expenditures (All Governmental Funds*) Per Student



*Excludes Capital Projects Fund. Source: District's Audited Financial Statements, Texas Education Agency - PEIMS and District records.

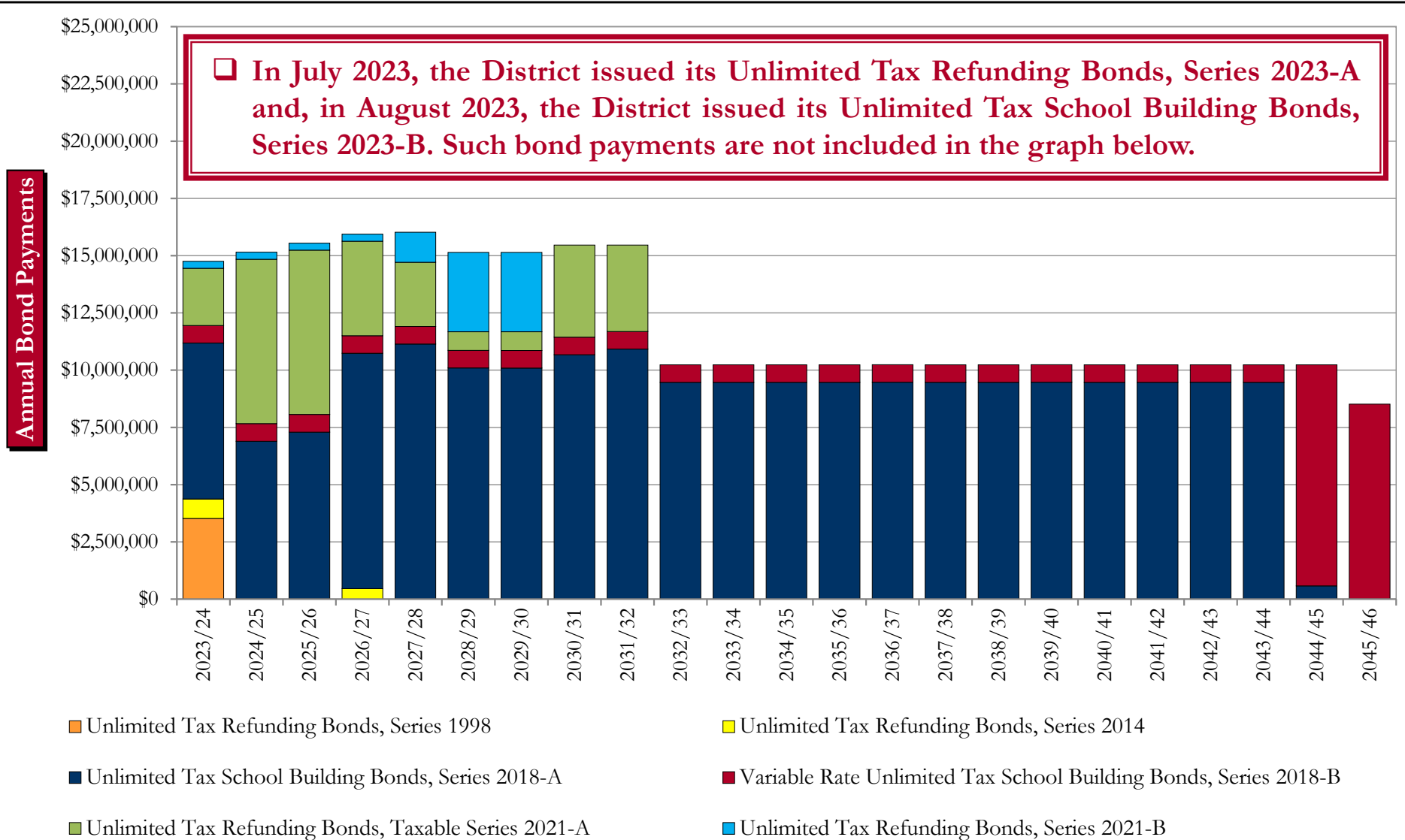


Unrestricted General Operating Fund Balance as a Percentage of General Operating Expenditures





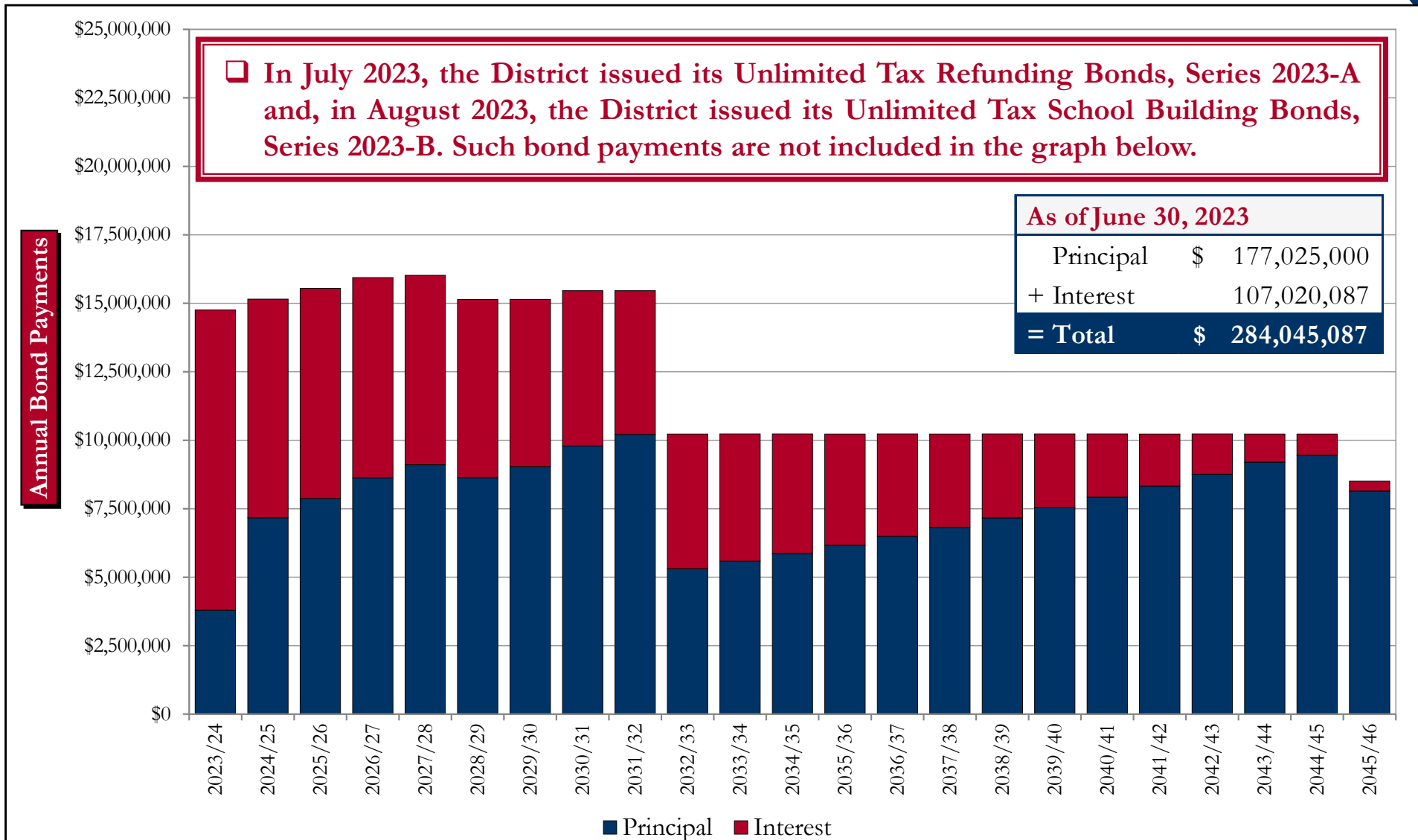
✓ Unlimited Tax Debt Service By Series – Existing Bonds Approved By Voters



Note: Although the District's fiscal year ends on June 30, debt service payments reflect payments from September 1 through August 31 to match the receipt of tax collections and the District's budget. As such, the District's August 2023 debt payments are not portrayed in the graph above.



✓ Unlimited Tax Debt Service By Principal and Interest – Existing Bonds Approved By Voters



Note: Although the District's fiscal year ends on June 30, debt service payments reflect payments from September 1 through August 31 to match the receipt of tax collections and the District's budget. As such, the District's August 2023 debt payments are not portrayed in the graph above.



Savings from District's Recent Bond Refunding and Prepayment Programs to Lower Interest Costs

- Sherman ISD has implemented 8 bond refunding programs and prepaid \$31.725 million of existing bonds to reduce the cost of voter-approved bonds – Which have generated more than \$54.09 million of savings for District taxpayers in recent years.

Summary of Interest Cost Savings – Bond Refunding Programs / Prepayment of Bonds			
Issue / Description	Series Refunded / Redeemed	Par Amount Refunded / Redeemed	Total Savings
Unlimited Tax School Building & Refunding Bonds, Series 2006-A	1995A, 1996	\$ 10,395,936	\$ 339,048
Unlimited Tax Refunding Bonds, Series 2007	1998	4,745,000	301,693
Unlimited Tax Refunding Bonds, Series 2012	2006-A	8,795,000	2,206,220
Unlimited Tax Refunding Bonds, Series 2013	2006-A	39,285,000	6,298,772
Unlimited Tax Refunding Bonds, Series 2014	2004, 2008	19,300,000	7,757,271
Unlimited Tax Refunding Bonds, Series 2015	2006-A, 2007	9,640,000	1,914,619
Unlimited Tax Refunding Bonds, Taxable Series 2021-A	2013, 2014, 2015	30,790,000	2,291,210
Unlimited Tax Refunding Bonds, Series 2021-B	2012	7,950,000	1,007,706
Total - Bond Refunding Programs at a Lower Interest Rate	---	\$ 130,900,936	\$ 22,116,539
Prepayment of Series 1998 Bonds - February 2008	1998	\$ 1,450,000	\$ 1,103,500
Prepayment of Series 2008 Bonds - August 2010	2008	850,000	795,600
Prepayment of Series 2008 Bonds - August 2011	2008	1,500,000	1,350,000
Prepayment of Series 2008 Bonds - August 2012	2008	1,310,000	1,131,840
Prepayment of Series 2008 Bonds - August 2013	2008	1,590,000	1,277,280
Prepayment of Series 2008 Bonds - August 2014	2008	1,955,000	1,477,980
Prepayment of Series 2006-A Bonds - February 2016	2006-A	1,540,000	1,204,400
Prepayment of Series 2015 Bonds - February 2018	2015	365,000	64,200
Prepayment of Series 2018-B Bonds - February 2019	2018-B	745,000	938,700
Prepayment of Series 2018-B Bonds - February 2020	2018-B	2,050,000	2,583,000
Prepayment of Series 2018-B Bonds - February 2021	2018-B	4,245,000	4,775,625
Prepayment of Series 2018-B Bonds - February 2022	2018-B	5,340,000	5,861,475
Prepayment of Series 2018-B Bonds - February 2023	2018-B	8,785,000	9,410,400
Total - Prepayment of Bonds Prior to Scheduled Maturity	---	\$ 31,725,000	\$ 31,974,000
Totals	---	\$ 162,625,936	\$ 54,090,539



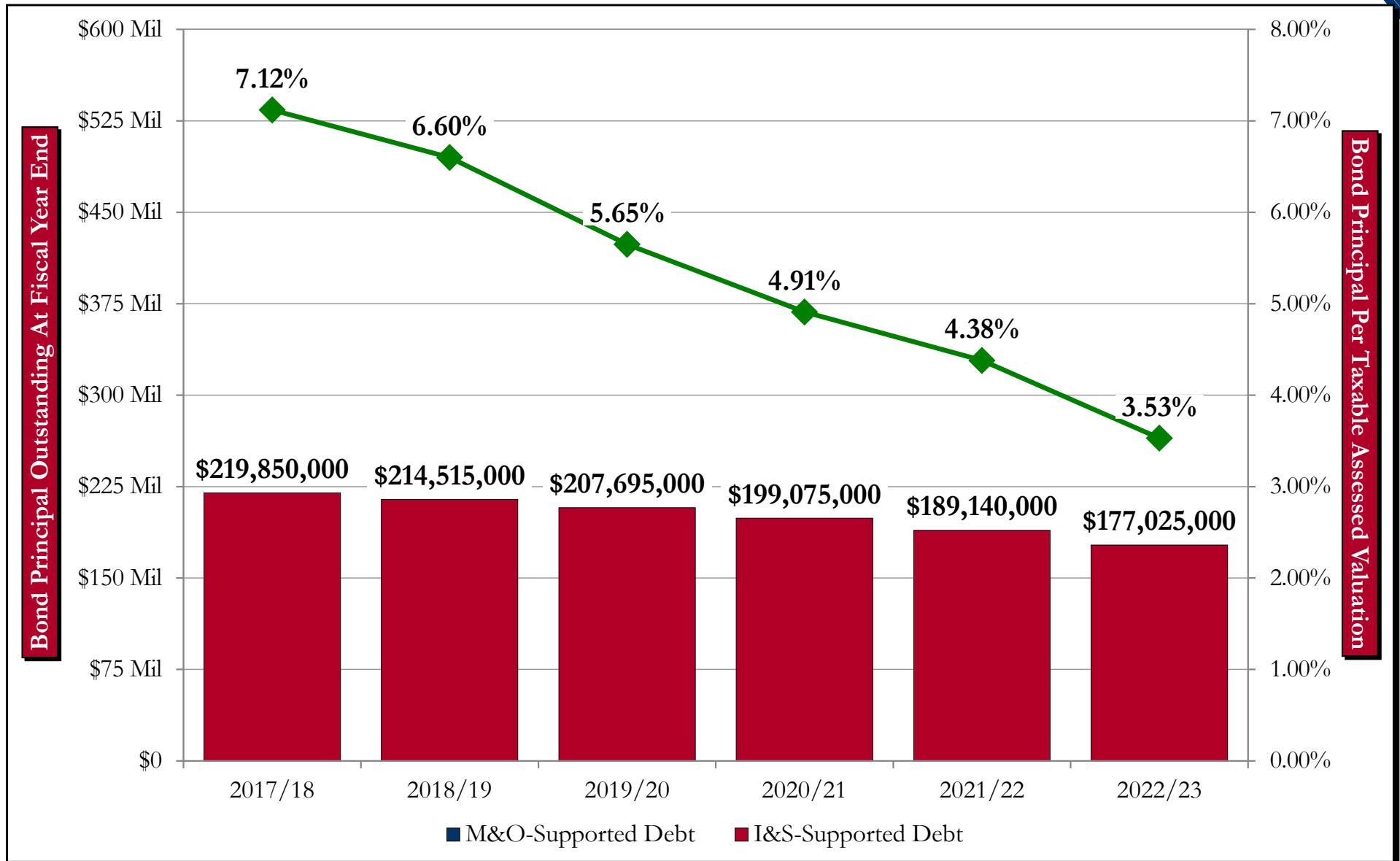
☑ Summary of Unlimited Tax Debt Outstanding By Series – As of Fiscal Year Ended June 30, 2023

- ☐ The following debt obligations are payable from ad valorem taxes (i.e. I&S taxes) levied annually against all taxable property located within the District, without legal limit as to rate or amount.

No.	Issue Description	Purpose	Original Principal Amount	Outstanding Principal	Total Outstanding Debt Service	Outstanding Principal Per Capita	Outstanding Debt Service Per Capita	Final Maturity Date	Total Proceeds Received	Spent Proceeds	Unspent Proceeds
1	Unlimited Tax Refunding Bonds, Series 1998	Refunding at a lower interest rate, etc.	\$10,520,000.00	\$740,000.00	\$3,525,000.00	\$15.58	\$74.21	02/15/2024	\$10,971,000.41	\$10,971,000.41	\$0.00
2	Unlimited Tax Refunding Bonds, Series 2014	Refunding at a lower interest rate, etc.	\$15,760,000.00	\$1,265,000.00	\$1,359,750.00	\$26.63	\$28.63	02/15/2027	\$17,393,173.65	\$17,393,173.65	\$0.00
3	Unlimited Tax School Building Bonds, Series 2018-A	Capital Improvements	\$121,260,000.00	\$121,125,000.00	\$201,348,000.00	\$2,549.95	\$4,238.82	02/15/2045	\$141,628,736.88	\$137,514,704.88	\$4,114,032.00
4	Variable Rate Unlimited Tax School Building Bonds, Series 2018-B	Capital Improvements	\$39,675,000.00	\$17,030,000.00	\$34,426,525.00	\$358.52	\$724.75	08/01/2046	\$40,569,084.62	\$40,569,084.62	\$0.00
5	Unlimited Tax Refunding Bonds, Taxable Series 2021-A	Refunding at a lower interest rate, etc.	\$30,375,000.00	\$29,175,000.00	\$33,755,212.00	\$614.20	\$710.62	02/15/2032	\$33,895,154.07	\$33,895,154.07	\$0.00
6	Unlimited Tax Refunding Bonds, Series 2021-B	Refunding at a lower interest rate, etc.	\$7,720,000.00	\$7,690,000.00	\$9,630,600.00	\$161.89	\$202.75	02/15/2030	\$9,264,082.68	\$9,264,082.68	\$0.00



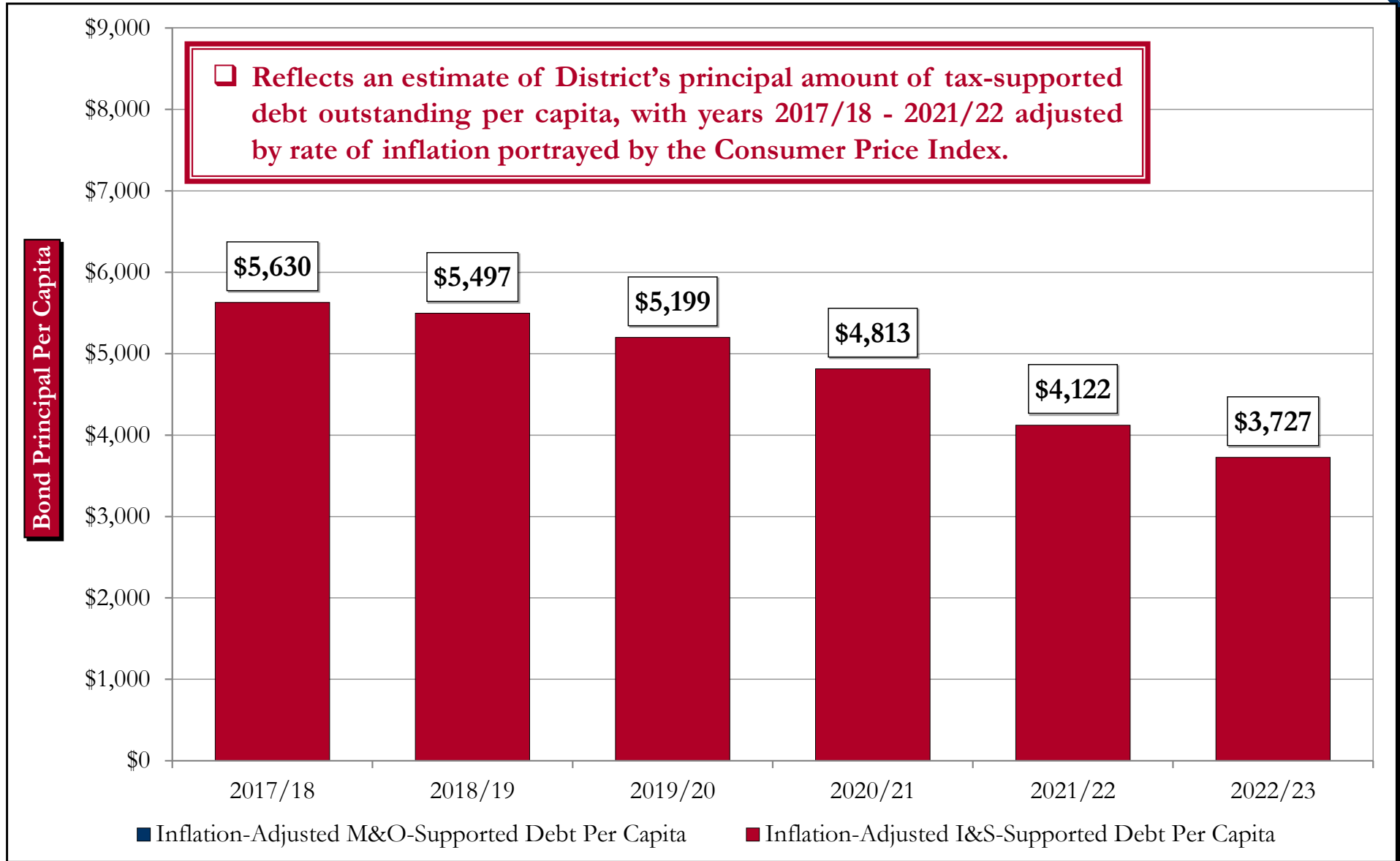
Tax-Supported Debt Obligations At Fiscal Year End and As a Percentage of Taxable Assessed Valuation



Note: The District has no outstanding debt payable from M&O taxes.



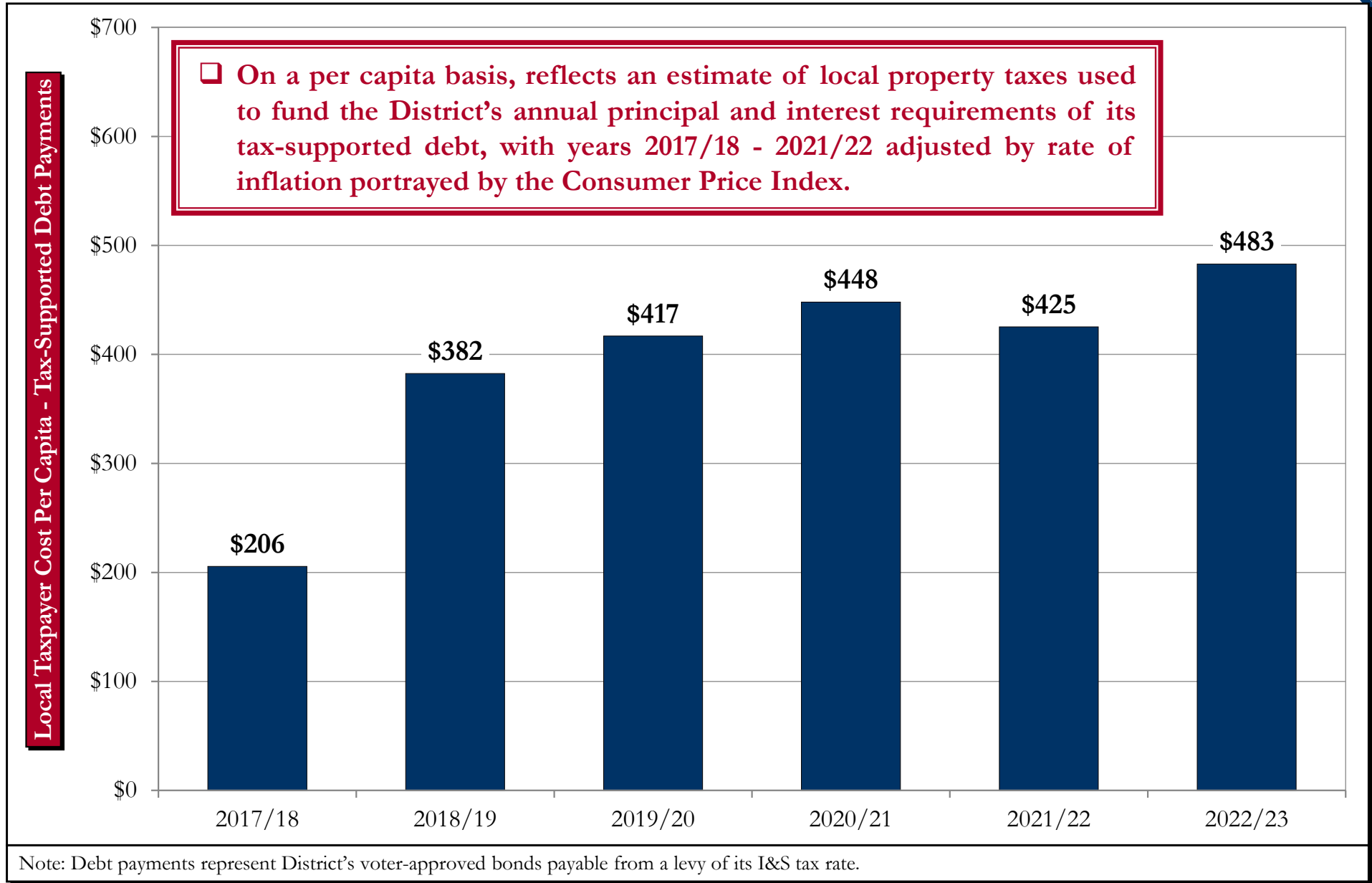
Inflation-Adjusted Tax-Supported Debt Per Capita



Note: The District has no outstanding debt payable from M&O taxes.



Inflation-Adjusted Tax-Supported Debt Cost Per Capita – Principal and Interest In Each of the Last 5 Years





Contact Information and Links to Additional Resources

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Links to Additional Resources:

<https://www.comptroller.texas.gov/transparency/local/debt/isds.php>

http://www.brb.state.tx.us/local_debt_search.aspx