

SHERMAN INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2022

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CERTIFICATE OF BOARD

Sherman Independent School District
Name of School District

Grayson
County

091-906
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended June 30, 2022, at a meeting of the Board of Trustees of such school district on the 14th day of November, 2022.

Signature of Board Secretary

Signature of Board President

Independent Auditor's Report

Sherman Independent School District
Sherman, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sherman Independent School District as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise Sherman Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Sherman Independent School District as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financials section of our report. We are required to be independent of Sherman Independent School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sherman Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with general accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Sherman Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sherman Independent School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 and the Teacher Retirement System schedules on page 60 through 68 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sherman Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements, the required TEA schedules, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022 on our consideration of Sherman Independent School District's internal control over financial reporting and on our tests of the 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 Sherman Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sherman Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas
November 8, 2022

**SHERMAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)**

As management of Sherman Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2022.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,560,919 (*net position*).
- The District's total net position increased by \$11,419,369 during the current fiscal year from the result of current year operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$54,026,699 a decrease of \$2,233,894 in comparison with the prior year. The decrease in governmental fund balances was due to a decrease in the General Fund balance of \$1,678,766, an increase in the Debt Service Fund of \$136,950, and a decrease in the Capital Projects Fund of \$2,015,775.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$31,810,813 or 37.9 percent of total general fund expenditures.
- The District's total bonded debt (par value) decreased by \$9.935 million during the current 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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 business.

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resource, and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent 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 periods (e.g., uncollected taxes).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (governmental activities). 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, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Capital Outlay, and Appraisal District Fees. The government-wide financial statements can be found on pages 14 and 15 of this report.

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 and 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 two categories: governmental 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 spendable resources, as well as on *balances of spendable resources* available at the end of the current fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds 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 impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances prove a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains thirty individual governmental funds. 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, the debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other twenty-seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and Child Nutrition Fund special revenue fund.

The basic governmental fund financial statements can be found on pages 16 through 23 of this report.

Fiduciary Funds

The District is the trustee, or custodian, for money raised by student activities. The District's custodial activity is reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 25 and 26. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

Notes to the 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 financial statements can be found on pages 27 through 55 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. In addition, two schedules of required supplementary information are presented containing information on the District's participation in the Teacher Retirement System of Texas pension plan and two schedules are presented containing information on the District's participation in the Teacher Retirement System of Texas TRS-Care plan, an other post-employment benefit (OPEB) plan. The required supplementary information can be found on pages 60 through 68.

Other Information

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information and can be found on pages 70 through 85 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,560,919 at the close of the fiscal year (net position).

The District's net investments in capital assets (e.g. land, buildings and improvements, and furniture and equipment) less any outstanding related debt used to acquire those assets, amounted to \$30,929,076. 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 cannot be used to liquidate these liabilities.

	Governmental Activities	
	2022	2021
Current and other assets	\$ 70,365,004	\$ 72,581,172
Capital and non-current assets	237,862,753	240,424,016
Total Assets	308,227,757	313,005,188
Deferred charge on bond refundings	-	49,891
Deferred outflows - pension	8,247,154	9,960,663
Deferred outflows - OPEB	7,080,667	6,529,027
Total Deferred Outflows of Resources	15,327,821	16,539,581
Current liabilities	17,169,582	17,807,823
Long-term liabilities	253,455,184	282,102,922
Total Liabilities	270,624,766	299,910,745
Deferred gain on bond refundings	230,996	-
Deferred inflows - pension	14,273,676	5,739,364
Deferred inflows - OPEB	19,865,221	20,998,110
Total Deferred Inflows of Resources	34,369,893	26,737,474
Net Position:		
Net investments in capital assets	\$ 30,929,076	\$ 20,593,195
Restricted	12,094,875	10,369,683
Unrestricted	(24,463,032)	(28,066,328)
Total Net Position	\$ 18,560,919	\$ 2,896,550

At the end of the current fiscal year, the District reports positive balances in net investment in capital assets and restricted net position, while unrestricted net position was negative. The District's net position increased by \$11,419,369 during the current fiscal year.

	Governmental Activities	
	2022	2021
Program Revenues		
Charges for services	\$ 857,145	\$ 793,283
Operating grants	21,411,839	17,793,741
General Revenues		
Property taxes	59,759,312	57,298,467
State Aid - Formula Grants	36,647,215	33,789,854
Interest earnings	201,405	287,531
Other	224,310	186,641
Total Revenues	<u>119,101,226</u>	<u>110,149,517</u>
Expenses		
Instruction	55,863,563	56,530,271
Instructional resources and media services	2,075,982	1,506,682
Curriculum and staff development	1,496,209	1,535,431
Instructional leadership	1,133,291	1,185,167
School leadership	5,002,987	4,553,828
Guidance, counseling, and evaluation services	4,255,671	4,114,044
Health services	1,105,445	950,609
Student transportation	2,945,140	2,617,733
Food service	5,267,034	4,664,135
Extracurricular activities	2,229,749	2,324,188
General administration	2,999,414	3,039,767
Facilities maintenance and operations	10,194,646	8,926,783
Security and monitoring services	699,120	615,053
Data processing services	3,261,251	5,561,521
Community services	28,455	19,522
Interest on long-term debt	5,944,218	6,787,223
Bond issuance costs and fees	614,265	4,646,740
Capital outlay	1,451,632	-
Other intergovernmental charges	1,113,785	1,045,421
Total Expenses	<u>107,681,857</u>	<u>110,624,118</u>
Increase (Decrease) in Net Position	11,419,369	(474,601)
Beginning Net Position	2,896,550	3,336,948
Prior period adjustment	4,245,000	34,203
Ending Net Position	<u>\$ 18,560,919</u>	<u>\$ 2,896,550</u>

Governmental Activities

Governmental activities decreased the District's net position by \$2,233,894. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent \$117,818,366 of total revenues. The remaining \$1,282,860 is generated from charges for services, investment earnings, and miscellaneous revenues.

	<u>Total Revenues</u>	<u>% of Total Revenues</u>
Property taxes	\$ 59,759,312	50%
State aid - formula grants	36,647,215	31%
Operating grants and contributions	21,411,839	18%
Charges for services	857,145	1%
Other revenue	425,715	0%
Total Revenues	<u>\$ 119,101,226</u>	<u>100%</u>

State aid increased \$2.9 million due to a 5.6% increase in weighted average daily attendance.

The primary functional expenses of the District are instruction, facilities maintenance and operations, and interest on long-term debt, which represent 67% of total expenses. The remaining individual functional categories of expenses are each less than 5% of total expenses.

	<u>Total Expenses</u>	<u>% of Total Expenses</u>
Instruction	\$ 55,863,563	52%
Facilities maintenance and operations	10,194,646	9%
Interest on long-term debt	5,944,218	6%
Other expenses	35,679,430	33%
Total Expenses	<u>\$ 107,681,857</u>	<u>100%</u>

Financial Analysis of the Government's Funds

As noted earlier, the District uses funds 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 current fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$54,026,699, a decrease of \$2,233,894 in comparison with the prior fiscal year. The decrease in ending governmental fund balances is primarily due to planned spending for construction in the capital projects fund.

The *general fund* is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$31,810,813, while total fund balance was \$32,441,100. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 37.9% of total general fund expenditures, while total fund balance represents 38.6% of that same amount. The fund balance of the District's general fund decreased by \$1,678,766 during the current fiscal year.

The *debt service fund* has a total fund balance of \$12,447,405, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance during the current year of \$136,950 was in line with budgeted expectations.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

	Budget	
	Original	Final Amended
Total revenues	\$ 80,244,499	\$ 80,242,999
Total expenditures	82,681,699	84,551,607
Other sources (uses)	-	-
Net change in fund balance	\$ (2,437,200)	\$ (4,308,608)

The review of the amended budget versus actual for the general fund reflected that revenues were more than budgetary estimates and expenditures were less than budgetary estimates.

Capital Assets and Long-term Liabilities

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2022 includes land, buildings and improvements and furniture and equipment. The investment in capital assets as of June 30, 2022 was \$237,862,753. The following table summarizes the investment in capital assets as of June 30, 2022 and 2021.

	2022	2021
Land	\$ 6,164,564	\$ 6,164,564
Construction in progress	917,134	-
Building and improvements	284,658,906	281,507,169
Furniture and equipment	30,697,473	29,589,206
Total	322,438,077	317,260,939
Accumulated depreciation	(84,575,324)	(76,836,923)
Net capital assets	\$ 237,862,753	\$ 240,424,016

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

Long-term Liabilities

At the end of the current fiscal year, the District had \$253,455,184 in bonds and other long-term debt (including accreted interest on bonds) versus \$277,857,922 in the prior year, a decrease of \$24,402,738. The District's general obligation bond rating is "AAA" according to national rating agencies. This is the result of guarantees of the Texas Permanent School Fund.

Changes in long-term debt for the year ended June 30, 2022 are as follows:

	<u>Balance</u> <u>7/1/2021</u>	<u>Additions</u>	<u>Retired/ Refunded</u>	<u>Balance</u> <u>6/30/2022</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable					
Carrying value	\$ 199,075,000	\$ 38,095,000	\$ 48,030,000	\$ 189,140,000	\$ 3,330,000
Unamortized premium (discount)	<u>25,263,583</u>	<u>5,283,211</u>	<u>6,297,017</u>	<u>24,249,777</u>	<u>1,914,086</u>
Total bonds payable	224,338,583	43,378,211	54,327,017	213,389,777	5,244,086
Accreted interest payable	7,037,885	450,918	2,765,304	4,723,499	2,544,989
Vested sick leave benefits	533,402	98,974	144,171	488,205	45,197
Net pension liability	22,676,804	-	11,386,385	11,290,419	-
Net other post-employment benefits (OPEB)	<u>23,271,248</u>	<u>292,036</u>	<u>-</u>	<u>23,563,284</u>	<u>-</u>
	<u>\$ 277,857,922</u>	<u>\$ 44,220,139</u>	<u>\$ 68,622,877</u>	<u>\$ 253,455,184</u>	<u>\$ 7,834,272</u>

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Sherman-Denison was 3.8% in June 2022, compared to 5.3% in June 2021. The current rate is lower than the overall State of Texas' unemployment rate of 4.1%.
- The District's combined tax rate was \$1.4393 per \$100 of assessed property value in the 2021-22 fiscal year. The combined tax rate will decrease to \$1.4219 for next year (2022-23 fiscal year) due to rate compression required by state funding legislation.
- The local certified property values in July 2022 are estimated at \$5,016,343,335, compared to \$4,317,904,338 in the prior year.
- The District's student attendance rate in 2021-22 was 91.3%, compared to 93.5% in the prior year.
- The District's 2022-2023 adopted budget for the General Fund includes total revenues of \$85.1 million and total expenditures of \$88.1 million.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Chief Financial Officer at the following address:

2701 Loy Lake Road
Sherman, TX 75090
Telephone: (903) 891-6400

BASIC FINANCIAL STATEMENTS

SHERMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 46,379,856
1120 Current Investments	5,308,331
1220 Property Taxes - Delinquent	2,911,435
1230 Allowance for Uncollectible Taxes	(363,759)
1240 Due from Other Governments	15,498,854
1300 Inventories	313,105
1410 Prepayments	317,182
Capital Assets:	
1510 Land	6,164,564
1520 Buildings, Net	222,870,207
1530 Furniture and Equipment, Net	7,910,848
1580 Construction in Progress	917,134
1000 Total Assets	308,227,757
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Resource Outflows Related to TRS Pension	8,247,154
1706 Deferred Resource Outflows Related to TRS OPEB	7,080,667
1700 Total Deferred Outflows of Resources	15,327,821
LIABILITIES	
2110 Accounts Payable	8,276,805
2140 Accrued Interest Payable	3,005,547
2150 Payroll Deductions and Withholdings	428,343
2160 Accrued Wages Payable	4,265,644
2177 Due to Fiduciary Funds	111,626
2300 Unearned Revenue	1,081,617
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	7,834,272
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	210,767,209
2540 Net Pension Liability (District's Share)	11,290,419
2545 Net OPEB Liability (District's Share)	23,563,284
2000 Total Liabilities	270,624,766
DEFERRED INFLOWS OF RESOURCES	
2602 Deferred Gain on Bond Refundings	230,996
2605 Deferred Resource Inflows Related to TRS Pension	14,273,676
2606 Deferred Resource Inflows Related to TRS OPEB	19,865,221
2600 Total Deferred Inflows of Resources	34,369,893
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	30,929,076
Restricted:	
3820 Restricted for Federal and State Programs	1,986,859
3850 Restricted for Debt Service	10,108,016
3900 Unrestricted	(24,463,032)
3000 Total Net Position	\$ 18,560,919

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net (Expense)
Revenue and
Changes in Net
Position

Data Control Codes	1	Program Revenues		6	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 55,863,563	\$ 120,823	\$ 10,107,130	\$ (45,635,610)
12	Instructional Resources and Media Services	2,075,982	35,525	75,508	(1,964,949)
13	Curriculum and Instructional Staff Development	1,496,209	-	777,691	(718,518)
21	Instructional Leadership	1,133,291	-	61,834	(1,071,457)
23	School Leadership	5,002,987	-	304,884	(4,698,103)
31	Guidance, Counseling, and Evaluation Services	4,255,671	202	1,335,302	(2,920,167)
33	Health Services	1,105,445	-	160,821	(944,624)
34	Student (Pupil) Transportation	2,945,140	-	510,215	(2,434,925)
35	Food Services	5,267,034	316,617	5,947,339	996,922
36	Extracurricular Activities	2,229,749	381,898	62,317	(1,785,534)
41	General Administration	2,999,414	-	200,795	(2,798,619)
51	Facilities Maintenance and Operations	10,194,646	2,080	1,624,889	(8,567,677)
52	Security and Monitoring Services	699,120	-	25,249	(673,871)
53	Data Processing Services	3,261,251	-	63,990	(3,197,261)
61	Community Services	28,455	-	19,848	(8,607)
72	Debt Service - Interest on Long-Term Debt	5,944,218	-	134,027	(5,810,191)
73	Debt Service - Bond Issuance Cost and Fees	614,265	-	-	(614,265)
81	Capital Outlay	1,451,632	-	-	(1,451,632)
99	Other Intergovernmental Charges	1,113,785	-	-	(1,113,785)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 107,681,857	\$ 857,145	\$ 21,411,839	(85,412,873)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	39,914,811
DT	Property Taxes, Levied for Debt Service	19,844,501
SF	State Aid - Formula Grants	36,647,215
IE	Investment Earnings	201,405
MI	Miscellaneous Local and Intermediate Revenue	224,310
TR	Total General Revenues	96,832,242
CN	Change in Net Position	11,419,369
NB	Net Position - Beginning	2,896,550
PA	Prior Period Adjustment	4,245,000
NE	Net Position - Ending	\$ 18,560,919

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 21,267,272	\$ 9,922,062	\$ 15,190,522
1120 Investments - Current	761,025	4,510,813	-
1220 Property Taxes - Delinquent	2,010,660	900,775	-
1230 Allowance for Uncollectible Taxes	(250,578)	(113,181)	-
1240 Due from Other Governments	12,242,505	2,271	-
1260 Due from Other Funds	5,030,084	-	-
1300 Inventories	313,105	-	-
1410 Prepayments	317,182	-	-
1000 Total Assets	<u>\$ 41,691,255</u>	<u>\$ 15,222,740</u>	<u>\$ 15,190,522</u>
LIABILITIES			
2110 Accounts Payable	\$ 710,429	\$ -	\$ 6,995,152
2150 Payroll Deductions and Withholdings Payable	326,197	-	-
2160 Accrued Wages Payable	3,662,930	-	-
2170 Due to Other Funds	3,042,487	2,109,177	1,508,274
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>7,742,043</u>	<u>2,109,177</u>	<u>8,503,426</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,508,112	666,158	-
2600 Total Deferred Inflows of Resources	<u>1,508,112</u>	<u>666,158</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	313,105	-	-
3430 Prepaid Items	317,182	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	6,687,096
3480 Retirement of Long-Term Debt	-	12,447,405	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	31,810,813	-	-
3000 Total Fund Balances	<u>32,441,100</u>	<u>12,447,405</u>	<u>6,687,096</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 41,691,255</u>	<u>\$ 15,222,740</u>	<u>\$ 15,190,522</u>

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

Other Funds	Total Governmental Funds
\$ -	\$ 46,379,856
36,493	5,308,331
-	2,911,435
-	(363,759)
3,254,078	15,498,854
2,930,861	7,960,945
-	313,105
-	317,182
<u>\$ 6,221,432</u>	<u>\$ 78,325,949</u>
\$ 571,224	\$ 8,276,805
102,146	428,343
602,714	4,265,644
1,412,633	8,072,571
1,081,617	1,081,617
<u>3,770,334</u>	<u>22,124,980</u>
-	2,174,270
-	2,174,270
-	313,105
-	317,182
1,986,859	1,986,859
-	6,687,096
-	12,447,405
464,239	464,239
-	31,810,813
<u>2,451,098</u>	<u>54,026,699</u>
<u>\$ 6,221,432</u>	<u>\$ 78,325,949</u>

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SHERMAN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2022

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	54,026,699
1 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.		322,438,077
2 Accumulated depreciation is not reported in the fund financial statements.		(84,575,324)
3 Bonds payable are not reported in the fund financial statements.		(189,140,000)
4 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.		(4,723,499)
5 Bond premiums and discounts on outstanding bonds payable are not reported in the fund financial statements.		(24,249,777)
6 Vested sick leave benefits payable are not reported in the fund financial statements.		(488,205)
7 Revenue from property taxes reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.		2,174,270
8 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are recorded when due.		(3,005,547)
9 The deferred gain on bond refundings is not recorded in the fund financial statements, but is shown as a deferred inflow of resources in the government-wide financial statements.		(230,996)
10 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$11,290,419, Deferred Inflows of Resources related to TRS in the amount of \$14,273,676, and Deferred Outflows of Resources related to TRS in the amount of \$8,247,154. This results in a decrease in Net Position in the amount of \$17,316,941.		(17,316,941)
11 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$23,563,284, a Deferred Resource Inflow related to TRS OPEB in the amount of \$19,865,221, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$7,080,667. This results in a net decrease in Net Position in the amount of \$36,347,838.		(36,347,838)
19 Net Position of Governmental Activities	\$	18,560,919

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 39,933,646	\$ 19,722,569	\$ 99,470
5800 State Program Revenues	41,144,838	134,027	-
5900 Federal Program Revenues	1,214,977	-	-
5020 Total Revenues	<u>82,293,461</u>	<u>19,856,596</u>	<u>99,470</u>
EXPENDITURES:			
Current:			
0011 Instruction	47,578,877	-	276,960
0012 Instructional Resources and Media Services	1,369,055	-	-
0013 Curriculum and Instructional Staff Development	790,018	-	-
0021 Instructional Leadership	1,155,824	-	-
0023 School Leadership	4,756,507	-	-
0031 Guidance, Counseling, and Evaluation Services	3,165,860	-	-
0033 Health Services	1,001,907	-	-
0034 Student (Pupil) Transportation	3,315,934	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	2,928,471	-	130,450
0041 General Administration	2,957,081	-	-
0051 Facilities Maintenance and Operations	11,194,139	-	79,878
0052 Security and Monitoring Services	767,490	-	-
0053 Data Processing Services	1,903,488	-	139,325
0061 Community Services	8,607	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	-	3,950,000	-
0072 Interest on Long-Term Liabilities	-	10,298,230	-
0073 Bond Issuance Cost and Fees	-	5,953,515	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	1,488,632
Intergovernmental:			
0099 Other Intergovernmental Charges	1,113,785	-	-
6030 Total Expenditures	<u>84,007,043</u>	<u>20,201,745</u>	<u>2,115,245</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,713,582)</u>	<u>(345,149)</u>	<u>(2,015,775)</u>
OTHER FINANCING SOURCES (USES):			
7901 Refunding Bonds Issued	-	38,095,000	-
7912 Sale of Real and Personal Property	34,816	-	-
7916 Premium or Discount on Issuance of Bonds	-	5,283,211	-
8949 Other (Uses): Payment to Bond Refunding Escrow	-	(42,896,112)	-
7080 Total Other Financing Sources (Uses)	<u>34,816</u>	<u>482,099</u>	<u>-</u>
1200 Net Change in Fund Balances	(1,678,766)	136,950	(2,015,775)
0100 Fund Balance - July 1 (Beginning)	<u>34,119,866</u>	<u>12,310,455</u>	<u>8,702,871</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 32,441,100</u>	<u>\$ 12,447,405</u>	<u>\$ 6,687,096</u>

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

Other Funds	Total Governmental Funds
\$ 795,773	\$ 60,551,458
462,918	41,741,783
15,311,482	16,526,459
<u>16,570,173</u>	<u>118,819,700</u>
6,458,953	54,314,790
57,122	1,426,177
735,926	1,525,944
-	1,155,824
31,355	4,787,862
1,153,333	4,319,193
104,870	1,106,777
-	3,315,934
5,049,330	5,049,330
192,324	3,251,245
56,106	3,013,187
1,375,999	12,650,016
-	767,490
11,310	2,054,123
19,848	28,455
-	3,950,000
-	10,298,230
-	5,953,515
-	1,488,632
-	<u>1,113,785</u>
<u>15,246,476</u>	<u>121,570,509</u>
<u>1,323,697</u>	<u>(2,750,809)</u>
-	38,095,000
-	34,816
-	5,283,211
-	(42,896,112)
-	<u>516,915</u>
<u>1,323,697</u>	<u>(2,233,894)</u>
<u>1,127,401</u>	<u>56,260,593</u>
<u>\$ 2,451,098</u>	<u>\$ 54,026,699</u>

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SHERMAN INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2022

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (2,233,894)
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions increases government-wide net position.	5,177,138
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(7,738,401)
Current year long-term debt principal payments on bonds payable are expenditures in the fund financial statements, but are shown as reductions of long-term debt in the government-wide financial statements.	9,290,000
The current year decrease in accreted interest payable on capital appreciation bonds is not recorded in the fund financial statements. The net effect of the current year's change in accreted interest payable on capital appreciation bonds is to decrease government-wide net position.	2,041,579
The current year decrease in vested sick leave benefits payable is not recorded in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	45,197
Current year amortization of the premium on bonds payable is not recorded in the fund financial statements, but is shown as a decrease in long-term debt in the government-wide financial statements.	2,094,594
Current year amortization of the deferred charge/gain on bond refundings is not reflected in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.	38,981
Interest is accrued on outstanding debt in the government-wide financial statements, but interest is expended as due in the fund financial statements.	178,858
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed net of an allowance for uncollectible amounts in the government-wide financial statements.	477,109
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/2021 caused the change in the ending net position to increase by \$328,227. These contributions were replaced with the District's negative pension expense for the year of \$810,337, which caused an increase in the change in net position. The total effect of these is to increase the change in net position by \$1,138,564.	1,138,564

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2022

EXHIBIT C-4

<p>The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2021 but during the current fiscal year caused the ending net position to increase in the amount of \$58,449. These contributions were replaced with the District's negative OPEB expense for the year of \$1,334,044 which caused an increase in the change in net position. The total effect of these is to increase the change in net position by \$1,392,493.</p>	1,392,493
<p>Current year issuances of refunding bonds are shown as other financing sources in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.</p>	(38,095,000)
<p>The premiums on the current year issuances of refunding bonds are recorded as other financing sources in the fund financial statements, but are shown as an increase in long-term debt in the government-wide financial statements.</p>	(5,283,211)
<p>The current year payments to the escrow agent for defeased debt is an other financing use in the fund financial statements, but is reported as a reduction in long-term debt in the government -wide financial statements.</p>	42,895,362
Change in Net Position of Governmental Activities	\$ 11,419,369

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	Custodial Fund
<hr/>	
ASSETS	
Due from Other Funds	\$ 111,626
Total Assets	<u>111,626</u>
LIABILITIES	
Accounts Payable	<u>1,228</u>
Total Liabilities	<u>1,228</u>
NET POSITION	
Unrestricted Net Position	<u>110,398</u>
Total Net Position	<u><u>\$ 110,398</u></u>

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Custodial Fund
ADDITIONS:	
Contributions to Student Groups	\$ 105,207
Total Additions	<u>105,207</u>
DEDUCTIONS:	
Supplies and Materials	91,227
Total Deductions	<u>91,227</u>
Change in Fiduciary Net Position	13,980
Total Net Position - July 1 (Beginning)	<u>96,418</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 110,398</u></u>

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sherman Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees is elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Sherman Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The District had no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Fiduciary Funds** - These funds are used to account for activities of student groups and other organizational activities on a fiduciary basis. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; 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 the measurement made, regardless of the measurement focus applied.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

The government-wide statements and fiduciary fund financial statements (except agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A 60 day availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The revenues susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

SHERMAN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

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

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 20 of the preceding fiscal year for the subsequent fiscal period beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Fund. The other special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

June 30, 2022 <u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$1,893,410
Nonappropriated Budget Funds	<u>557,688</u>
All Special Revenue Funds	<u>\$2,451,098</u>

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at June 30, 2022.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

F. INVENTORIES AND PREPAID ITEMS

The consumption method is used to account for inventories of paper and other supplies. Under this method, these items are charged to expenditures when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

G. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as “Due to/from other funds”. Interfund loans are classified as “Advances to/from other funds” and are offset by a fund balance reserve account.

H. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	15-50 Years
Vehicles	7-12 Years
Equipment	5-12 Years

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A deferred outflow of resources is a consumption of a government’s net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

Deferred outflows of resources for pensions - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 6.3 years.

The amount of deferred outflows reported in the governmental activities for deferred pension expenses at June 30, 2022 was \$8,247,154.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

Deferred outflows of resources for OPEB - Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 9.2 years. The amount of deferred outflows reported for deferred OPEB expense at June 30, 2022 was \$7,080,667.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has four items that qualify for reporting in this category:

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2022 was \$2,174,270.

Deferred inflows of resources for refundings - Reported in the government-wide statement of net position, the deferred gain on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred inflows reported in the governmental activities for the deferred gain on bond refundings at June 30, 2022 was \$230,996.

Deferred inflows of resources for pensions - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments and other actuarial and other assumption differences. These amounts will be amortized over a closed 5 year period. In fiscal year 2022, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$14,273,676.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (9.2 years for the 2021 measurement year). In fiscal year 2022, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$19,865,221.

J. CASH EQUIVALENTS

Investments are considered to be cash equivalents if they are highly liquid and have a maturity of three months or less when purchased.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

K. NET POSITION

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are recorded 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. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. VACATION AND SICK LEAVE

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated and may be paid to retiring employees. See Note 5.

N. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2022, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

O. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2. FUND BALANCES

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventories and prepaid items as being nonspendable as these items are not expected to be converted to cash.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects resources are restricted for future capital outlay. The fund balance of certain grant programs is restricted for those grant programs.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. The Board of Trustees have committed resources as of June 30, 2022 for campus activities.

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has not assigned any fund balance as of June 30, 2022.

- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

The details of the fund balances are included in the Governmental Funds Balance Sheet and are described below:

General Fund

The General Fund has unassigned fund balance of \$31,810,813 at June 30, 2022. Inventories of \$313,105 and prepaid items of \$317,182 are considered nonspendable fund balance.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

Debt Service Fund

The Debt Service Fund has restricted funds of \$12,447,405 at June 30, 2022 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Capital Projects Fund

The Capital Projects Fund has restricted funds of \$6,687,096 at June 30, 2022 consisting primarily of remaining bond issuance proceeds that are restricted for construction and other capital outlay expenditures.

Other Funds

The fund balance of \$429,046 of the Campus Activity Fund and \$35,193 of the Scholarship Fund (both special revenue funds) are committed due to Board policy committing those funds to campus activities and scholarships. The Special Revenue Funds include \$1,986,859 of fund balance restricted for Federal or State grant programs.

NOTE 3. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At June 30, 2022, the carrying amount of the District's deposit checking accounts and interest-bearing demand accounts was \$21,205,932 and the bank balance was \$21,829,096. The District's cash deposits at June 30, 2022 were entirely covered by FDIC insurance, by pledged collateral or by letters of credit held by the District's agent bank in the District's name. During the year ended June 30, 2022, District deposits were fully collateralized throughout the year.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

SHERMAN INDEPENDENT SCHOOL DISTRICT
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- a. Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, the District's cash deposits totaled \$21,829,096. This entire amount was either collateralized with securities held by the District's agent, letters of credit or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk as of June 30, 2022.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2022, the District held investments in six public funds investment pools. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for all investment pools at year-end was AAAM (Standard & Poor's).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for each investment pool is less than 90 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2022, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The District's investments in public funds investment pools are not subject to the concentration risk. At June 30, 2022, the District's investments were not exposed to concentration of credit risk.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

The District's cash and investments at June 30, 2022, are shown below:

	Fair Market Value	Weighted Average Maturity (Days)
	<u> </u>	<u> </u>
Governmental Activities		
Cash and deposits	\$ 21,205,932	N/A
<i>Investments</i>		
Local Government Investments Pools		
LOGIC	719,240	71
Lone Star	18,643,454	60
TexasDaily	588,130	60
TexPool	5,222,815	60
TexSTAR	284	47
Texas CLASS	1	60
CD's		
TexasTERM CD's	502,219	365
Independent Bank	258,806	365
EastWest Bank	4,510,813	160
Total Investments	<u>30,445,762</u>	
Total Governmental Activities	<u>51,651,694</u>	
Scholarship Fund		
CD-Bank of Texas	36,493	365
Total Scholarship Fund	<u>36,493</u>	
Total	<u>\$ 51,688,187</u>	

The amount of interest earned on the District's cash and investments for the fiscal year ended June 30, 2022, was \$201,405.

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

Assets and Liabilities Measured at Fair Value on a Recurring Basis

<u>Investments by Fair Value level:</u>	<u>Fair Value Measurements Using</u>			
	<u>Balance at 6/30/22</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificates of Deposit	\$5,308,331	\$ -	\$5,308,331	\$ -

The fair value of the certificates of deposit at June 30, 2022 was determined based on level 2 inputs. The District estimates the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District's investments in Pool's (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance July 1	Additions/ Completions	Retirement/ Adjustments	Balance June 30
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 6,164,564	\$ -	\$ -	\$ 6,164,564
Construction in progress	-	917,134	-	917,134
Total capital assets not being depreciated	6,164,564	917,134	-	7,081,698
Capital assets, being depreciated				
Buildings and improvements	281,507,169	3,151,737	-	284,658,906
Furniture and equipment	29,589,206	1,108,267	-	30,697,473
Total capital assets being depreciated	311,096,375	4,260,004	-	315,356,379
Less accumulated depreciation for:				
Buildings and improvements	(55,958,383)	(5,830,316)	-	(61,788,699)
Furniture and equipment	(20,878,540)	(1,908,085)	-	(22,786,625)
Total accumulated depreciation	(76,836,923)	(7,738,401)	-	(84,575,324)
Total capital assets, being depreciated, net	234,259,452	(3,478,397)	-	230,781,055
Governmental activities capital assets, net	\$240,424,016	\$ (2,561,263)	\$ -	\$237,862,753

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$3,587,176
Instructional Resources & Media Services	688,189
Instructional Leadership	21,491
School Leadership	409,869
Guidance, Counseling & Eval.	66,179
Health Services	38,504
Student (Pupil) Transportation	347,283
Food Services	300,601
Extracurricular Activities	245,531
General Administration	89,240
Plant Maintenance and Operations	699,704
Data Processing Services	<u>1,244,634</u>
Total depreciation expense-Governmental activities	<u>\$7,738,401</u>

NOTE 5. LONG-TERM LIABILITIES

Long-term liabilities includes par bonds, capital appreciation (deep discount) serial bonds, vested sick leave benefits payable, and the District's net pension liability. All long-term debt represents transactions in the District's governmental activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

The following schedule indicates the changes in long-term debt during the year ended June 30, 2022:

	<u>Balance 7/1/2021</u>	<u>Additions</u>	<u>Retire d/ Refunded</u>	<u>Balance 6/30/2022</u>	<u>Due Within One Year</u>
Bonds payable					
Carrying value	\$ 199,075,000	\$ 38,095,000	\$ 48,030,000	\$ 189,140,000	\$3,330,000
Unamortized premium (discount)	<u>25,263,583</u>	<u>5,283,211</u>	<u>6,297,017</u>	<u>24,249,777</u>	<u>1,914,086</u>
Total bonds payable	224,338,583	43,378,211	54,327,017	213,389,777	5,244,086
Accreted interest payable	7,037,885	450,918	2,765,304	4,723,499	2,544,989
Vested sick leave benefits	533,402	98,974	144,171	488,205	45,197
Net pension liability	22,676,804	-	11,386,385	11,290,419	-
Net other post-employment benefits (OPEB)	<u>23,271,248</u>	<u>292,036</u>	<u>-</u>	<u>23,563,284</u>	<u>-</u>
	<u>\$277,857,922</u>	<u>\$ 44,220,139</u>	<u>\$ 68,622,877</u>	<u>\$ 253,455,184</u>	<u>\$7,834,272</u>

Current requirements for principal and interest expenditures (bonds payables and accreted interest payable) are accounted for in the Debt Service Fund. Total interest cost incurred by the District during the year ended June 30, 2022 was \$5,944,218; this entire amount was charged to expense in the statement of activities. Liquidations of vested sick leave benefits are accounted for in the General Fund.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

BONDS PAYABLE

The following is a summary of the District's bonds outstanding as of June 30, 2022:

Issue	Interest Rates	Final Maturity	Amounts Original Issue	Amounts Outstanding July 1, 2021	Issued	Retired/ Refunded	Amounts Outstanding June 30, 2022
Refunding Bonds, Series 1998	3.8-5%	2024	\$11,696,357	\$ 2,320,000	\$ -	\$ 810,000	\$ 1,510,000
Refunding Bonds, Series 2012	2-3.25%	2030	9,629,732	8,040,000	-	8,040,000	-
Refunding Bonds, Series 2013	2-5%	2032	37,610,000	23,610,000	-	22,230,000	1,380,000
Refunding Bonds, Series 2014	2-5%	2027	15,760,000	7,570,000	-	5,530,000	2,040,000
Refunding Bonds, Series 2015	2-5%	2031	9,205,000	5,120,000	-	5,120,000	-
School Building Bonds, Series 2018-A	3-5%	2045	121,260,000	121,260,000	-	-	121,260,000
School Building Bonds, Series 2018-B	3%	2049	39,675,000	31,155,000	-	5,340,000	25,815,000
Refunding Bonds, Series 2021-A	1.82-4%	2032	30,375,000	-	30,375,000	930,000	29,445,000
Refunding Bonds, Series 2021-B	3-4%	2030	7,720,000	-	7,720,000	30,000	7,690,000
			<u>\$ 199,075,000</u>	<u>\$ 38,095,000</u>	<u>\$ 38,095,000</u>	<u>\$ 48,030,000</u>	<u>\$ 189,140,000</u>

REFUNDINGS

In July 2021, the District issued \$30,375,000 (par value) in Unlimited Tax Refunding Bonds to advance refund \$30,790,000 (par value) of outstanding bonds. The net proceeds of \$33,720,207 (\$30,375,000 par amount of the bonds plus \$3,679,045 of premium paid on the bonds less \$333,837 of underwriting fees and other issuance costs) were used to purchase U.S. and State and Local Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds was removed from the long-term debt of the District. The refunded bonds will be repaid between August 2021 and February 2024, the call date of the bonds. The reacquisition price was less than the net carrying amount of the old debt by \$202,743. This amount is being amortized over the remaining life of the refunded debt, which is the same as the life of the new refunded debt issued. In addition, the refunding resulted in an economic gain of \$2,102,396 (the present value of debt service savings).

In December 2021, the District issued \$7,720,000 (par value) in Unlimited Tax Refunding Bonds to advance refund \$7,950,000 (par value) of outstanding bonds. The net proceeds of \$9,175,904 (\$7,720,000 par amount of the bonds plus \$1,604,166 of premium paid on the bonds less \$148,262 of underwriting fees and other issuance costs) were used to purchase U.S. and State and Local Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds was removed from the long-term debt of the District. The refunded bonds were repaid in February 2022, the call date of the bonds. The reacquisition price was less than the net carrying amount of the old debt by \$39,845. This amount is being amortized over the remaining life of the refunded debt, which is the same as the life of the new refunded debt issued. In addition, the refunding resulted in an economic gain of \$922,009 (the present value of debt service savings).

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In February 2022, the District advance refunded \$5,340,000 (par value) of bonds by paying \$5,466,850 of District funds into an irrevocable escrow account. No refunding bonds were issued. All future payments on the refunded bonds will be paid from the escrow account. The refunded bonds will be redeemed in August 2023, the call date of the bonds.

ACCREDITED INTEREST PAYABLE

The Premium Capital Appreciation Bonds (Series 1998 and 2012) discussed on the previous pages are zero-coupon bonds with deep discounts. The difference between the initial price of the bonds and their maturity value represents interest. This interest is accreted over the term of the bonds and is recorded as a liability in the District's financial statements. The following schedule summarizes the changes in accreted interest payable during the year ended June 30, 2022.

	Balance July 1, 2021	Additions	Retired	Balance June 30, 2022
Accreted Interest Payable	\$ 7,037,885	\$ 450,918	\$ 2,765,304	\$ 4,723,499

Accreted interest payable of \$2,575,865 was paid by the Debt Service Fund during the year ended June 30, 2022.

DEBT SERVICE REQUIREMENTS

Bonds payable debt service requirements are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2023	\$ 3,330,000	\$ 10,819,318	\$ 14,149,318
2024	3,795,000	11,093,556	14,888,556
2025	7,175,000	8,508,893	15,683,893
2026	7,875,000	8,230,893	16,105,893
2027	8,625,000	7,902,443	16,527,443
2028-2032	46,785,000	33,448,165	80,233,165
2033-2037	29,425,000	24,448,125	53,873,125
2038-2042	37,785,000	16,297,375	54,082,375
2043-2047	37,280,000	6,429,925	43,709,925
2048-2049	<u>7,065,000</u>	<u>158,963</u>	<u>7,223,963</u>
	<u>\$189,140,000</u>	<u>\$127,337,656</u>	<u>\$316,477,656</u>

ACCUMULATED UNPAID VACATION AND SICK-LEAVE BENEFITS

Employment contracts specify the days to be worked for all District employees except for mechanics, maintenance and custodial employees. Annual compensation is deemed to be directly attributable to the days specified in the contract. Mechanics, maintenance and custodial employees all begin their vacation on July 1 of each year. If employed on or before November 30 of the previous year, the employees are entitled to two weeks of vacation, or one week of vacation if employed between November 30 and February 28. As of June 30, 2022, the accumulated unpaid vacation leave of the District is considered to be immaterial.

Teachers and administrators of the District annually accrue five days of sick-leave benefits provided by the State and 5 days provided by the District. Accumulation and carryover is unlimited by the State but limited to 100 days by the District. At retirement, State-mandated days lapse while unused District days become 25% vested and payable at the most recent rate of pay.

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Paraprofessional and auxiliary employees annually accrue 5 days of sick-leave benefits provided by the District and 5 days provided by the State. Accumulation and carryover of District provided days is limited to 100 days that, upon retirement, become 25% vested and payable at the most recent rate of pay.

At June 30, 2022, the District estimates that sick-leave benefits of \$488,205 are vested for employees eligible to retire. This amount has been recorded as a liability in the District's government-wide financial statements.

NOTE 6. DEFERRED GAIN ON BOND REFUNDINGS

The District's deferred gain on bond refundings are as follows:

Balance – Deferred charge at June 30, 2021	\$ 49,891
Current year deferred gain on bond refundings	(319,868)
Current period amortization	<u>38,981</u>
Balance – Deferred gain at June 30, 2022	<u>\$(230,996)</u>

NOTE 7. LEASES

In June 2017, GASB issued Statement No. 87 - Leases. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The initial adoption date was postponed to fiscal years beginning after June 15, 2021 (FY2022) by GASB Statement No. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance, which was issued in May of 2020.

Per review of the agreements identified by the District as potential leases, the leases were determined to either not meet the definition of a lease or were immaterial to the financial statements.

NOTE 8. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior 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 upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2021-22 fiscal period was based was \$4,303,531,494. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the period ended June 30, 2022, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.9603 and \$0.479 per \$100 valuation, respectively, for a total of \$1.4393 per \$ 100 valuation.

Current tax collections for the period ended June 30, 2022 were 97.8% of the June 30, 2022 adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2022, property taxes and penalty and interest receivable, net of estimated uncollectible taxes, totaled \$1,508,112 and \$666,158 for the General and Debt Service Funds, respectively.

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Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

NOTE 9. INTERFUND BALANCES AND ACTIVITIES

Interfund receivables and payables at June 30, 2022 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from June 30, 2022.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund:		
Debt Service Fund	\$2,109,177	\$2,109,177
Capital Projects Fund	1,508,274	1,508,274
Non-Major Special Revenue Fund	1,412,633	2,930,861
Fiduciary Funds	<u>-</u>	<u>111,626</u>
Total Major Governmental Funds	<u>5,030,084</u>	<u>6,659,938</u>
Nonmajor Governmental Funds:		
Special Revenue Funds:		
General Fund	<u>2,930,861</u>	<u>1,412,633</u>
Total Nonmajor Governmental Funds	<u>2,930,861</u>	<u>1,412,633</u>
Fiduciary Funds:		
General Fund	<u>111,626</u>	<u>-</u>
Total	<u>\$8,072,571</u>	<u>\$8,072,571</u>

There were no transfers between funds during the year ended June 30, 2022.

NOTE 10. DEFINED BENEFIT PENSION PLAN

Plan Description. Sherman Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://trs.texas.gov/pages/aboutpublications.aspx>, by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512)542-6592.

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Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

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

	<u>Contribution Rates</u>	
	<u>2021</u>	<u>2022</u>
Member	7.7%	8.0%
Non-Employer Contributing Entity (State)	7.5%	7.75%
Employers	7.5%	7.75%
Sherman ISD FY2022 Employer Contributions		\$ 2,165,174
Sherman ISD FY2022 Member Contributions		\$ 4,637,437
Sherman ISD FY2022 NECE On-Behalf Contributions		\$ 3,243,537

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 the TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.

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- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. The contribution rate called the Public Education Employer Contribution replaced the Non (OASDI) surcharge that was in effect in fiscal year 2019.
- All public schools must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	1.95%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

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

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2021 are summarized below:

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	3.6%	0.94%
Non-U.S. Developed	13%	4.4%	0.83%
Emerging Markets	9%	4.6%	0.74%
Private Equity	14%	6.3%	1.36%
Stable Value			
Government Bonds	16%	-.2%	0.01%
Stable Value Hedge Funds	5%	2.2%	0.12%
Real Return			
Real Estate	15%	4.5%	1.00%
Energy, Natural Resources	6%	4.7%	0.35%
Risk Parity			
Risk Parity	8%	2.8%	0.28%
Leverage			
Cash	2%	-.7%	-0.01%
Asset Allocation Leverage	-6%	-.5%	0.03%
Inflation Expectation	-		2.20%
Volatility Drag ³	-		-0.95%
Total	<u>100%</u>		<u>6.90%</u>

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability of the plan using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Sherman ISD's proportionate share of the net pension liability:	\$24,671,360	\$11,290,419	\$434,417

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, Sherman Independent School District reported a liability of \$11,290,419 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Sherman Independent School District. The amount recognized by Sherman Independent School 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 Sherman Independent School District were as follows:

¹ Target allocations are based on the FY21 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021).

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

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District's Proportionate share of the collective net pension liability	\$11,290,419
State's proportionate share that is associated with the District	<u>18,247,530</u>
Total	<u>\$29,537,949</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.044334465%, an increase of 4.71% from its proportionate share of 0.04234068% at August 31, 2020.

Changes Since the Prior Actuarial Valuation – There were no changes in assumptions since the prior measurement date.

For the year ended June 30, 2022, Sherman Independent School District recognized pension expense of \$3,243,537 and revenue of \$3,243,537 for support provided by the State.

At June 30, 2022, Sherman Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (The amounts shown below will be the cumulative layers from the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 18,894	\$ 794,854
Changes in actuarial assumptions	3,990,943	1,739,709
Difference between projected and actual investment earnings	-	9,466,870
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,411,916	2,272,243
Contributions paid to TRS subsequent to the measurement date	1,825,401	-
Total	\$8,247,154	\$14,273,676

The net amounts of the District's balances of deferred outflows and inflows of resources (not including the deferred contribution paid subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2023	\$ (1,261,884)
2024	(1,360,968)
2025	(2,227,625)
2026	(2,972,665)
2027	(52,601)
Thereafter	23,820

NOTE 11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS- Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Annual Comprehensive 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/aboutpublications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Monthly for Retirees		
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

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

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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

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<u>Contribution Rates</u>		
	<u>2021</u>	<u>2022</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Sherman ISD FY22 Employer Contributions		\$379,155
Sherman ISD FY22 Member Contributions		\$525,499
Sherman ISD FY22 NECE On-behalf Contributions		\$684,004

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 to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$5,520,343 in fiscal year 2021 for consumer protection against medical and health care billing by certain out-of-network providers.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021.

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. All the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

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

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. 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 mortality projection scale MP-2018.

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Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021 using the fixed-income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District’s proportionate share of the Net OPEB Liability:	\$28,422,750	\$23,563,284	\$19,738,726

Healthcare Cost Trend Rates Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is one-percentage less than or one-percentage point greater than the health trend rates is assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District’s proportionate share of the Net OPEB Liability:	\$19,085,479	\$23,563,284	\$29,571,386

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2022, the District reported a liability of \$23,563,284 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s Proportionate share of the collective Net OPEB Liability	\$23,563,284
State’s proportionate share that is associated with the District	<u>\$31,569,550</u>
Total	<u>\$55,132,834</u>

The Net OPEB Liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer’s proportion of the Net OPEB Liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2021 the employer’s proportion of the collective Net OPEB Liability was 0.06108518%, a decrease of 0.21% compared to the August 31, 2020 proportionate share of 0.06121674%.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- The discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

The amount of OPEB expense recognized by the District in the reporting period was \$525,499.

At June 30, 2022, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$1,014,511	\$11,406,278
Changes in actuarial assumptions	2,609,910	4,983,198
Difference between projected and actual investment earnings	25,582	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,989,546	3,475,745
Contributions paid to TRS subsequent to the measurement date	441,118	-
Total	\$7,080,667	\$19,865,221

The net amounts of the employer’s balances of deferred outflows and inflows of resources (not including the deferred contribution paid subsequent to the measurement date) related to OPEB will be recognized in OPEB expense as follows:

SHERMAN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

Year ended June 30:	OPEB Expense Amount
2023	\$ (2,552,734)
2024	(2,553,311)
2025	(2,553,153)
2026	(1,932,908)
2027	(1,093,198)
Thereafter	(2,540,368)

NOTE 12. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2022, 2021 and 2020, the subsidy payments received by TRS-Care on behalf of the District were \$181,472, \$264,320 and \$226,696, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

NOTE 13. HEALTH CARE

During the period ended June 30, 2022, employees of Sherman Independent School District were covered by a health insurance plan (the Plan). The District contributed \$357 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

NOTE 14. WORKERS COMPENSATION

The District participates in the Texas Educational Insurance Association Workers Compensation Fund. The District was fully insured under a guaranteed cost contract for the 21-22 fiscal period.

NOTE 15. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation, Per Capita, Existing Debt Allotment, and Instruction Facilities Allotment Programs. Amounts due from federal and state governments in the governmental funds as of June 30, 2022, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Government	Local Governments	Total
General	\$12,072,270	\$ -	\$170,235	\$12,242,505
Special Revenue	399,206	2,854,872	-	3,254,078
Debt Service	-	-	2,271	2,271
Total	<u>\$12,471,476</u>	<u>\$2,854,872</u>	<u>\$172,506</u>	<u>\$15,498,854</u>

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 16. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2022 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 17. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources in the fund-basis financial statements consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 39,214,351	\$ -	\$ 19,514,826	\$ -	\$ 58,729,177
Food Sales	-	316,618	-	-	316,618
Investment Income	29,091	32,096	40,748	99,470	201,405
Penalties, interest and other tax related income	386,031	-	166,995	-	553,026
Co-curricular student activities	189,574	280,166	-	-	469,740
Other	114,599	166,893	-	-	281,492
Total	\$ 39,933,646	\$ 795,773	\$ 19,722,569	\$ 99,470	\$ 60,551,458

NOTE 18. GENERAL FUND FEDERAL SOURCE REVENUES

The following federal revenue sources are reported in the District's general fund:

Program or Source	FALN	Amount
SHARS	N/A	\$1,214,977
		<u>\$1,214,977</u>

NOTE 19. UNEARNED REVENUE

Unearned revenue at June 30, 2022 consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Student Account Balances	\$ -	\$ 23,828	\$ -	\$ 23,828
State & Federal Grant Funds	-	611,515	-	611,515
Local Grant Funds	-	446,274	-	446,274
Total	\$ -	\$1,081,617	\$ -	\$1,081,617

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 20. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for certain Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in four functional categories in the General Fund, two functional categories in the Child Nutrition Fund, and two functional categories in the Debt Service Fund for the year ended June 30, 2022.

NOTE 21. CONSTRUCTION COMMITMENTS

As of June 30, 2022, the District had entered into \$6.3 million of contracts for construction and renovations throughout the District. At June 30, 2022, there was \$5.4 million remaining costs under these contracts. The project is to be paid from Capital Projects Fund fund balance.

NOTE 22. PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2022, the District recorded a prior period adjustment for \$4,245,000 increasing the beginning net position of Governmental Activities. The prior period adjustment was made to correct the beginning balance of bonds payable.

NOTE 23. RISKS AND UNCERTAINTIES

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State in response to the Pandemic, which disaster declaration he has subsequently extended. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness, mitigation and reopening.

On June 3, 2021, TEA issued updated public planning health guidance to address on-campus instruction, administrative activities by teachers, staff or students that occur on school campuses, non-UIL extracurricular sports and activities, and any other activities that teachers, staff, or students must complete. Within the guidance, TEA instructs schools that school systems cannot require students or staff to wear a mask; however, school systems must allow individuals to wear a mask if they choose to do so.

Within the guidance, TEA instructs schools to notify their local health department, in accordance with applicable federal, state, and local laws and regulations, including any applicable confidentiality requirements, of individuals who have been in a school and test-confirmed to have COVID-19. Additionally, upon receipt of information that any teacher, staff member, student, or visitor at a school is test-confirmed to have COVID-19, the school must submit a report to the Texas Department of Health Services via its online portal.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

During the 87th Legislative Session, the Texas Legislature failed to pass legislation that would include virtual learning in ADA calculations. As a result, the 2021-2022 school year began with funding based on in-person attendance. During the second called special session, the Texas Legislature adopted Senate Bill 15, which allows virtual instruction attendance to be used for ADA funding purposes under certain circumstances. The District does not currently expect that all virtual instruction attendance will qualify for ADA funding. A return to funding based on actual attendance during the Pandemic may have a negative impact on revenues available to the District for operations and maintenance if the District does not qualify for the additional hold harmless periods or if students do not take part in the instruction options made available by the District. TEA announced on August 5, 2021 that a school district has the authority to provide remote instruction to a student if the school district meets certain state and federal requirements. Students receiving remote instruction are considered enrolled, but do not meet the requirements for ADA funding. Further, on March 29, 2022, TEA issued guidance on the calculation of the ADA hold harmless for the 2021-2022 school year, providing that each district will receive an adjustment to ADA such that the total percentage attendance rate for the first four six weeks of the 2021-2022 school year that is equal to the attendance rate for the first four six weeks of the 2019-2020 school year.

The full extent of the ongoing impact of COVID-19 on the District's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The District continues to monitor the spread of COVID-19 and is working with local, State and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. The District's bonded debt is secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Additionally, State funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets.

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REQUIRED SUPPLEMENTARY INFORMATION

SHERMAN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 40,989,218	\$ 40,987,718	\$ 39,933,646	\$ (1,054,072)
5800 State Program Revenues	38,405,281	38,405,281	41,144,838	2,739,557
5900 Federal Program Revenues	850,000	850,000	1,214,977	364,977
5020 Total Revenues	80,244,499	80,242,999	82,293,461	2,050,462
EXPENDITURES:				
Current:				
0011 Instruction	48,719,216	47,583,892	47,578,877	5,015
0012 Instructional Resources and Media Services	1,050,192	1,454,069	1,369,055	85,014
0013 Curriculum and Instructional Staff Development	807,988	844,946	790,018	54,928
0021 Instructional Leadership	1,246,000	1,154,901	1,155,824	(923)
0023 School Leadership	4,586,545	4,718,784	4,756,507	(37,723)
0031 Guidance, Counseling, and Evaluation Services	3,106,746	3,206,213	3,165,860	40,353
0033 Health Services	1,046,511	1,028,113	1,001,907	26,206
0034 Student (Pupil) Transportation	2,754,750	3,302,017	3,315,934	(13,917)
0036 Extracurricular Activities	2,064,151	2,951,149	2,928,471	22,678
0041 General Administration	3,325,800	2,944,533	2,957,081	(12,548)
0051 Facilities Maintenance and Operations	9,534,600	11,470,080	11,194,139	275,941
0052 Security and Monitoring Services	774,200	786,883	767,490	19,393
0053 Data Processing Services	2,237,000	1,923,027	1,903,488	19,539
0061 Community Services	3,000	9,000	8,607	393
Intergovernmental:				
0099 Other Intergovernmental Charges	1,425,000	1,174,000	1,113,785	60,215
6030 Total Expenditures	82,681,699	84,551,607	84,007,043	544,564
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,437,200)	(4,308,608)	(1,713,582)	2,595,026
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	34,816	34,816
1200 Net Change in Fund Balances	(2,437,200)	(4,308,608)	(1,678,766)	2,629,842
0100 Fund Balance - July 1 (Beginning)	34,119,866	34,119,866	34,119,866	-
3000 Fund Balance - June 30 (Ending)	\$ 31,682,666	\$ 29,811,258	\$ 32,441,100	\$ 2,629,842

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

A. Budgets and Budgetary Accounting

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition 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, 2022. During the year ended June 30, 2022, the Board of Trustees approved budget amendments increasing expenditures as follows:

	<u>General Fund</u>
Amendments Approved	\$1,869,908

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 (principals 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 30, 2021. 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.

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Pension Liability (Asset)	0.044334465%	0.04234068%	0.0483873%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 11,290,419	\$ 22,676,804	\$ 25,153,249
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	18,247,530	38,169,380	37,058,375
Total	<u>\$ 29,537,949</u>	<u>\$ 60,846,184</u>	<u>\$ 62,211,624</u>
District's Covered Payroll	\$ 55,422,682	\$ 53,229,453	\$ 49,600,611
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	20.37%	42.60%	50.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.79%	75.54%	75.24%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.0418505%	0.0452307%	0.0417648%	0.04348929%	0.0292032%
\$ 23,035,540	\$ 14,462,328	\$ 15,782,292	\$ 15,372,853	7,800,579
34,797,984	21,407,421	25,489,636	24,150,807	20,857,908
<u>\$ 57,833,524</u>	<u>\$ 35,869,749</u>	<u>\$ 41,271,928</u>	<u>\$ 39,523,660</u>	<u>\$ 28,658,487</u>
\$ 44,238,339	\$ 45,296,346	\$ 42,125,583	\$ 40,456,183	39,293,878
52.07%	31.93%	37.46%	38.00%	19.85%
73.74%	82.17%	78.00%	78.43%	83.25%

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	\$ 2,165,174	\$ 1,794,597	\$ 1,668,719
Contribution in Relation to the Contractually Required Contribution	(2,165,174)	(1,794,597)	(1,668,719)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 58,331,587	\$ 54,905,001	\$ 52,934,993
Contributions as a Percentage of Covered Payroll	3.71%	3.27%	3.15%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

	2019	2018	2017	2016	2015
\$	1,589,512	\$ 1,390,560	\$ 1,450,907	\$ 1,323,576	\$ 1,190,741
	(1,589,512)	(1,390,560)	(1,450,907)	(1,323,576)	(1,190,741)
\$	-	\$ -	\$ -	\$ -	-
\$	49,043,801	\$ 43,723,074	\$ 44,668,788	\$ 41,873,622	\$ 40,308,748
	3.24%	3.18%	3.25%	3.16%	2.95%

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0,06108518%	0,06121674%	0,0655074%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 23,563,284	\$ 23,271,248	\$ 30,979,237
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	31,569,550	31,270,978	41,164,478
Total	<u>\$ 55,132,834</u>	<u>\$ 54,542,226</u>	<u>\$ 72,143,715</u>
District's Covered Payroll	\$ 55,422,682	\$ 53,229,453	\$ 49,600,611
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	42.52%	43.72%	62.46%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.18%	4.99%	2.66%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

	<u>FY 2019</u> <u>Plan Year 2018</u>		<u>FY 2018</u> <u>Plan Year 2017</u>
	0.0583144%		0.062862%
\$	29,116,913	\$	27,003,071
	36,763,825		33,550,536
	<hr/>		<hr/>
\$	<u>65,880,738</u>	\$	<u>60,553,607</u>
	<hr/>		<hr/>
\$	44,238,339	\$	45,296,346
	65.82%		59.61%
	1.57%		0.91%

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	\$ 525,499	\$ 460,291	\$ 447,466
Contribution in Relation to the Contractually Required Contribution	(525,499)	(460,291)	(447,466)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 58,331,587	\$ 54,905,001	\$ 52,934,993
Contributions as a Percentage of Covered Payroll	0.90%	0.84%	0.85%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

	2019	2018
\$	434,490	\$ 357,584
	(434,490)	(357,584)
\$	-	\$ -
\$	49,043,801	\$ 43,723,074
	0.89%	0.82%

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

PENSION LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

OPEB LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

- The discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the Total OPEB Liability.

COMBINING SCHEDULES

SHERMAN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

Data Control Codes	205	206	211	224
	Head Start	ESSA, IX, A Homeless Children Ed.	ESEA I, A Improving Basic Program	IDEA - Part B Formula
ASSETS				
1120 Investments - Current	\$ -	\$ -	\$ -	\$ -
1240 Due from Other Governments	174,809	17,296	209,858	225,619
1260 Due from Other Funds	-	-	-	-
1000 Total Assets	<u>\$ 174,809</u>	<u>\$ 17,296</u>	<u>\$ 209,858</u>	<u>\$ 225,619</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ 400	\$ -
2150 Payroll Deductions and Withholdings Payable	5,257	-	16,712	1,679
2160 Accrued Wages Payable	19,940	-	103,048	9,925
2170 Due to Other Funds	149,612	17,296	89,698	214,015
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>174,809</u>	<u>17,296</u>	<u>209,858</u>	<u>225,619</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 174,809</u>	<u>\$ 17,296</u>	<u>\$ 209,858</u>	<u>\$ 225,619</u>

225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	281 ESSER II CRRSA Act Supplemental
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,386	-	717,115	-	17,783	11,717	80,751	880,134
-	-	1,381,501	93,449	-	-	-	-
<u>\$ 4,386</u>	<u>\$ -</u>	<u>\$ 2,098,616</u>	<u>\$ 93,449</u>	<u>\$ 17,783</u>	<u>\$ 11,717</u>	<u>\$ 80,751</u>	<u>\$ 880,134</u>
\$ -	\$ -	\$ 30,088	\$ -	\$ -	\$ 3,025	\$ -	\$ 468,658
593	-	36,874	-	-	575	-	-
1,724	-	114,416	-	-	4,565	-	-
2,069	-	-	-	17,783	3,552	80,751	411,476
-	-	23,828	-	-	-	-	-
<u>4,386</u>	<u>-</u>	<u>205,206</u>	<u>-</u>	<u>17,783</u>	<u>11,717</u>	<u>80,751</u>	<u>880,134</u>
-	-	1,893,410	93,449	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>1,893,410</u>	<u>93,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,386</u>	<u>\$ -</u>	<u>\$ 2,098,616</u>	<u>\$ 93,449</u>	<u>\$ 17,783</u>	<u>\$ 11,717</u>	<u>\$ 80,751</u>	<u>\$ 880,134</u>

SHERMAN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

Data Control Codes	282 ESSER III ARP Act	284 IDEA B Formula ARP Act	287 COVID School Health Support	288 ESEA IV, A Student Support
ASSETS				
1120 Investments - Current	\$ -	\$ -	\$ -	\$ -
1240 Due from Other Governments	390,005	12,095	110,087	3,217
1260 Due from Other Funds	-	-	-	-
1000 Total Assets	<u>\$ 390,005</u>	<u>\$ 12,095</u>	<u>\$ 110,087</u>	<u>\$ 3,217</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ 12,095	\$ -	\$ 2,617
2150 Payroll Deductions and Withholdings Payable	39,632	-	-	-
2160 Accrued Wages Payable	335,928	-	-	-
2170 Due to Other Funds	14,445	-	110,087	600
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>390,005</u>	<u>12,095</u>	<u>110,087</u>	<u>3,217</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 390,005</u>	<u>\$ 12,095</u>	<u>\$ 110,087</u>	<u>\$ 3,217</u>

289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Instructional Materials	427 Read to Succeed	428 Special Ed. Fiscal Support	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf	459 Autism Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	344,736	-	-	-	7,395	47,075
34,739	5,057	-	617	2,879	993	522,211	-
<u>\$ 34,739</u>	<u>\$ 5,057</u>	<u>\$ 344,736</u>	<u>\$ 617</u>	<u>\$ 2,879</u>	<u>\$ 993</u>	<u>\$ 529,606</u>	<u>\$ 47,075</u>
\$ -	\$ -	\$ 2,176	\$ -	\$ -	\$ -	\$ -	\$ 47,075
-	-	-	-	-	-	579	-
-	-	-	-	-	-	4,408	-
-	-	299,949	-	-	-	-	-
34,739	5,057	42,611	617	2,879	993	524,619	-
<u>34,739</u>	<u>5,057</u>	<u>344,736</u>	<u>617</u>	<u>2,879</u>	<u>993</u>	<u>529,606</u>	<u>47,075</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 34,739</u>	<u>\$ 5,057</u>	<u>\$ 344,736</u>	<u>\$ 617</u>	<u>\$ 2,879</u>	<u>\$ 993</u>	<u>\$ 529,606</u>	<u>\$ 47,075</u>

SHERMAN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

Data Control Codes	461 Campus Activity Funds	482 Scholarship Fund	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds	
ASSETS					
1120	Investments - Current	\$ -	\$ 36,493	\$ -	\$ 36,493
1240	Due from Other Governments	-	-	-	3,254,078
1260	Due from Other Funds	434,136	-	455,279	2,930,861
1000	Total Assets	<u>\$ 434,136</u>	<u>\$ 36,493</u>	<u>\$ 455,279</u>	<u>\$ 6,221,432</u>
LIABILITIES					
2110	Accounts Payable	\$ 5,090	\$ -	\$ -	\$ 571,224
2150	Payroll Deductions and Withholdings Payable	-	-	245	102,146
2160	Accrued Wages Payable	-	-	8,760	602,714
2170	Due to Other Funds	-	1,300	-	1,412,633
2300	Unearned Revenue	-	-	446,274	1,081,617
2000	Total Liabilities	<u>5,090</u>	<u>1,300</u>	<u>455,279</u>	<u>3,770,334</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	1,986,859
Committed Fund Balance:					
3545	Other Committed Fund Balance	429,046	35,193	-	464,239
3000	Total Fund Balances	<u>429,046</u>	<u>35,193</u>	<u>-</u>	<u>2,451,098</u>
4000	Total Liabilities and Fund Balances	<u>\$ 434,136</u>	<u>\$ 36,493</u>	<u>\$ 455,279</u>	<u>\$ 6,221,432</u>

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SHERMAN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes	205	206	211	224
	Head Start	ESSA, IX, A Homeless Children Ed.	ESEA I, A Improving Basic Program	IDEA - Part B Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	414,441	30,509	1,714,027	1,312,563
5020 Total Revenues	414,441	30,509	1,714,027	1,312,563
EXPENDITURES:				
Current:				
0011 Instruction	414,024	30,509	1,154,829	214,623
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	538,860	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	907	1,097,940
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	417	-	19,431	-
6030 Total Expenditures	414,441	30,509	1,714,027	1,312,563
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III. A English Lang. Acquisition	281 ESSER II CRRSA Act Supplemental
\$ -	\$ -	\$ 348,695	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	10,080	-	-	-	-	-
28,364	128,650	6,416,908	10,541	62,211	285,097	154,180	880,134
28,364	128,650	6,775,683	10,541	62,211	285,097	154,180	880,134
28,364	97,200	-	-	56,516	80,745	139,315	-
-	-	-	-	-	-	-	-
-	-	-	-	5,695	148,246	2,000	-
-	-	-	-	-	-	8,545	-
-	31,450	-	-	-	-	-	-
-	-	-	-	-	-	4,320	-
-	-	5,038,789	10,541	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	56,106	-	-
-	-	490,190	-	-	-	-	880,134
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
28,364	128,650	5,528,979	10,541	62,211	285,097	154,180	880,134
-	-	1,246,704	-	-	-	-	-
-	-	646,706	93,449	-	-	-	-
\$ -	\$ -	\$ 1,893,410	\$ 93,449	\$ -	\$ -	\$ -	\$ -

SHERMAN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes	282 ESSER III ARP Act	284 IDEA B Formula ARP Act	287 COVID School Health Support	288 ESEA IV, A Student Support
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	3,684,983	12,095	110,087	66,692
5020 Total Revenues	3,684,983	12,095	110,087	66,692
EXPENDITURES:				
Current:				
0011 Instruction	3,631,891	12,095	-	66,692
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0023 School Leadership	22,810	-	-	-
0031 Guidance, Counseling, and Evaluation Services	3,799	-	19,035	-
0033 Health Services	15,173	-	85,377	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	5,675	-
0053 Data Processing Services	11,310	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	3,684,983	12,095	110,087	66,692
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Instructional Materials	427 Read to Succeed	428 Special Ed. Fiscal Support	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf	459 Autism Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	21,211	\$ -
-	-	346,051	-	-	-	59,712	47,075
-	-	-	-	-	-	-	-
-	-	346,051	-	-	-	80,923	47,075
-	-	324,454	-	-	-	80,923	5,950
-	-	21,597	-	-	-	-	-
-	-	-	-	-	-	-	41,125
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	346,051	-	-	-	80,923	47,075
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SHERMAN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes	461 Campus Activity Funds	482 Scholarship Fund	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 280,166	\$ 19	\$ 145,682	\$ 795,773
5800 State Program Revenues	-	-	-	462,918
5900 Federal Program Revenues	-	-	-	15,311,482
5020 Total Revenues	280,166	19	145,682	16,570,173
EXPENDITURES:				
Current:				
0011 Instruction	1,191	-	119,632	6,458,953
0012 Instructional Resources and Media Services	29,988	-	5,537	57,122
0013 Curriculum and Instructional Staff Development	-	-	-	735,926
0023 School Leadership	-	-	-	31,355
0031 Guidance, Counseling, and Evaluation Services	-	-	202	1,153,333
0033 Health Services	-	-	-	104,870
0035 Food Services	-	-	-	5,049,330
0036 Extracurricular Activities	172,013	-	20,311	192,324
0041 General Administration	-	-	-	56,106
0051 Facilities Maintenance and Operations	-	-	-	1,375,999
0053 Data Processing Services	-	-	-	11,310
0061 Community Services	-	-	-	19,848
6030 Total Expenditures	203,192	-	145,682	15,246,476
1200 Net Change in Fund Balance	76,974	19	-	1,323,697
0100 Fund Balance - July 1 (Beginning)	352,072	35,174	-	1,127,401
3000 Fund Balance - June 30 (Ending)	\$ 429,046	\$ 35,193	\$ -	\$ 2,451,098

REQUIRED TEA SCHEDULES

SHERMAN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2022

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2013 and prior years	Various	Various	\$ 2,341,187,284
2014	1.040000	0.400000	2,344,417,869
2015	1.040000	0.400000	2,673,585,734
2016	1.040000	0.400000	2,774,702,778
2017	1.170000	0.270000	2,916,815,258
2018	1.170000	0.270000	3,079,170,361
2019	1.170000	0.479000	3,251,306,477
2020	1.068300	0.479000	3,675,348,475
2021	0.990700	0.479000	4,052,299,629
2022 (School year under audit)	0.990700	0.479000	4,303,531,494
1000 TOTALS			

(10) Beginning Balance 7/1/2021	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2022
\$ 334,678	\$ -	\$ 30,913	\$ 11,889	\$ (2,087)	\$ 289,789
52,840	-	5,650	2,173	(253)	44,764
53,690	-	5,557	2,137	(254)	45,742
58,051	-	7,478	2,876	(255)	47,442
77,705	-	11,497	2,653	(371)	63,184
111,804	-	19,403	4,478	(784)	87,139
339,126	-	22,385	9,165	(12,500)	295,076
451,041	-	66,145	29,658	(35,497)	319,741
1,396,726	-	527,604	255,095	(198,636)	415,391
-	59,378,707	38,788,182	19,347,640	60,282	1,303,167
<u>\$ 2,875,661</u>	<u>\$ 59,378,707</u>	<u>\$ 39,484,814</u>	<u>\$ 19,667,764</u>	<u>\$ (190,355)</u>	<u>\$ 2,911,435</u>

SHERMAN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
	REVENUES:			
5700 Total Local and Intermediate Sources	\$ 679,942	\$ 679,942	\$ 348,695	\$ (331,247)
5800 State Program Revenues	21,500	21,500	10,080	(11,420)
5900 Federal Program Revenues	4,678,619	4,678,619	6,416,908	1,738,289
5020 Total Revenues	5,380,061	5,380,061	6,775,683	1,395,622
EXPENDITURES:				
Current:				
0035 Food Services	4,707,149	4,707,149	5,038,789	(331,640)
0051 Facilities Maintenance and Operations	470,000	470,000	490,190	(20,190)
6030 Total Expenditures	5,177,149	5,177,149	5,528,979	(351,830)
1200 Net Change in Fund Balances	202,912	202,912	1,246,704	1,043,792
0100 Fund Balance - July 1 (Beginning)	646,706	646,706	646,706	-
3000 Fund Balance - June 30 (Ending)	\$ 849,618	\$ 849,618	\$ 1,893,410	\$ 1,043,792

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 20,007,349	\$ 20,007,349	\$ 19,722,569	\$ (284,780)
5800 State Program Revenues	-	-	134,027	134,027
5020 Total Revenues	20,007,349	20,007,349	19,856,596	(150,753)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	3,285,000	3,950,000	3,950,000	-
0072 Interest on Long-Term Liabilities	11,066,975	10,261,975	10,298,230	(36,255)
0073 Bond Issuance Cost and Fees	10,000	5,621,069	5,953,515	(332,446)
6030 Total Expenditures	14,361,975	19,833,044	20,201,745	(368,701)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	5,645,374	174,305	(345,149)	(519,454)
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	7,720,000	38,095,000	30,375,000
7916 Premium or Discount on Issuance of Bonds	-	1,605,000	5,283,211	3,678,211
8949 Other (Uses): Payment to Bond Refunding Escrow	-	(9,325,000)	(42,896,112)	(33,571,112)
7080 Total Other Financing Sources (Uses)	-	-	482,099	482,099
1200 Net Change in Fund Balances	5,645,374	174,305	136,950	(37,355)
0100 Fund Balance - July 1 (Beginning)	12,310,455	12,310,455	12,310,455	-
3000 Fund Balance - June 30 (Ending)	\$ 17,955,829	\$ 12,484,760	\$ 12,447,405	\$ (37,355)

SHERMAN INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
 FOR THE YEAR ENDED JUNE 30, 2022

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
<hr/>		
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
<hr/>		
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$8,913,198
<hr/>		
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$3,167,502
<hr/>		

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
<hr/>		
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
<hr/>		
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$1,312,381
<hr/>		
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	\$292,068
<hr/>		

FEDERAL AWARDS SECTION

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INDEPENDENT AUDITORS' 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
Sherman Independent School District
Sherman, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sherman Independent School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Sherman Independent School District's basic financial statements, and have issued our report dated November 8, 2022.

Report on 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.

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

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

Report on Compliance and Other Matters

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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

November 8, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Sherman Independent School District
Sherman, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sherman Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Sherman Independent School District's major federal programs for the year ended June 30, 2022. Sherman Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sherman Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sherman Independent School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sherman Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Sherman Independent School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sherman Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sherman Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sherman Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sherman Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Sherman Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

November 8, 2022

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: No
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)? No
7. Major programs include:

FALN 84.425D Elementary & Secondary School Emergency Relief II
FALN 84.425U ESSER - ARP School Emergency Relief
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None.

III. Findings and Questioned Costs Related to Federal Awards

None.

IV. Other Findings

None.

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

Prior Year Finding:

None

SHERMAN INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022

None required.

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101091906	\$ 1,216
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101091906	75,770
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101091906	1,637,041
Total Assistance Listing Number 84.010			1,714,027
*IDEA - Part B, Formula	84.027A	206600010919066600	30,105
*IDEA - Part B, Formula	84.027A	216600010919066600	190,122
*IDEA - Part B, Formula	84.027A	226600010919066600	1,092,336
*IDEA - Part B, Discretionary	84.027A	66002106	128,650
*IDEA, Part B, Formula - American Rescue Act (ARP)	84.027X	225350010919065350	12,095
Total Assistance Listing Number 84.027			1,453,308
*IDEA - Part B, Preschool	84.173A	216610010919066610	2,272
*IDEA - Part B, Preschool	84.173A	226610010919066610	26,092
Total Assistance Listing Number 84.173			28,364
Total Special Education Cluster (IDEA)			1,481,672
Career and Technical - Basic Grant	84.048	20420006091906	20,410
Career and Technical - Basic Grant	84.048	21420006091906	41,801
Total Assistance Listing Number 84.048			62,211
ESEA, Title X, Part C -Homeless Children	84.196A	214600057110065	3,500
ESEA, Title X, Part C -Homeless Children	84.196A	224600057110018	27,009
Total Assistance Listing Number 84.196			30,509
Title III, Part A - English Language Acquisition	84.365A	20671001091906	4,023
Title III, Part A - English Language Acquisition	84.365A	21671001091906	69,406
Title III, Part A - English Language Acquisition	84.365A	22671001091906	80,751
Total Assistance Listing Number 84.365			154,180
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501091906	95,240
ESEA, Title II, Part A, Teacher Principal Training	84.367A	21694501091906	120,527
ESEA, Title II, Part A, Teacher Principal Training	84.367A	22694501091906	69,330
Total Assistance Listing Number 84.367			285,097
ESEA Title IV, Part A - Student Support	84.424A	20680101091906	62,716
ESEA Title IV, Part A - Student Support	84.424A	22680101091906	3,976
Total Assistance Listing Number 84.424			66,692
Elementary Secondary School Emergency Relief II	84.425D	21521001091906	880,134
ESSER III - ARP School Emergency Relief	84.425U	21528001091906	3,684,983
Total Assistance Listing Number 84.425			4,565,117
Total Passed Through Texas Education Agency			8,359,505
TOTAL U.S. DEPARTMENT OF EDUCATION			8,359,505

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Education Agency</u>			
COVID School Health Support	93.323	39352201	110,087
Total Passed Through Texas Education Agency			<u>110,087</u>
<u>Passed Through Region 10 Education Service Center</u>			
Head Start	93.600	06CH7092	414,441
Total Passed Through Region 10 Education Service Center			<u>414,441</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>524,528</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553	806780706	1,435,348
*National School Lunch Program - Cash Assistance	10.555	806780706	4,147,347
*National School Lunch Prog. - Non-Cash Assistance	10.555	806780706	408,227
*Supply Chain Assistance Grant	10.555	806780706	153,831
*Commodity Storage Reimbursement	10.555	806780706	6,312
Total Assistance Listing Number 10.555			<u>4,715,717</u>
*Summer Feeding Program - Cash Assistance	10.559	806780706	10,541
Total Child Nutrition Cluster			<u>6,161,606</u>
Child & Adult Care Food Program - Cash Assistance	10.558	226TX332N1099	260,029
P-EBT Local Administrative Costs	10.649	806780706	5,814
Total Passed Through the Texas Department of Agriculture			<u>6,427,449</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>6,427,449</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 15,311,482</u>
*Clustered Programs			

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

SHERMAN INDEPENDENT SCHOOL DISTRICT
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2022

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*.
 - **General Fund** - is used to account for among other things, resources related to the United States Department of Health and Human Services Medicaid Administrative Claiming Program.
 - **Special Revenue Funds** - are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used in the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

- The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343 (b).
- FALN numbers for commodity assistance are the FALN numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$-0-.
- Reconciliation Information:

Amount reported on the Schedule of Expenditures of Federal awards	\$15,311,482
SHARS Revenue reported in the General Fund	<u>1,214,977</u>
 Total Federal Program Revenue	 <u>\$16,526,459</u>