
SHELDON INDEPENDENT
SCHOOL DISTRICT

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

For the Year Ended June 30, 2023



CPAs and Professional Consultants

**SHELDON INDEPENDENT
SCHOOL DISTRICT**

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For the Year Ended June 30, 2023

SHELDON INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF BOARD

Sheldon Independent School District

Name of School District

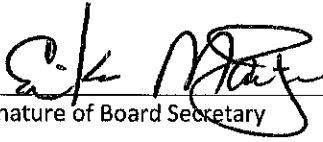
Harris

County

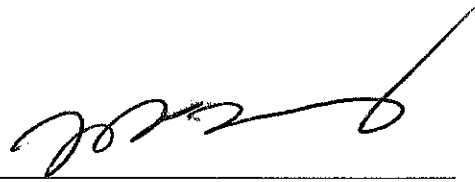
101-924

Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended June 30, 2023, at a meeting of the board of trustees of such school district on November 14, 2023.



Signature of Board Secretary



Signature of Board President



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Sheldon Independent School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sheldon Independent School District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 the 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 Responsibilities 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 GAAS and *Government 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 GAAS 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 the 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 the 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 management’s discussion and analysis, budgetary comparison information, pension information, and other-post employment benefit information, as listed in the table of contents, 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 the District’s basic financial statements. The combining fund financial statements, required Texas Education Agency (TEA) schedules, and 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.

To the Board of Trustees
Sheldon Independent School District

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 fund financial statements, required TEA schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule L-1 but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the District's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, professional style.

Houston, Texas
November 14, 2023



SHELDON INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Sheldon Independent School District (the District), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$30,394,730 (net position).
- The District's total net position increased by \$5,064,922 from current operations.
- As of the close of the fiscal year, the District's governmental funds had combined ending fund balances of \$172,217,774, an increase of \$101,192,240 as compared to the preceding period. The change in governmental fund balances was primarily due to issuance of \$98,445,000 Unlimited Tax School Building Bonds, Series 2023.
- At the end of the fiscal year, unassigned fund balance of the general fund was \$43,885,839 or 37% of the fiscal year's total general fund expenditures.
- The District's total bonded debt decreased by \$12,105,000 or 3% during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

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

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

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

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

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

SHELDON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

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

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

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

The District maintained thirty-three (33) individual governmental funds during the fiscal year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects funds, which are considered to be major funds. Data from the other thirty (30) governmental funds are combined into a single, aggregated presentation titled *total nonmajor funds*.

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

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

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

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

SHELDON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

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

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

Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year end, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,394,730.

The District's net investment in capital assets (e.g. land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets, amounted to \$32,073,490. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Sheldon Independent School District's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 189,962,464	\$ 89,694,281	\$ 25,321	\$ 36,788	\$ 189,987,785	\$ 89,731,069
Capital assets	401,678,420	408,078,598	-	-	401,678,420	408,078,598
Total Assets	591,640,884	497,772,879	25,321	36,788	591,666,205	497,809,667
Deferred outflows	34,819,300	28,452,118	-	-	34,819,300	28,452,118
Total Deferred Outflows of Resources	34,819,300	28,452,118	-	-	34,819,300	28,452,118
Current liabilities	19,538,281	19,728,554	3,562	566	19,541,843	19,729,120
Noncurrent liabilities	540,744,994	438,352,403	-	-	540,744,994	438,352,403
Total Liabilities	560,283,275	458,080,957	3,562	566	560,286,837	458,081,523
Deferred inflows	35,803,938	42,850,454	-	-	35,803,938	42,850,454
Total Deferred Inflows of Resources	35,803,938	42,850,454	-	-	35,803,938	42,850,454
Net Position						
Net investment in capital assets	32,073,490	32,123,309	-	-	32,073,490	32,123,309
Restricted	15,412,265	10,169,804	-	-	15,412,265	10,169,804
Unrestricted	(17,112,784)	(16,999,527)	21,759	36,222	(17,091,025)	(16,963,305)
Total Net Position	\$ 30,372,971	\$ 25,293,586	\$ 21,759	\$ 36,222	\$ 30,394,730	\$ 25,329,808

SHELDON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Net position of \$12,362,528 is restricted for future debt service and grant expenditures. At the end of the current period, the District is able to report positive net position for governmental and business-type activities.

The District's net position increased by \$5,064,922 primarily as a result of increased revenues related to property taxes, state aid, and operating grants and contributions.

Governmental Activities. Governmental activities increased the District's net position by \$5,079,385.

Sheldon Independent School District's Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Program Revenues						
Charges for services	\$ 732,659	\$ 1,309,682	\$ 284,688	\$ 257,723	\$ 1,017,347	\$ 1,567,405
Operating grants	26,774,911	22,441,662	-	-	26,774,911	22,441,662
General Revenues						
Property taxes, levied for general	56,875,124	56,388,012	-	-	56,875,124	56,388,012
Property taxes, levied for debt service	28,595,326	26,782,299	-	-	28,595,326	26,782,299
State Aid - Formula Grants	50,167,316	48,890,988	-	-	50,167,316	48,890,988
Grants and contributions not restricted	897,636	-	-	-	897,636	-
Interest earnings	3,864,682	295,223	-	-	3,864,682	295,223
Gain (loss) on sale of capital asset	-	3,117	-	-	-	3,117
Other	813,109	267,995	-	-	813,109	267,995
Total Revenues	168,720,763	156,378,978	284,688	257,723	169,005,451	156,636,701
Expenses						
Instruction	85,773,119	79,012,958	-	-	85,773,119	79,012,958
Instructional resources and media services	1,153,143	1,027,713	-	-	1,153,143	1,027,713
Curriculum and staff development	184,924	270,354	-	-	184,924	270,354
Instructional leadership	4,723,414	4,182,828	-	-	4,723,414	4,182,828
School leadership	7,462,255	6,565,351	-	-	7,462,255	6,565,351
Guidance, counseling, and evaluation services	2,350,590	2,173,132	-	-	2,350,590	2,173,132
Social work services	41,963	41,292	-	-	41,963	41,292
Health services	1,068,153	830,570	-	-	1,068,153	830,570
Student transportation	7,301,200	6,690,732	-	-	7,301,200	6,690,732
Food service	8,439,961	7,684,458	-	-	8,439,961	7,684,458
Extracurricular activities	3,576,261	3,239,097	-	-	3,576,261	3,239,097
General administration	3,361,050	3,228,248	-	-	3,361,050	3,228,248
Facilities maintenance and operations	14,768,960	14,535,576	-	-	14,768,960	14,535,576
Security and monitoring services	2,244,530	2,022,838	-	-	2,244,530	2,022,838
Data processing services	1,933,285	1,989,144	-	-	1,933,285	1,989,144
Community services	89,749	25,707	-	-	89,749	25,707
Interest and fiscal charges for long term debt	15,611,747	13,016,275	-	-	15,611,747	13,016,275
Debt issuance costs and fees	27,643	240,738	-	-	27,643	240,738
Facilities acquisition and construction	2,827,296	1,920,710	-	-	2,827,296	1,920,710
Other governmental charges	642,135	628,108	-	-	642,135	628,108
Day Care	-	-	359,151	335,655	359,151	335,655
Total Expenses	163,581,378	149,325,829	359,151	335,655	163,940,529	149,661,484
Excess (deficiency) before transfers	5,139,385	7,053,149	(74,463)	(77,932)	5,064,922	6,975,217
Transfers	(60,000)	(110,000)	60,000	110,000	-	-
Increase (Decrease) in Net Position	5,079,385	6,943,149	(14,463)	32,068	5,064,922	6,975,217
Beginning Net Position	25,293,586	18,331,018	36,222	4,154	25,329,808	18,335,172
Prior Period Adjustment	-	19,419	-	-	-	19,419
Ending Net Position	\$ 30,372,971	\$ 25,293,586	\$ 21,759	\$ 36,222	\$ 30,394,730	\$ 25,329,808

SHELDON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Revenues are generated primarily from three sources: property taxes, state aid – formula grants, and operating grants and contributions. Property taxes (\$85,470,450), state aid – formula grants (\$50,167,316), and operating grants and contributions (\$26,774,911) represent 51 percent, 30 percent, and 16 percent of total revenues, respectively. The remaining \$6,308,086, or 3 percent of total revenues, is generated from charges for services, unrestricted grants and contributions, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$85,773,119), which represents 52 percent of total expenses. Interest on long-term debt (\$15,611,747) represents 10 percent of total expenses and plant maintenance and operations (\$14,768,960) represents 9 percent of total expenses. The remaining individual functional categories of expenses are each 5 percent or less of total expenses.

Business-type Activities. Business-type activities operations decreased the District's net position by \$14,463. Revenues increased by \$26,965, or 10 percent, primarily due to the increase of community participation in the day care resulting from the normal operations after the COVID-19 pandemic. Expenditures increased by \$23,496 or 7 percent, due to the increase in payroll costs.

Financial Analysis of the Government's Funds

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

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

At the end of the period, the District's governmental funds had combined ending fund balances of \$172,217,774, a increase of \$101,192,240 from the prior period.

The general fund is the primary operating fund of the District. At period end, unassigned fund balance of the general fund was \$43,885,839 while total fund balance was \$45,452,071. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 37 percent of total general fund expenditures, while total fund balance represents 39 percent of that same total. The fund balance of the general fund decreased \$90,056 during the fiscal year, primarily due to board approved salary increases and retention incentives.

The debt service fund had a total fund balance of \$17,787,547, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased \$5,289,973 during the fiscal year, primarily due to increases in property tax revenue offset by expenditures for the new debt refunding and due to regularly scheduled principal and interest payments.

The capital projects fund has a total fund balance of \$105,955,859. The increase in fund balance during the current period in the capital projects fund was \$94,701,858 due to the issuance of \$98,444,000 Unlimited Tax School Building Bonds, Series 2023.

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

SHELDON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

General Fund Budgetary Highlights

The District amends the budget as needed throughout the fiscal year. The instruction expenditure function was increased by \$2,436,294 for additional teachers, full-time employees, and retention incentive pay; and facilities maintenance and operations expenditure function was increased by \$1,018,035 for contracted services; and instructional leadership was increased by \$648,788 for additional staff hired to rectify learning loss.

Actual amounts expended for instruction were \$3,059,061 less than budgeted due to reclasses of salaries to federal grants and actual amounts expended for facilities maintenance and operations were \$1,709,692 less than budgeted due to decreases in facility operations costs.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental activities and business-type activities as of June 30, 2023 was \$408,078,598 (net of accumulated depreciation and amortization). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and construction in progress. The decrease in net capital assets for the current fiscal year was \$5,060,441.

Sheldon Independent School District's Capital Assets

	June 30, 2023	June 30, 2022
Land	\$ 38,037,787	\$ 38,037,787
Buildings and improvements	476,877,537	472,951,848
Furniture and equipment	19,326,873	18,869,737
Right-to-use assets	1,008,521	875,284
Construction in progress	1,432,030	1,336,200
	<u>536,682,748</u>	<u>532,070,856</u>
Accumulated depreciation and amortization	<u>(135,004,328)</u>	<u>(123,992,258)</u>
Governmental Capital Assets, Net	<u>\$ 401,678,420</u>	<u>\$ 408,078,598</u>

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 \$452,979,996 in outstanding bonded debt, an increase of \$86,340,000 over the previous year, which resulted primarily from the issuance of \$98,445,000 Unlimited Tax School Building Bonds, Series 2023 and scheduled principal payments. The District's bonds are sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program. The underlying rating of the bonds from Standard from Moody's Investors Service is "Aa3" for general obligation debt.

Outstanding 07/01/22	Issued	Retired	Outstanding 06/30/23
\$ 366,639,996	\$ 98,445,000	\$ (12,105,000)	\$ 452,979,996

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

SHELDON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budgets and Rates

- School year (2023-24) student enrollment is 11,028, compared to 11,000 in the preceding year.
- District staff totals 1,630 employees in 2023-24, of which 735 are teachers and 337 are para-professionals.
- Property values of the District are projected to increase 18% for the 2023-24 year.
- A maintenance and operations tax rate of \$0.7575/\$100 and a debt service tax rate of \$0.50/\$100 (a total rate of \$1.2575) were adopted for 2023-24.

All of these factors were considered in preparing the District's budget for the 2023-24 fiscal year.

Requests for Information

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



BASIC FINANCIAL STATEMENTS



SHELDON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2023

Exhibit A-1

Data Control Codes		Governmental Activities	Business-type Activities	Total
Assets				
1110	Cash and cash equivalents	\$ 3,761,466	\$ 25,321	\$ 3,786,787
1120	Current investments	160,960,797	-	160,960,797
1225	Property taxes receivables, net	5,483,065	-	5,483,065
1240	Due from other governments	12,595,853	-	12,595,853
1250	Accrued interest	77,818	-	77,818
1290	Other receivables, net	3,143	-	3,143
1300	Inventories	424,888	-	424,888
1410	Prepaid items	395,168	-	395,168
Capital assets not subject to depreciation and amortization:				
1510	Land	38,037,787	-	38,037,787
1580	Construction in progress	1,432,030	-	1,432,030
Capital assets net of depreciation and amortization:				
1520	Buildings and improvements, net	354,971,871	-	354,971,871
1530	Furniture and equipment, net	6,727,155	-	6,727,155
1553	Right-to-use SBITA assets, net	15,975	-	15,975
1559	Right-to-use lease assets, net	493,602	-	493,602
1800	Restricted assets	6,260,266	-	6,260,266
1000	Total Assets	591,640,884	25,321	591,666,205
Deferred Outflows of Resources				
	Deferred charge on refunding	847,260	-	847,260
	Deferred outflows - pension	20,969,677	-	20,969,677
	Deferred outflows - OPEB	13,002,363	-	13,002,363
1700	Total Deferred Outflows of Resources	34,819,300	-	34,819,300
Liabilities				
2110	Accounts payable	1,466,896	3,443	1,470,339
2140	Interest payable	6,736,817	-	6,736,817
2150	Payroll deductions and withholdings	1,084,883	-	1,084,883
2160	Accrued wages payable	9,759,116	119	9,759,235
2180	Due to other governments	200,601	-	200,601
2190	Due to student groups	22,620	-	22,620
2300	Unearned revenue	267,348	-	267,348
Noncurrent Liabilities:				
2501	Due within one year	14,489,270	-	14,489,270
2502	Due in more than one year	463,345,717	-	463,345,717
2540	Net pension liability	42,095,733	-	42,095,733
2545	Net OPEB liability	20,814,274	-	20,814,274
2000	Total Liabilities	560,283,275	3,562	560,286,837
Deferred Inflows of Resources				
	Deferred gain on refunding	512,893	-	512,893
	Deferred inflows - pension	3,490,368	-	3,490,368
	Deferred inflows - OPEB	31,800,677	-	31,800,677
2600	Total Deferred Inflows of Resources	35,803,938	-	35,803,938
Net Position (Deficit)				
3200	Net investment in capital assets	32,073,490	-	32,073,490
Restricted for:				
3820	Federal and state programs	3,049,737	-	3,049,737
3850	Debt service	12,362,528	-	12,362,528
3900	Unrestricted	(17,112,784)	21,759	(17,091,025)
3000	Total Net Position (Deficit)	\$ 30,372,971	\$ 21,759	\$ 30,394,730

SHELDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Data Control Codes	Functions/Programs	Expenses	Program Revenue	
			Charges for Services	Operating Grants and Contributions
Governmental Activities:				
11	Instruction	\$ 85,773,119	\$ -	\$ 13,145,290
12	Instructional resources and media services	1,153,143	-	8,860
13	Curriculum and staff development	184,924	-	33
21	Instructional leadership	4,723,414	-	381,006
23	School leadership	7,462,255	-	310,570
31	Guidance, counseling, and evaluation services	2,350,590	-	350,340
32	Social work services	41,963	-	-
33	Health services	1,068,153	-	1,220,752
34	Student transportation	7,301,200	-	146,324
35	Food service	8,439,961	732,659	8,481,552
36	Extracurricular activities	3,576,261	-	56,110
41	General administration	3,361,050	-	21,314
51	Facilities maintenance and operations	14,768,960	-	202,019
52	Security and monitoring services	2,244,530	-	584
53	Data processing services	1,933,285	-	440,315
61	Community services	89,749	-	93,222
72	Interest on long-term debt	15,611,747	-	1,258,120
73	Debt issuance costs and fees	27,643	-	-
81	Facilities repairs	2,827,296	-	658,500
99	Other intergovernmental charges	642,135	-	-
TG	Total Governmental Activities	163,581,378	732,659	26,774,911
Business-Type Activities:				
01	Day Care	359,151	284,688	-
TB	Total Business-Type Activities	359,151	284,688	-
TP	Total Primary Government	\$ 163,940,529	\$ 1,017,347	\$ 26,774,911

SHELDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Exhibit B-1
Page 2 of 2

		Net (Expense) Revenue and Changes in Net Position		
		Primary Government		
Data Control Codes	Functions/Programs	Governmental Activities	Business-type Activities	Total
Governmental Activities:				
11	Instruction	\$ (72,627,829)	\$ -	\$ (72,627,829)
12	Instructional resources and media services	(1,144,283)	-	(1,144,283)
13	Curriculum and staff development	(184,891)	-	(184,891)
21	Instructional leadership	(4,342,408)	-	(4,342,408)
23	School leadership	(7,151,685)	-	(7,151,685)
31	Guidance, counseling, and evaluation services	(2,000,250)	-	(2,000,250)
32	Social work services	(41,963)	-	(41,963)
33	Health services	152,599	-	152,599
34	Student transportation	(7,154,876)	-	(7,154,876)
35	Food service	774,250	-	774,250
36	Extracurricular activities	(3,520,151)	-	(3,520,151)
41	General administration	(3,339,736)	-	(3,339,736)
51	Facilities maintenance and operations	(14,566,941)	-	(14,566,941)
52	Security and monitoring services	(2,243,946)	-	(2,243,946)
53	Data processing services	(1,492,970)	-	(1,492,970)
61	Community services	3,473	-	3,473
72	Interest on long-term debt	(14,353,627)	-	(14,353,627)
73	Debt issuance costs and fees	(27,643)	-	(27,643)
81	Facilities repairs	(2,168,796)	-	(2,168,796)
99	Other intergovernmental charges	(642,135)	-	(642,135)
TG	Total Governmental Activities	(136,073,808)	-	(136,073,808)
Business-Type Activities:				
01	Day Care	-	(74,463)	(74,463)
TB	Total Business-Type Activities	-	(74,463)	(74,463)
TP	Total Primary Government	(136,073,808)	(74,463)	(136,148,271)
General Revenues and Transfers:				
Taxes:				
MT	Property taxes, levied for general purposes	56,875,124	-	56,875,124
DT	Property taxes, levied for debt service	28,595,326	-	28,595,326
SF	State-aid formula grants	50,167,316	-	50,167,316
GC	Grants and contributions not restricted	897,636	-	897,636
IE	Investment earnings	3,864,682	-	3,864,682
MI	Miscellaneous	813,109	-	813,109
FR	Transfers	(60,000)	60,000	-
TR	Total General Revenues and Transfers	141,153,193	60,000	141,213,193
CN	Change in net position	5,079,385	(14,463)	5,064,922
NB	Net Position (Deficit) - Beginning	25,293,586	36,222	25,329,808
NE	Net Position (Deficit) - Ending	\$ 30,372,971	\$ 21,759	\$ 30,394,730

SHELDON INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023**

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets						
1110	Cash and cash equivalents	\$ 404,603	\$ 13,130	\$ 1,927,410	\$ 1,416,323	\$ 3,761,466
1120	Investments	42,700,962	11,153,694	104,497,334	2,608,807	160,960,797
	Receivables:					
1220	Property taxes - delinquent	4,717,694	1,681,396	-	-	6,399,090
1230	Allowance for uncollectible taxes (credit)	(717,250)	(198,775)	-	-	(916,025)
1240	Due from other governments	11,543,460	-	-	1,052,393	12,595,853
1250	Accrued interest	77,818	-	-	-	77,818
1260	Due from other funds	1,944,645	262,421	-	-	2,207,066
1290	Other receivables	3,143	-	-	-	3,143
1300	Inventories, at cost	327,677	-	-	97,211	424,888
1410	Prepaid items	395,168	-	-	-	395,168
1800	Restricted assets	-	6,260,266	-	-	6,260,266
1000	Total Assets	<u>\$ 61,397,920</u>	<u>\$ 19,172,132</u>	<u>\$ 106,424,744</u>	<u>\$ 5,174,734</u>	<u>\$ 192,169,530</u>
Liabilities, Deferred Inflows and Fund Balances						
Liabilities:						
2110	Accounts payable	\$ 986,270	\$ 1,250	\$ 325,889	\$ 153,489	\$ 1,466,898
2150	Payroll deductions and withholdings	1,084,883	-	-	-	1,084,883
2160	Accrued wages payable	9,516,295	-	-	242,821	9,759,116
2170	Due to other funds	267,753	71,537	142,996	1,724,780	2,207,066
2180	Due to other governments	200,601	-	-	-	200,601
2190	Due to student groups	22,620	-	-	-	22,620
2300	Unearned revenue	236,001	-	-	31,347	267,348
2000	Total Liabilities	<u>12,314,423</u>	<u>72,787</u>	<u>468,885</u>	<u>2,152,437</u>	<u>15,008,532</u>
Deferred Inflows of Resources:						
	Unavailable revenue - property taxes	3,631,426	1,311,798	-	-	4,943,224
2600	Total Deferred Inflows of Resources	<u>3,631,426</u>	<u>1,311,798</u>	<u>-</u>	<u>-</u>	<u>4,943,224</u>
Fund Balances:						
3410	Inventories	327,677	-	-	-	327,677
3430	Prepaid items	395,168	-	-	-	395,168
Restricted:						
3450	Grant restrictions	143,387	-	-	2,906,350	3,049,737
3470	Capital acquisitions	-	-	105,955,859	-	105,955,859
3480	Debt service	-	17,787,547	-	-	17,787,547
Committed:						
3545	Other purposes	-	-	-	115,947	115,947
Assigned:						
3590	Other	700,000	-	-	-	700,000
3600	Unassigned	<u>43,885,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,885,839</u>
3000	Total Fund Balances	<u>45,452,071</u>	<u>17,787,547</u>	<u>105,955,859</u>	<u>3,022,297</u>	<u>172,217,774</u>
4000	Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 61,397,920</u>	<u>\$ 19,172,132</u>	<u>\$ 106,424,744</u>	<u>\$ 5,174,734</u>	<u>\$ 192,169,530</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
June 30, 2023

Exhibit C-2

<u>Data Control Codes</u>		
	Total Fund Balance, Governmental Funds	\$ 172,217,774
	Amounts reported for governmental activities in the statement of net position are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation and amortization, where applicable.	401,678,420
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	4,943,226
3	Deferred loss on refunding	847,260
4	Deferred gain on refunding	(512,893)
5	Deferred inflows relating to pension activities	(3,490,368)
6	Deferred inflows relating to OPEB activities	(31,800,677)
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end	
7	General obligation bonds	(452,979,996)
8	Premium/Discount on issuance	(22,381,924)
9	Accumulated accretion on capital appreciation bonds	(136,479)
10	Leases payable	(519,799)
11	SBITA payable	(15,257)
12	Accrued compensated absences	(1,801,532)
13	Accrued interest payable	(6,736,817)
14	Net pension liability	(42,095,733)
15	Net OPEB liability	(20,814,274)
16	Deferred outflows relating to pension activities	20,969,677
17	Deferred outflows relating to OPEB activities	13,002,363
19	Total Net Deficit - Governmental Activities	\$ 30,372,971

SHELDON INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Data Control Codes	General Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
5700 Local, intermediate, and out-of-state	\$ 58,357,217	\$ 28,747,860	\$ 1,896,841	\$ 1,098,085	\$ 90,100,003
5800 State program revenues	55,926,840	534,243	-	80,797	56,541,880
5900 Federal program revenues	3,416,336	-	-	21,848,899	25,265,235
5020 Total Revenues	117,700,393	29,282,103	1,896,841	23,027,781	171,907,118
Expenditures					
Current:					
0011 Instruction	69,494,069	-	-	12,345,530	81,839,599
0012 Instruction resources and media services	856,787	-	-	19,662	876,449
0013 Curriculum and instructional staff development	185,033	-	-	-	185,033
0021 Instructional leadership	4,307,097	-	-	336,743	4,643,840
0023 School leadership	7,109,017	-	-	-	7,109,017
0031 Guidance, counseling and evaluation services	2,009,322	-	-	320,643	2,329,965
0032 Social work services	41,963	-	-	-	41,963
0033 Health services	918,402	-	-	73,567	991,969
0034 Student transportation	6,579,013	-	-	-	6,579,013
0035 Food services	-	-	-	7,972,384	7,972,384
0036 Extracurricular activities	2,655,216	-	-	-	2,655,216
0041 General administration	3,313,941	-	-	-	3,313,941
0051 Facilities maintenance and operations	14,314,659	-	-	156,487	14,471,146
0052 Security and monitoring services	2,245,812	-	-	-	2,245,812
0053 Data processing services	1,454,944	-	-	422,869	1,877,813
0061 Community services	9,606	-	-	89,431	99,037
Debt Service:					
0071 Principal on long-term debt	266,040	12,105,000	-	-	12,371,040
0072 Interest on long-term debt	28,075	13,706,537	-	-	13,734,612
0073 Debt service costs and fees	-	27,643	1,448,427	-	1,476,070
Capital Outlay:					
0081 Facilities acquisition and construction	1,436,297	-	5,701,213	-	7,137,510
Intergovernmental:					
0099 Other intergovernmental charges	642,135	-	-	-	642,135
6030 Total Expenditures	117,867,428	25,839,180	7,149,640	21,737,316	172,593,564
1100 Excess (deficiency) of revenues over expenditures	(167,035)	3,442,923	(5,252,799)	1,290,465	(686,446)
Other Financing Sources (Uses)					
7911 Capital-related debt issued (regular bonds)	-	-	98,445,000	-	98,445,000
7912 Sale of real or personal property	3,742	-	-	-	3,742
7913 Leases issued	103,745	-	-	-	103,745
7915 Transfers in	-	1,847,050	-	-	1,847,050
7916 Premium on issuance of bonds	-	-	3,356,707	-	3,356,707
7949 SBITA issued	29,492	-	-	-	29,492
8911 Transfers out	(60,000)	-	(1,847,050)	-	(1,907,050)
7080 Total Other Financing Sources (Uses)	76,979	1,847,050	99,954,657	-	101,878,686
1200 Net change in fund balances	(90,056)	5,289,973	94,701,858	1,290,465	101,192,240
0100 Fund Balance - July 1 (Beginning)	45,542,127	12,497,574	11,254,001	1,731,832	71,025,534
3000 Fund Balance - June 30 (Ending)	\$ 45,452,071	\$ 17,787,547	\$ 105,955,859	\$ 3,022,297	\$ 172,217,774

SHELDON INDEPENDENT SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023**

Exhibit C-4

**Data
Control
Codes**

Net change in fund balances - total governmental funds (from C-3) \$ 101,192,240

Amounts reported for governmental activities in the statement of activities (B-1) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. This is the amount by which depreciation and amortization exceeded capital outlays in the current period.

1	Capital Outlay	4,611,892
2	Depreciation and amortization expense	(11,012,070)
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	891,477

Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

4	Issuance of bonds	(98,445,000)
5	Issuance of bonds - premium	(3,356,707)
6	Issuance of SBITA	(29,492)
7	Principal paid on bonds and leases	12,369,220
8	Issuance of leases	(103,745)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

9	Changes in pension liabilities and related deferred outflows and inflows of resources	(2,021,616)
	Changes in OPEB liabilities and related deferred outflows and inflows of resources	
10		2,231,234
11	Decrease in interest payable not recognized in fund statements	(1,625,263)
12	Amortization of premium/discount	1,143,895
13	Amortization of deferred (loss) gain on refunded bonds, net	68,512
14	Accreted interest on capital appreciation bonds	(14,030)
15	(Increase) in long-term portion of accrued compensated absences payable	(821,162)

Change in Net Position of Governmental Activities (see B-1) \$ 5,079,385

SHELDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

Exhibit D-1

	<u>Enterprise Fund</u> <u>Early Learning</u> <u>Center - Daycare</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 25,321
Total Assets	<u>25,321</u>
Liabilities	
Current Liabilities:	
Accounts payable	3,443
Accrued wages payable	<u>119</u>
Total Liabilities	<u>3,562</u>
Net Position	
Unrestricted net position	21,759
Total Net Position	<u>\$ 21,759</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

Exhibit D-2

	<u>Enterprise Fund</u>
	<u>Early Learning</u>
	<u>Center - Daycare</u>
Operating Revenues	
Local and intermediate sources	\$ 284,688
Total Operating Revenues	<u>284,688</u>
Operating Expenses	
Payroll costs	353,347
Purchased and contracted services	1,169
Supplies and materials	3,865
Other operating expenses	770
Total Operating Expenses	<u>359,151</u>
Income (Loss) Before Transfers	<u>(74,463)</u>
Transfers in	<u>60,000</u>
Change in Net Position	(14,463)
Net Position - July 1 (Beginning)	<u>36,222</u>
Net Position - June 30 (Ending)	<u>\$ 21,759</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

Exhibit D-3

	<u>Enterprise Fund</u> <u>Early Learning</u> <u>Center - Daycare</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 284,688
Payments to suppliers and service providers	(2,361)
Payments to employees for salaries and benefits	(552,229)
Net Cash Provided by (Used for) Operating Activities	<u>(269,902)</u>
Cash Flows from Non-Capital Financing Activities:	
Transfers from other funds	60,000
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>60,000</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(209,902)
Cash and Cash Equivalents at Beginning of Year	<u>235,223</u>
Cash and Cash Equivalents at End of Year	<u>\$ 25,321</u>
Reconciliation of Operating Income (Loss) to Net Cash	
 Provided by (Used for) Operating Activities:	
Operating Income (Loss)	\$ (74,463)
Change in Assets and Liabilities:	
Increase (decrease) in accounts payable	3,443
Increase (decrease) in accrued wages payable	(447)
Increase (decrease) in due to other funds	(198,435)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (269,902)</u>

SHELDON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2023

Exhibit E-1

	<u>Custodial Fund</u> <u>Scholarship Fund</u>	<u>Custodial Fund</u> <u>Student Activity</u>
Assets		
Cash and cash equivalents	\$ 64,359	\$ 338,351
Current investments	198,123	37,891
Receivables	2,404	-
Total Assets	<u>264,886</u>	<u>376,242</u>
Liabilities		
Due to others	62,863	-
Total Liabilities	<u>62,863</u>	<u>-</u>
Net Position		
Restricted for:		
Scholarships	202,023	-
Student activities	-	376,242
Total Net Position	<u>\$ 202,023</u>	<u>\$ 376,242</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2023

Exhibit E-2

	<u>Custodial Fund</u> <u>Scholarship Fund</u>	<u>Custodial Fund</u> <u>Student Activity</u>
Additions		
Contributions:		
Gifts and contributions	\$ 46,784	\$ -
Revenues from student activities	-	465,646
Investment Earnings:		
Interest	1,672	320
Total Additions	<u>48,456</u>	<u>465,966</u>
Deductions		
Scholarships	43,600	-
Student activities	-	441,123
Total Deductions	<u>43,600</u>	<u>441,123</u>
Change in net position	4,856	24,843
Net Position Beginning of Year	<u>197,167</u>	<u>351,399</u>
Net Position End of Year	<u>\$ 202,023</u>	<u>\$ 376,242</u>

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The District's Board of Trustees (the Board) has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; therefore, the District is not included in any other governmental reporting entity. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements (continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied. The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Accounting

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

The District reports the following major governmental funds:

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

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

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

Additionally, the District reports the following fund types:

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

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

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

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value. The funds of the District must be deposited and invested under the terms of a depository contract, the contents of which are set out in the Depository Contract Law. The depository bank may either place approved pledged securities for safekeeping and trust with the District's agent bank or file a corporate surety bond 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 FDIC insurance. The depository cash balances were covered by FDIC insurance and by collateral held by the District's agent in the District's name. The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

Note 1 - Summary of Significant Accounting Policies (continued)

Property Taxes

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

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general fund and debt service fund are based upon historical experience in collecting property taxes. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Intangible right-to-use assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land and construction in progress are not depreciated. The other tangible and intangible property, buildings and improvements, furniture and equipment, right-to-use lease assets, and right-to-use SBITA assets of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>In Years</u>
Buildings and improvements	10-50
Furniture and equipment	5-20
Right-to-use assets	3-5

Note 1 - Summary of Significant Accounting Policies (continued)

Compensated Absences

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

Long-term Obligations

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position, deferred amounts related to pension, and deferred amounts related to OPEB. The deferred charge on refunding resulted from the difference between 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 deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred gain on refunding resulted from the difference between 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. In the government-wide financial statements the District reports deferred amounts related to pension and deferred amounts related to OPEB.

Pensions

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

Note 1 - Summary of Significant Accounting Policies (continued)

Other Post-Employment Benefits

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

Leases

Lessee: The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Subscription-Based Information Technology Arrangements

The District is under contracts for SBITA for various financial and educational software. The agreements/contracts are noncancellable and the District recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. The District recognizes SBITA liabilities with an initial, individual value of \$5,000 or more.

At the commencement of the SBITA, the District initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to SBITA include how the District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

Note 1 - Summary of Significant Accounting Policies (continued)

Subscription-Based Information Technology Arrangements (continued)

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA and payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

Net Position and Fund Balances

Sheldon Independent School District reports fund balances in accordance with GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet. However, if the use of the proceeds from the sale of the inventory is restricted, committed, or assigned, then the applicable amounts are included in the appropriate fund balance classification, rather than nonspendable fund balance.

Restricted fund balance – Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund. At June 30, 2023, the District's committed fund balance includes campus activity funds.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board has delegated authority to the Superintendent to establish fund balance assignments. The Board has assigned \$250,000 for state aid adjustments and \$450,000 for emergency repairs in the General Fund.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in 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.

Note 1 - Summary of Significant Accounting Policies (continued)

Data Control Codes

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

Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, 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.

Implementation of New Accounting Standards

The following GASB pronouncements were applicable and effective during fiscal year 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)* was issued in May 2020 and was effective for periods beginning after June 15, 2022. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District has evaluated the effects of this statement and has determined that it does impact the financial statements. As such the District has incorporated such SBITAs into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosures.

Note 2 - Deposits and Investments

Cash Deposits

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

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

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

The District may place funds with the depository in interest and non-interest bearing accounts. Statutes and the depository contract require that all funds in the depository institution be fully secured by federal depository insurance or a combination of federal depository insurance and acceptable collateral securities and/or an acceptable surety bond. The collateral securities must be delivered to the District or placed with an independent trustee institution with safekeeping receipts delivered to the District and copies of the safekeeping receipts delivered to the Texas Education Agency. In accordance with State statutes pertaining to lawful collateralization of District deposits, safekeeping receipts are issued in the name of the depository with proper indication that the collateral securities are pledged by the depository to secure funds of the District.

Note 2 - Deposits and Investments

Cash Deposits (continued)

Acceptable collateral securities include direct obligations of the United States of America (U.S.), bonds of any agency of the U.S. (except Farmers Home Administration Insured Notes), bonds of the State of Texas, or of any county, school district, city, or town of the State of Texas that have been rated A or better by Moody's Investors Service, Inc., as authorized by Chapter 2257 Collateral for Public Funds of the Government Code.

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

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

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

At June 30, 2023, the District's cash in bank totaled \$6,426,168 while the carrying value was \$4,188,497. The District's cash deposits at June 30, 2023 were entirely covered by FDIC Insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

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

Note 2 - Deposits and Investments

Investments (continued)

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

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

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

Note 2 - Deposits and Investments

Investments (continued)

At year-end, the District’s cash and investments balances and the weighted average maturity of these investments were as follows:

	<u>Carrying Value</u>	<u>Weighted Average Maturity (In days)</u>
Governmental Activities:		
Cash and deposits	\$ 3,761,466	N/A
Investments:		
Money market mutual funds	8,251,820	N/A
Certificates of deposit	5,569,057	154
Repurchase agreement	6,260,266	N/A
Local Government Investment Pools:		
Lone Star Corporate Overnight Fund	5,474,275	26
Lone Star Government Overnight Fund	141,664,217	23
TexSTAR	1,428	22
Total Local Government Investment Pools	<u>147,139,920</u>	
Total Investments	<u>167,221,063</u>	25
Total Governmental Activities	<u>170,982,529</u>	
Business-Type Activities:		
Cash and deposits	<u>25,321</u>	N/A
Total Business-Type Activities	<u>25,321</u>	
Fiduciary Funds:		
Cash and deposits	402,710	N/A
Certificates of deposit	236,014	209
Total Fiduciary Funds	<u>638,724</u>	
Total	<u><u>\$ 171,646,574</u></u>	

Note 2 - Deposits and Investments (continued)

Investments (continued)

Investments’ fair value measurement are as follows at June 30, 2023:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt Securities:				
Certificates of Deposit	\$ 5,805,071	\$ 5,805,071	\$ -	\$ -
Total Debt Securities	<u>\$ 5,805,071</u>	<u>\$ 5,805,071</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

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

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

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

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

Note 2 - Deposits and Investments (continued)

Investments (continued)

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

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

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

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

The following table includes the portfolio valuation, credit rating and percentage of the portfolio balance by investment type of the District as of June 30, 2023:

	<u>June 30, 2023</u>	<u>Percentage of Portfolio</u>	<u>Rating</u>	<u>Rating Agency</u>
Investment measured at amortized cost:				
Lone Star Corporate Overnight Fund	\$ 5,474,275	3.3%	AAAm	Standard and Poor's
Lone Star Government Overnight Fund	141,664,217	84.7%	AAAm	Standard and Poor's
TexSTAR	1,428			
Investment measured at cost:				
Money market mutual funds	8,251,820	4.9%	N/A	N/A
Certificates of deposit - governmental activities	5,569,057	3.3%	N/A	N/A
Certificates of deposit - fiduciary funds	236,014	0.1%	N/A	N/A
Repurchase agreement	6,260,266	3.7%	A-2	Moody's Rating
	<u>\$ 167,457,077</u>	<u>100%</u>		

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. During the fiscal year ended June 30, 2023, the District was not significantly exposed to credit risk. State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized credit rating organizations.

Note 2 - Deposits and Investments (continued)

Custodial Credit Risk

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

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

Termination Risk

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

At June 30, 2023, the credit rating assigned to the counterparty is “A2” by Moody’s and “A-” by Fitch.

Note 3 - Receivables

Receivables as of year-end for the District's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 4,717,694	\$ 1,681,396	\$ -	\$ 6,399,090
Due from other governments	11,543,460	-	1,052,393	12,595,853
Interest	77,818	-	-	77,818
Other	3,143	-	-	3,143
Gross receivables	16,342,115	1,681,396	1,052,393	19,075,904
Less allowance for doubtful accounts	(717,250)	(198,775)	-	(916,025)
Net Total Receivables	\$ 15,624,865	\$ 1,482,621	\$ 1,052,393	\$ 18,159,879

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the District reported unearned revenues for advanced collection of fees in the amount of \$267,348.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022 as restated	Additions	Retirements	----- June 30, 2023
Governmental Capital Assets				
Capital assets, not being depreciated/amortized:				
Land	\$ 38,037,787	\$ -	\$ -	\$ 38,037,787
Construction in progress	1,336,200	95,830	-	1,432,030
Total Capital assets, not being depreciated/amortized	39,373,987	95,830	-	39,469,817
Capital assets, being depreciated/amortized:				
Buildings and improvements	472,951,848	3,925,689	-	476,877,537
Furniture and equipment	18,869,737	457,136	-	19,326,873
Right-to-use SBITA assets	-	29,492	-	29,492
Right-to-use lease assets	875,284	103,745	-	979,029
Total Capital assets, being depreciated/amortized	492,696,869	4,516,062	-	497,212,931
Less accumulated depreciation/amortization for:				
Buildings and improvements	(112,226,369)	(9,679,297)	-	(121,905,666)
Furniture and Equipment	(11,547,330)	(1,052,388)	-	(12,599,718)
Right-to-use SBITA assets	-	(13,517)	-	(13,517)
Right-to-use lease assets	(218,559)	(266,868)	-	(485,427)
Total Accumulated depreciation/amortization	(123,992,258)	(11,012,070)	-	(135,004,328)
Governmental Capital Assets	\$ 408,078,598	\$ (6,400,178)	\$ -	\$ 401,678,420

Depreciation and amortization expense was charged to functions/programs of the District as follows:

Function	Depreciation and Amortization Expense
Governmental Activities:	
Instruction	\$ 6,782,325
Instructional resources and media services	299,472
Instructional leadership	262,495
School leadership	299,472
Guidance, counseling and evaluation services	99,824
Health services	99,824
Student transportation	686,879
Food Services	771,736
Extracurricular activities	911,690
General administration	98,842
Plant maintenance and operations	599,687
Data processing services	99,824
Total Governmental Activities	\$ 11,012,070

Open construction commitments at June 30, 2023 were as follows:

Project	Approved Construction Budget	Construction in Progress	Remaining Commitment
Sheldon ISD Stadium Lot Repaving	\$ 684,913	\$ 453,051	\$ 231,862
KHS Storage Buildings Project	2,153,000	883,148	1,269,852
Intercom/PA Projects	247,583	66,781	180,802
HVAC Roofing	34,050	29,050	5,000
	\$ 3,119,546	\$ 1,432,030	\$ 1,687,516

Note 5 - Interfund Receivables, Payables, and Transfers

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

The composition of interfund balances as of June 30, 2023, is as follows:

	Interfund Receivable	Interfund Payable	Net
Governmental Funds			
General Fund	\$ 1,944,645	\$ 267,753	\$ 1,676,892
Debt Service Fund	262,421	71,537	190,884
Capital Projects Fund	-	142,996	(142,996)
Nonmajor Governmental Funds	-	1,724,780	(1,724,780)
Total Governmental Funds	<u>2,207,066</u>	<u>2,207,066</u>	<u>-</u>
Total	<u>\$ 2,207,066</u>	<u>\$ 2,207,066</u>	<u>\$ -</u>

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” The following is a summary of the District’s transfers for the fiscal year ended June 30, 2023:

Transfer Out	Transfer In	Amount
General Fund	Nonmajor Enterprise Fund	\$ 60,000
Capital Projects Fund	Debt Service Fund	1,847,050
Total		<u>\$ 1,907,050</u>

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” During the fiscal year ended June 30, 2023, the District transferred \$60,000 from the general fund to the enterprise fund to cover operating revenue shortages in the enterprise fund. \$1,847,050 transferred from the capital projects fund to the debt service fund represented capitalized interest from the issuance of Unlimited Tax School Building Bonds, Series 2023.

Note 6 - Compensated Absences and Other Retirement/Sick Leave Benefits

The balance of accumulated unpaid vacation and sick leave at June 30, 2023 was \$1,801,532 and is presented as other long-term liabilities in these financial statements.

The following summarizes the District’s liability and the changes for the year:

Balance, July 1, 2022	\$ 980,370
Additions: New entrants and salary increments	1,079,722
Deductions: Payments to participants	(258,560)
Balance, June 30, 2023	<u>\$ 1,801,532</u>

Note 7 - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022, as restated	Additions	Retirements	Balance June 30, 2023	Due Within One Year
General obligation bonds	\$ 366,639,996	\$ 98,445,000	\$ (12,105,000)	\$ 452,979,996	\$ 13,845,000
Premiums/discounts	20,169,112	3,356,707	(1,143,895)	22,381,924	-
Accreted interest on capital appreciation bonds	122,449	14,030	-	136,479	-
Leases payable	666,039	103,745	(249,985)	519,799	268,707
SBITA payable	-	29,492	(14,235)	15,257	15,257
Compensated absences	980,370	1,079,722	(258,560)	1,801,532	360,306
	<u>\$ 388,577,966</u>	<u>\$ 103,028,696</u>	<u>\$ (13,771,675)</u>	<u>\$ 477,834,987</u>	<u>\$ 14,489,270</u>

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

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds, term bonds, and capital appreciation bonds (CAB) with various amounts of principal maturing each year.

In the current fiscal year, the District issued \$98,444,500 Unlimited Tax School Building Bonds, Series 2023 with a premium of \$3,356,707. The proceeds are to be used (1) for the construction, acquisition and equipment of school buildings in the District, the purchase of the necessary sites for school buildings, and the purchase of new school buses, (2) the update of technology equipment, (3) to fund capitalized interest, and (4) to pay for costs of issuing the bonds.

Bonds payable for the year ended June 30, 2023 were as follows:

Issue	Original Issuance Amount	Interest Rate (%)	Maturity Date	Debt Outstanding
Unlimited Qualified School Construction Bonds, Series 2010	\$ 8,200,000	5.632%	2027	\$ 8,200,000
Unlimited Tax Refunding Bonds, Series 2011	3,559,996	2.125% to 3.000%	2028	4,996
Unlimited Tax School Building and Refunding Bonds, Series 2014	9,750,000	2.000% to 4.000%	2039	6,665,000
Unlimited Tax School Building and Refunding Bonds, Series 2015	16,040,000	3.000% to 5.000%	2040	11,840,000
Unlimited Tax School Building and Refunding Bonds, Series 2016	40,960,000	3.000% to 5.000%	2040	28,495,000
Unlimited Tax School Building and Refunding Bonds, Series 2016A	50,310,000	3.000% to 5.000%	2041	41,135,000
Unlimited Tax School Building Bonds, Series 2017	96,835,000	3.000% to 5.000%	2042	82,105,000
Unlimited Tax School Building and Refunding Bonds, Series 2018	98,665,000	3.000% to 5.000%	2048	96,770,000
Unlimited Tax School Building and Refunding Bonds, Series 2019	59,255,000	2.750% to 5.000%	2049	50,510,000
Unlimited Tax School Building and Refunding Bonds, Series 2019A	14,155,000	2.250% to 5.000%	2041	12,530,000
Unlimited Tax Refunding Bonds, Series 2020	6,945,000	3.000% to 5.000%	2032	6,550,000
Unlimited Tax School Building Bonds Series 2021	11,675,000	1.875% to 4.000%	2032	9,730,000
Unlimited Tax School Building Bonds Series 2023	98,445,000	4.000% to 5.000%	2053	98,445,000
				<u>\$ 452,979,996</u>

Note 7 - Long-Term Liabilities (continued)

General Obligation Bonds (continued)

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Totals
2024	\$ 13,845,000	\$ 17,072,618	\$ 30,917,618
2025	14,080,000	16,710,180	30,790,180
2026	14,500,000	16,086,262	30,586,262
2027	22,160,000	15,480,362	37,640,362
2028	15,474,996	14,863,966	30,338,962
2029 - 2033	90,090,000	61,546,594	151,636,594
2034 - 2028	101,695,000	4,410,038	106,105,038
2039 - 2043	86,395,000	27,192,869	113,587,869
2044 - 2048	63,680,000	13,733,400	77,413,400
2049 - 2053	31,060,000	3,603,925	34,663,925
	\$ 452,979,996	\$ 190,700,214	\$ 643,680,210

Qualified School Construction Bonds

The District is scheduled to make annual deposits into a trust accounts for the Qualified School Construction Bonds (QSCB), Series 2010. These annual deposits plus the interest earned on the trust accounts will be used to pay off the debt upon maturity in 2027. The District accounts for this trust account as restricted cash and investments on both the statement of net position (Exhibit A-1) and in the debt service fund on the governmental funds balance sheet (Exhibit C-1). Funds held in trust for Qualified School Construction Bonds (QSCB) are comprised of the following balances at June 30, 2023:

Series	Restricted Cash and Temporary Investments	Maturity Date	Maturity Amount
Unlimited Qualified School Construction Bonds, Series 2010	\$ 6,260,266	2027	\$8,200,000

Note 8 - Leases

In fiscal year 2023, the District reported several leases in accordance with GASB Statement No. 87 *Leases*. The District is the lessee for copiers. The District's incremental borrowing rate used to calculate the present value of the lease liability was 2.75% - 6% based on the lease agreements. The ending lease liability as of June 30, 2023, was \$519,799. The District is required to make monthly payments of approximately \$24,000. The copiers have a three-year useful life.

Initial lease terms range from 38 to 60 months. The District currently intends to continue these leases through the full lease term and to pay the lease payments in accordance the lease agreements.

Note 8 - Leases (continued)

The future principal and interest lease payments as of June 30, 2023, were as follows:

Year Ending June 30	Principal	Interest	Totals
2024	\$ 268,707	\$ 13,121	\$ 281,828
2025	111,727	5,831	117,558
2026	73,385	3,148	76,533
2027	53,858	844	54,702
2028	12,122	255	12,377
	\$ 519,799	\$ 23,199	\$ 542,998

Note 9 - Subscription-Based Information Technology Arrangements

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

In July 2022, the District entered into a 24-month subscription for the use of software. An initial subscription liability was recorded in the amount of \$29,492. As of June 30, 2023, the value of the subscription liability is \$15,257. The District is required to make annual fixed payments of \$16,350. The subscription has an interest rate of 7.17%. The value of the right to use asset as of June 30, 2023 was \$15,975 with accumulated amortization of \$13,517.

The future principal and interest SBITA payments as of June 30, 2023, follows:

Year Ending June 30	Principal	Interest	Totals
2024	\$ 15,257	\$ 1,093	\$ 16,350

Note 10 - Revenues from Local, Intermediate, and Out-of-State Sources

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 56,260,720	\$ 28,318,253	\$ -	\$ -	\$ 84,578,973
Investment Income	1,473,730	429,607	-	64,504	1,967,841
Rent	24,394	-	-	-	24,394
Food Sales	-	-	-	827,981	827,981
Other	598,373	-	1,896,841	205,600	2,700,814
	\$ 58,357,217	\$ 28,747,860	\$ 1,896,841	\$ 1,098,085	\$ 90,100,003

Note 11 - Pension Plan and Other Post-Employment Benefits

Plan Description

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

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard 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 that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/Pages/about_publications.aspx, selecting About TRS, then Publications, then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

Benefits Provided

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

Benefits Provided (continued)

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 the manner are determined by the TRS 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.

Note 11 - Pension Plan and Other Post-Employment Benefits (continued)

Contributions

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.

	Contribution Rates	
	2023	2022
Member	8.00%	7.70%
Non-employer contributing agency	7.75%	7.50%
Employers	7.75%	7.50%

	Fiscal Year 2023	
	Contributions	
Employer (District)	\$	3,850,745
Employee (Member)		7,051,123
Non-employer Contributing Entity		
On-behalf Contributions (State)		4,313,386

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

As the non-employer contributing entity for public education and junior colleges, 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 (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- 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.

Note 11 - Pension Plan and Other Post-Employment Benefits (continued)

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information are based on the actuarial valuation performed as of August 31, 2021 and rolled forward to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2021, rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2020	3.91% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
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, 2021. These assumptions are further described the 2022 TRS ACFR, which includes actuarial valuation report dated November 12, 2021.

Note 11 - Pension Plan and Other Post-Employment Benefits (continued)

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. 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 projected future benefits payment 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 7.00%. 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.

Note 11 - Pension Plan and Other Post-Employment Benefits (continued)

Discount Rate (continued)

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 are summarized below:

Asset Class ¹	Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources & Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity	8.00%	4.60%	0.43%
Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation	0.00%		2.70%
Volatility Drag ⁴	0.00%		-0.91%
Expected Return	100.00%		8.21%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the fiscal year 2022 policy model.

³ Capital Market Assumptions come from Aon Hewitt as of August 31, 2022.

⁴ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Note 11 - Pension Plan and Other Post-Employment Benefits (continued)

Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

	Discount Rate		
	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's proportional share of the net pension liability	\$ 65,484,999	\$ 42,095,733	\$ 23,137,634

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

At June 30, 2023, the District reported a liability of 42,095,733 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 42,095,733
State's proportionate share that is associated with the District	52,334,814
Total	<u>\$ 94,430,547</u>

The District'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, 2021 through August 31, 2022.

At August 31, 2022, the District's proportion of the collective net pension liability was 0.0709% which was an increase of 0.0015% from its proportion measured as of August 31, 2021.

Note 11 - Pension Plan and Other Post-Employment Benefits (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended June 30, 2023, the District recognized pension expense of \$5,879,873. The District also recognized on-behalf pension expense and revenue of \$5,002,615 for support provided by the State.

At June 30, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 610,385	\$ (917,767)
Changes of assumption	7,843,805	(1,954,895)
Net difference between projected and actual earnings on pension plan investments	4,158,924	-
Changes in proportion and differences between District contributions and proportionate share of contributions	5,003,444	(617,706)
District contributions subsequent to the measurement date	3,353,119	-
Total	\$ 20,969,677	\$ (3,490,368)

Deferred outflows of resources resulting from District contributions subsequent to the measurement date in the amount of \$3,353,119 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Pension Expense Amount
2024	\$ 3,683,063
2025	2,660,304
2026	1,531,839
2027	5,416,354
2028	834,629
Thereafter	-
	\$ 14,126,189

Note 12 - 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.

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 Teacher Retirement System’s fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx, or 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 Premium Rates		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

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 percent of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. 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.

	Contribution Rates	
	2023	2022
Member	0.65%	0.65%
Non-employer contributing agency	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding	1.25%	1.25%

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

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). Contributions for all contributors were as follows:

	Fiscal Year 2023
	Contributions
Employer (District)	\$ 790,585
Employee (Member)	573,311
Non-employer Contributing Entity	
On-behalf Contributions (State)	1,426,071

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022. 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. In addition to the demographic assumptions, salary increases and inflation rates used for members of TRS are identical to the assumptions employed in the August 31, 2021 TRS annual pension actuarial valuation that was rolled forward to August 31, 2022.

The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

Component	Result
Valuation Date	August 31, 2021, rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	3.05% to 9.05% including inflation
Healthcare Trend Rates	The initial medical trend rates were 8.25% for Medicare retirees and 7.25% for non-Medicare retirees. The initial prescription drug trend was 8.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Discount Rate

A single discount rate of 3.91 percent was used to measure the Total OPEB Liability. There was a decrease of 1.96 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 nonemployer 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, 2022 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

Discount Rate Sensitivity Analysis

Discount Rate - 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 (3.91%) in measuring the Net OPEB Liability.

	Discount Rate		
	1% Decrease (2.91%)	Current Rate (3.91%)	1% Increase (4.91%)
District's proportional share of the net OPEB liability	\$ 24,541,679	\$ 20,814,274	\$ 17,794,597

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

At June 30, 2023, the District reported a liability of \$20,814,274 or 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	\$ 20,814,274
State's proportionate share that is associated with the District	25,390,144
Total	\$ 46,204,418

The Net OPEB Liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

At August 31, 2022, the District's proportion of the collective Net OPEB Liability was 0.0869% which was an increase of 0.0037% from its proportion measured as of August 31, 2021.

Healthcare Cost Trend Rates – The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	Healthcare Cost Trend Rate		
	1% Decrease	Current Rate	1% Increase
District's proportional share of the net OPEB liability	\$ 17,151,055	\$ 20,814,274	\$ 25,563,165

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

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

Changes Since the Prior Actuarial Valuation

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 (TOL) since the prior measurement period:

- The single discount rate changed from 1.95 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. This change increased the Total OPEB liability.
- Lower participation rates and updates to the health care trend rate assumptions were also factors that decreased 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.

For the year ended June 30, 2023, the District recognized negative OPEB expense of \$1,442,397. The District also recognized negative on-behalf OPEB expense and revenue of \$3,603,066 for support provided by the State.

At June 30, 2023, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,157,200	\$ (17,340,158)
Changes of assumption	3,170,426	(14,460,519)
Net difference between projected and actual earnings on OPEB plan investments	62,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	7,936,169	-
District contributions subsequent to the measurement date	676,568	-
Total	<u>\$ 13,002,363</u>	<u>\$ (31,800,677)</u>

The \$676,568 reported as 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 year ending June 30, 2024. The net amounts of the District’s balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year</u>	<u>OPEB Expense Amount</u>
2024	\$ (3,813,572)
2025	(3,813,347)
2026	(2,930,682)
2027	(1,735,712)
2028	(2,176,592)
Thereafter	(5,004,977)
	<u>\$ (19,474,882)</u>

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2023, 2022, and 2021, the subsidy payments received by TRS-Care on-behalf of the District were \$446,218, \$333,278, and \$335,410, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 13 - Litigation and Other Contingencies

The District is a party to various legal actions, none of which is believed by the administration or its legal counsel to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies. The District participates in a number of federal and state financial assistance programs. These programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Note 14 - Tax Abatements

The District entered into property tax abatement agreements with local businesses under Texas Tax Code, Title 3, Subtitle B, Chapter 313, Texas Economic Development Act (the Act) beginning August 20, 2013 through April 15, 2014. Under the Act, Texas school districts may grant property tax abatements according to the category of taxable value of property in the District for the preceding tax year. The District is a Category II district, which limits the minimum amount per qualified investment to \$80 million. The qualified property is limited only from maintenance and operation (M&O) property tax. The tax abatement, which is approved by the Texas Comptroller's office and the District's board of trustees, is granted for the purpose of enhancing the local community; improving the public education system; creating high-paying jobs; and advancing economic development goals. The agreement was for each local business to invest a minimum capital investment totaling \$80,000,000 within the District's boundaries during a qualifying period and to create jobs. Such investment would be limited to taxable value of the lesser of qualified appraised value or \$80,000,000. The District's tax abatements expire in increments through December 31, 2027.

For the fiscal year ended June 30, 2023, the District foregoes collecting property taxes totaling \$3,369,316 resulting from the M&O tax rate of \$0.95500 per \$100 of taxable value. The qualified properties per the agreements had a taxable value of \$480,075,210 and was limited to a taxable value of \$160,000,000. However, in foregoing the property tax revenue, the District receives state funding through the Foundation School Program funding formula to offset the loss of property tax revenues. In addition, the local business receiving such property tax abatement has committed to compensate the District for the loss of M&O revenue, reimburse the District for all non-reimbursed costs for extraordinary education related expenses not funded by state aid, and compensate the District with a supplemental payment amount of 40% of the net tax benefit not to exceed the aggregate limit in the agreements.

Note 15 - Shared Service Arrangements

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

Note 16 - Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. The District has estimated that it does not have an arbitrage liability as of June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

SHELDON INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2023

Exhibit G-1

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts, Budgetary Basis	
Revenues				
Local revenues	\$ 65,390,326	\$ 60,778,373	\$ 58,357,217	\$ (2,421,156)
State program revenues	52,674,006	60,129,332	55,926,840	(4,202,492)
Federal program revenues	1,645,000	3,380,000	3,416,336	36,336
Total Revenues	119,709,332	124,287,705	117,700,393	(6,587,312)
Expenditures				
Current:				
Instruction	70,116,836	72,553,130	69,494,069	3,059,061
Instruction resources and media services	1,024,418	930,118	856,787	73,331
Curriculum and instructional staff development	241,598	313,746	185,033	128,713
Instructional leadership	4,040,476	4,689,264	4,307,097	382,167
School leadership	7,129,701	7,191,694	7,109,017	82,677
Guidance, counseling and evaluation services	2,434,947	2,087,392	2,009,322	78,070
Social work services	44,349	44,349	41,963	2,386
Health services	842,972	999,288	918,402	80,886
Student transportation	7,160,153	7,278,593	6,579,013	699,580
Extracurricular activities	2,677,388	3,228,467	2,655,216	573,251
General administration	3,173,000	3,670,230	3,313,941	356,289
Facilities maintenance and operations	15,006,316	16,024,351	14,314,659	1,709,692
Security and monitoring services	2,369,184	2,538,504	2,245,812	292,692
Data processing services	1,772,088	1,618,288	1,454,944	163,344
Community services	23,810	19,577	9,606	9,971
Debt Service:				
Principal on long-term debt	-	600,000	266,040	333,960
Interest on long-term debt	-	50,000	28,075	21,925
Capital Outlay:				
Facilities, acquisition and construction	1,094,840	1,783,086	1,436,297	346,789
Intergovernmental:				
Payments to Juvenile Justice Alternative				
Education Programs	15,000	15,000	-	15,000
Other intergovernmental charges	655,000	655,000	642,135	12,865
Total Expenditures	119,822,076	126,290,077	117,867,428	8,422,649
Excess (deficiency) of revenues over expenditures	(112,744)	(2,002,372)	(167,035)	1,835,337
Other Financing Sources (Uses)				
Sale of assets	-	1,774,538	3,742	(1,770,796)
Leases issued	-	-	103,745	103,745
SBITA issued	-	-	29,492	29,492
Transfers out	-	2,561,160	(60,000)	(2,621,160)
Total Other Financing Sources (Uses)	-	4,335,698	76,979	(4,258,719)
Net change in fund balances	(112,744)	2,333,326	(90,056)	(2,423,382)
Fund Balances - Beginning	45,542,127	45,542,127	45,542,127	-
Fund Balances - Ending	\$ 45,429,383	\$ 47,875,453	\$ 45,452,071	\$ (2,423,382)

SHELDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

A. Budgets and Budgetary Accounting

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

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended June 30, 2023.

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

The official school budget was prepared for adoption for budgeted governmental fund types by June 15, 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.

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

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

SHELDON INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST NINE MEASUREMENT YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.0709%	0.06938%	0.06447%	0.05722%	0.04849%
District's proportionate share of the net pension liability	\$ 42,095,733	\$ 17,668,133	\$ 34,532,064	\$ 29,746,825	\$ 26,688,171
State's proportionate share of the net pension liability associated with the District	52,334,814	22,455,498	43,233,781	42,051,975	48,041,019
Total	<u>\$ 94,430,547</u>	<u>\$ 40,123,631</u>	<u>\$ 77,765,845</u>	<u>\$ 71,798,800</u>	<u>\$ 74,729,190</u>
District's covered payroll (for Measurement Year)	\$ 83,418,986	\$ 81,020,105	\$ 73,654,473	\$ 61,646,828	\$ 57,390,948
District's proportionate share of the net pension liability as a percentage of covered payroll	50.46%	21.81%	46.88%	48.25%	46.50%
Plan fiduciary net position as a percentage of the total pension liability	75.65%	88.79%	75.54%	75.24%	73.74%
Plan's net pension liability as a percentage of covered payroll	112.72%	51.08%	110.36%	114.93%	126.11%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
District's proportion of the net pension liability	0.05384%	0.05768%	0.05930%	0.03889%	
District's proportionate share of the net pension liability	\$ 17,215,912	\$ 21,795,467	\$ 20,961,902	\$ 10,381,059	
State's proportionate share of the net pension liability associated with the District	26,638,986	32,398,523	30,914,126	25,647,821	
Total	<u>\$ 43,854,898</u>	<u>\$ 54,193,990</u>	<u>\$ 51,876,028</u>	<u>\$ 36,028,880</u>	
District's covered payroll (for Measurement Year)	\$ 56,381,175	\$ 56,838,001	\$ 54,422,769	\$ 49,819,013	
District's proportionate share of the net pension liability as a percentage of covered payroll	30.53%	38.35%	38.52%	20.84%	
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%	
Plan's net pension liability as a percentage of covered payroll	75.93%	92.75%	91.94%	72.89%	

Notes:

Ten years of data should be presented in this schedule but data is unavailable prior to 2014.
The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

SHELDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST NINE FISCAL YEARS

Exhibit G-3

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contributions	\$ 3,850,745	\$ 3,284,558	\$ 2,940,402	\$ 2,565,113	\$ 1,542,451
Contributions in relation to the contractual required contributions	<u>3,850,745</u>	<u>3,284,558</u>	<u>2,940,402</u>	<u>2,565,113</u>	<u>1,542,451</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 88,201,666	\$ 83,188,397	\$ 79,697,750	\$ 71,878,515	\$ 51,149,351
Contributions as a percentage of covered payroll	4.37%	3.95%	3.69%	3.57%	3.02%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Contractually required contributions	\$ 1,777,997	\$ 1,764,641	\$ 1,832,559	\$ 1,755,911	
Contributions in relation to the contractual required contributions	<u>1,777,997</u>	<u>1,764,641</u>	<u>1,832,559</u>	<u>1,755,911</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 57,390,948	\$ 56,381,175	\$ 56,838,001	\$ 54,422,769	
Contributions as a percentage of covered payroll	3.10%	3.13%	3.22%	3.23%	

Notes:

Ten years of data should be presented in this schedule but data is unavailable prior to 2015.

SHELDON INDEPENDENT SCHOOL DISTRICT

Exhibit G-4

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST SIX MEASUREMENT YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net OPEB liability	0.0869%	0.08323%	0.08173%	0.07369%
District's proportionate share of the net OPEB liability	\$ 20,814,274	\$ 32,106,304	\$ 31,068,208	\$ 34,850,502
State's proportionate share of the net OPEB liability associated with the District	25,390,144	43,015,292	41,748,225	46,308,521
Total	<u>\$ 46,204,418</u>	<u>\$ 75,121,596</u>	<u>\$ 72,816,433</u>	<u>\$ 81,159,023</u>
District's covered payroll (for Measurement Year)	\$ 83,418,986	\$ 81,020,105	\$ 73,654,473	\$ 61,646,828
District's proportionate share of the net OPEB liability as a percentage of covered payroll	24.95%	39.63%	42.18%	56.53%
Plan fiduciary net position as a percentage of the total OPEB liability	11.52%	6.18%	4.99%	2.66%
Plan's net OPEB liability as a percentage of covered payroll	59.10%	100.13%	101.46%	135.21%
	<u>2018</u>	<u>2017</u>		
District's proportion of the net OPEB liability	0.06914%	0.00681%		
District's proportionate share of the net OPEB liability	\$ 34,523,308	\$ 29,603,039		
State's proportionate share of the net OPEB liability associated with the District	49,079,488	43,880,484		
Total	<u>\$ 83,602,796</u>	<u>\$ 73,483,523</u>		
District's covered payroll (for Measurement Year)	\$ 57,390,948	\$ 56,381,175		
District's proportionate share of the net OPEB liability as a percentage of covered payroll	60.15%	52.51%		
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%		
Plan's net OPEB liability as a percentage of covered payroll	146.64%	132.55%		

Notes:

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

Net OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

Ten years of data should be presented in this schedule but data is unavailable prior to 2017.

SHELDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST SIX FISCAL YEARS

Exhibit G-5

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contributions	\$ 790,585	\$ 716,149	\$ 660,341	\$ 607,336
Contributions in relation to the contractual required contributions	<u>790,585</u>	<u>716,149</u>	<u>660,341</u>	<u>607,336</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 88,201,666	\$ 83,188,397	\$ 79,697,750	\$ 71,878,515
Contributions as a percentage of covered payroll	0.90%	0.86%	0.83%	0.84%
	<u>2019</u>	<u>2018</u>		
Contractually required contributions	\$ 445,288	\$ 463,378		
Contributions in relation to the contractual required contributions	<u>445,288</u>	<u>463,378</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>		
District's covered payroll	\$ 51,149,351	\$ 57,390,948		
Contributions as a percentage of covered payroll	0.87%	0.81%		

Notes:

Ten years of data should be presented in this schedule but data is unavailable prior to 2018.
The District implemented GASB 75 during fiscal year 2018.

SHELDON INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION AND OPEB

Net Pension Liability and Net OPEB Liability

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

Changes in actuarial assumptions and inputs

Measurement Date August 31,	Net Pension Liability		Net OPEB Liability
	Discount Rate	Long- term	Discount Rate
		Expected Rate of Return	
2022	7.00%	7.00%	3.91%
2021	7.25%	7.25%	1.95%
2020	7.25%	7.25%	2.33%
2019	7.25%	7.25%	2.63%
2018	6.91%	7.25%	3.69%
2017	8.00%	8.00%	3.42%
2016	8.00%	8.00%	
2015	8.00%	8.00%	
2014	8.00%	8.00%	

Notes to Required Supplementary Pension Information

Changes of Assumptions

2022: The discount rate changed from 7.25% to 7.00%.

2021: The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.

2020: The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.

2018: The discount rate changed from 8.0% as of August 31, 2017 to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017 to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

Changes in Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the 2021 or 2020 measurement periods.

Other Information

Effective September 1, 2014, employers who did not contribute to Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District’s contributions into the Plan. Because the District’s proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

SHELDON INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION AND OPEB (continued)

Notes to Required Supplementary OPEB Information

Changes of Assumptions

2022: The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022, lowered the participation rates, and updated the healthcare trend rate assumption.

2021: The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021.

2020: The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020, lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

2019: The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019, lowered the participation rates and updated the health care trend rate assumption.

2018: The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018, updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.

Changes in Benefit Terms

Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates. This change in plan benefits significantly lowered the OPEB liability and had an immediate effect on the OPEB expenses recognized by participating entities.

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.



OTHER SUPPLEMENTARY INFORMATION

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

Exhibit H-1
Page 1 of 8

	211	224	225	240
Data Control Codes	ESEA Title I, Part A	IDEA-Part B, Formula	IDEA-Part B, Preschool	National School Breakfast & Lunch Program
Assets				
1110	\$ 4,364	\$ 95,164	\$ 15,490	\$ 899,423
1120	-	-	-	2,608,807
Receivables:				
1240	17,019	-	-	132,851
1300	-	-	-	97,211
1000	\$ 21,383	\$ 95,164	\$ 15,490	\$ 3,738,292
Liabilities and Fund Balances				
Liabilities:				
Current Liabilities:				
2110	\$ 3,258	\$ -	\$ -	\$ 54,649
2160	-	-	-	242,821
2170	18,125	95,164	15,490	503,125
2300	-	-	-	31,347
2000	21,383	95,164	15,490	831,942
Fund Balances:				
Restricted:				
3450	-	-	-	2,906,350
Committed:				
3545	-	-	-	-
3600	-	-	-	-
3000	-	-	-	2,906,350
4000	\$ 21,383	\$ 95,164	\$ 15,490	\$ 3,738,292

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

Exhibit H-1
Page 2 of 8

		242	244	255	263
Data Control Codes		Summer Food Service Program For Children, TDA	Career and Technical - Basic Grant	ESEA Title II, Part A	Title III, Part A
Assets					
1110	Cash and temporary investments	\$ -	\$ 3,639	\$ 3,512	\$ 16,630
1120	Investments	-	-	-	-
Receivables:					
1240	Receivables from other governments	-	3,254	-	38,003
1300	Inventories, at cost	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 6,893</u>	<u>\$ 3,512</u>	<u>\$ 54,633</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ 2,024	\$ -	\$ 4,777
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	4,869	3,512	49,856
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>6,893</u>	<u>3,512</u>	<u>54,633</u>
Fund Balances:					
Restricted:					
3450	Grant restrictions	-	-	-	-
Committed:					
3545	Other purposes	-	-	-	-
3600	Unassigned	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 6,893</u>	<u>\$ 3,512</u>	<u>\$ 54,633</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

Exhibit H-1
Page 3 of 8

		265	266	269	274
Data Control Codes		Title IV, Part B 21st Century Community Learning	Elementary & Secondary School Emergency Relief Fund (ESSER)	Title V, Part A	Gear Up
Assets					
1110	Cash and temporary investments	\$ 8,804	\$ 22,423	\$ 24,963	\$ 13,487
1120	Investments	-	-	-	-
	Receivables:				
1240	Receivables from other governments	175,044	-	3,904	6,381
1300	Inventories, at cost	-	-	-	-
1000	Total Assets	<u>\$ 183,848</u>	<u>\$ 22,423</u>	<u>\$ 28,867</u>	<u>\$ 19,868</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 823	\$ -	\$ 678	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	183,025	22,423	28,189	19,868
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>183,848</u>	<u>22,423</u>	<u>28,867</u>	<u>19,868</u>
Fund Balances:					
Restricted:					
3450	Grant restrictions	-	-	-	-
Committed:					
3545	Other purposes	-	-	-	-
3600	Unassigned	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 183,848</u>	<u>\$ 22,423</u>	<u>\$ 28,867</u>	<u>\$ 19,868</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

Exhibit H-1
Page 4 of 8

Data Control Codes		276	279	280	281
		Title I School Improvement Program Academy Grant	Texas COVID Learning Acceleration Support - ESSER III	American Rescue Plan Homeless II	Elementary & Secondary School Emergency Relief Fund II - CRRSA Act
Assets					
1110	Cash and temporary investments	\$ 17	\$ 4,503	\$ 644	\$ 14,237
1120	Investments	-	-	-	-
	Receivables:				
1240	Receivables from other governments	-	-	-	472,921
1300	Inventories, at cost	-	-	-	-
1000	Total Assets	<u>\$ 17</u>	<u>\$ 4,503</u>	<u>\$ 644</u>	<u>\$ 487,158</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	17	4,503	644	487,158
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>17</u>	<u>4,503</u>	<u>644</u>	<u>487,158</u>
Fund Balances:					
Restricted:					
3450	Grant restrictions	-	-	-	-
Committed:					
3545	Other purposes	-	-	-	-
3600	Unassigned	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 17</u>	<u>\$ 4,503</u>	<u>\$ 644</u>	<u>\$ 487,158</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

Exhibit H-1
Page 5 of 8

	282	283	284	285
Data Control Codes	American Rescue Plan (ESSER III)	Texas Homeless Youth	IDEA-Part B Formula - American Rescue Plan	IDEA-Part B Preschool - American Rescue Plan
Assets				
1110	\$ 1,950	\$ 4,499	\$ 1,261	\$ 4,818
1120	-	-	-	-
Receivables:				
1240	97,880	-	-	-
1300	-	-	-	-
1000	\$ 99,830	\$ 4,499	\$ 1,261	\$ 4,818
Liabilities and Fund Balances				
Liabilities:				
Current Liabilities:				
2110	\$ 20,000	\$ -	\$ -	\$ -
2160	-	-	-	-
2170	79,830	4,499	1,261	4,818
2300	-	-	-	-
2000	99,830	4,499	1,261	4,818
Fund Balances:				
Restricted:				
3450	-	-	-	-
Committed:				
3545	-	-	-	-
3600	-	-	-	-
3000	-	-	-	-
4000	\$ 99,830	\$ 4,499	\$ 1,261	\$ 4,818

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

Exhibit H-1
Page 6 of 8

Data Control Codes		287	288	289	338
		ESSA, Title IV, Part A, SSAE	Lone Star STEM Cycle	Federally Funded Special Revenue Funds	Shared Services Arrangements - Career and Technical Education - Quality Work Force
Assets					
1110	Cash and temporary investments	\$ 43,159	\$ 2,775	\$ 88,160	\$ 14,581
1120	Investments	-	-	-	-
	Receivables:				
1240	Receivables from other governments	10,756	358	6,156	87,866
1300	Inventories, at cost	-	-	-	-
1000	Total Assets	<u>\$ 53,915</u>	<u>\$ 3,133</u>	<u>\$ 94,316</u>	<u>\$ 102,447</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 6,960	\$ 188	\$ -	\$ 60,132
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	46,955	2,945	94,316	42,315
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>53,915</u>	<u>3,133</u>	<u>94,316</u>	<u>102,447</u>
Fund Balances:					
Restricted:					
3450	Grant restrictions	-	-	-	-
Committed:					
3545	Other purposes	-	-	-	-
3600	Unassigned	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 53,915</u>	<u>\$ 3,133</u>	<u>\$ 94,316</u>	<u>\$ 102,447</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

Exhibit H-1
Page 7 of 8

		397	410	428	429
Data Control Codes		Advanced Placement Incentives	State Textbook Fund	Pre-K Grant 2	State Funded Special Revenue Funds
Assets					
1110	Cash and temporary investments	\$ 200	\$ 2,762	\$ 100	\$ 8,633
1120	Investments	-	-	-	-
	Receivables:				
1240	Receivables from other governments	-	-	-	-
1300	Inventories, at cost	-	-	-	-
1000	Total Assets	<u>\$ 200</u>	<u>\$ 2,762</u>	<u>\$ 100</u>	<u>\$ 8,633</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	200	2,762	100	8,633
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>200</u>	<u>2,762</u>	<u>100</u>	<u>8,633</u>
Fund Balances:					
Restricted:					
3450	Grant restrictions	-	-	-	-
Committed:					
3545	Other purposes	-	-	-	-
3600	Unassigned	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 200</u>	<u>\$ 2,762</u>	<u>\$ 100</u>	<u>\$ 8,633</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

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<u>Data Control Codes</u>		<u>SSA - State Educational Programs</u>	<u>Campus Activity Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
1110	Cash and temporary investments	\$ 178	\$ 115,947	\$ 1,416,323
1120	Investments	-	-	2,608,807
Receivables:				
1240	Receivables from other governments	-	-	1,052,393
1300	Inventories, at cost	-	-	97,211
1000	Total Assets	<u>\$ 178</u>	<u>\$ 115,947</u>	<u>\$ 5,174,734</u>
Liabilities and Fund Balances				
Liabilities:				
Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ 153,489
2160	Accrued wages payable	-	-	242,821
2170	Due to other funds	178	-	1,724,780
2300	Unearned revenues	-	-	31,347
2000	Total Liabilities	<u>178</u>	<u>-</u>	<u>2,152,437</u>
Fund Balances:				
Restricted:				
3450	Grant restrictions	-	-	2,906,350
Committed:				
3545	Other purposes	-	115,947	115,947
3600	Unassigned	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>115,947</u>	<u>3,022,297</u>
4000	Total Liabilities and Fund Balances	<u>\$ 178</u>	<u>\$ 115,947</u>	<u>\$ 5,174,734</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Exhibit H-2
Page 1 of 8

	211	224	225	240
Data Control Codes	ESEA Title I, Part A	IDEA-Part B, Formula	IDEA-Part B, Preschool	National School Breakfast & Lunch Program
Revenues				
5700 Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ 911,485
5800 State program revenues	-	-	-	28,130
5900 Federal program revenues	2,119,467	1,883,478	18,790	8,293,877
5020 Total Revenues	2,119,467	1,883,478	18,790	9,233,492
Expenditures				
Current:				
0011 Instruction	2,033,148	1,797,126	18,790	-
0012 Instruction resources and media services	-	-	-	-
0021 Instructional leadership	5,680	-	-	-
0031 Guidance, counseling and evaluation services	-	86,352	-	-
0033 Health services	-	-	-	-
0035 Food service	-	-	-	7,877,062
0051 Plant maintenance and operations	-	-	-	-
0052 Security and monitoring services	-	-	-	-
0053 Data processing services	-	-	-	-
0061 Community services	80,639	-	-	-
6030 Total Expenditures	2,119,467	1,883,478	18,790	7,877,062
1200 Net change in fund balances	-	-	-	1,356,430
0100 Fund Balance - July 1 (Beginning)	-	-	-	1,549,920
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ 2,906,350

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

		242	244	255	263
Data Control Codes		Summer Food Service Program For Children, TDA	Career and Technical - Basic Grant	ESEA Title II, Part A	Title III, Part A
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	95,322	108,936	370,590	320,743
5020	Total Revenues	<u>95,322</u>	<u>108,936</u>	<u>370,590</u>	<u>320,743</u>
Expenditures					
Current:					
0011	Instruction	-	108,936	239,859	260,932
0012	Instruction resources and media services	-	-	-	-
0021	Instructional leadership	-	-	130,731	51,019
0031	Guidance, counseling and evaluation services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	95,322	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	8,792
6030	Total Expenditures	<u>95,322</u>	<u>108,936</u>	<u>370,590</u>	<u>320,743</u>
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-	-
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Exhibit H-2
Page 3 of 8

	265	266	269	274
Data Control Codes	Title IV, Part B 21st Century Community Learning	Elementary & Secondary School Emergency Relief Fund (ESSER)	Title V, Part A	Gear Up
Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	325,730	867,716	373,944
5020	Total Revenues	<u>325,730</u>	<u>867,716</u>	<u>373,944</u>
Expenditures				
Current:				
0011	Instruction	325,730	-	313,184
0012	Instruction resources and media services	-	-	-
0021	Instructional leadership	-	-	-
0031	Guidance, counseling and evaluation services	-	-	60,760
0033	Health services	-	-	-
0035	Food service	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
6030	Total Expenditures	<u>325,730</u>	<u>867,716</u>	<u>373,944</u>
1200	Net change in fund balances	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Exhibit H-2
Page 4 of 8

	276	279	280	281
Data Control Codes	Title I School Improvement Program Academy Grant	Texas COVID Learning Acceleration Support - ESSER III	American Rescue Plan Homeless II	Elementary & Secondary School Emergency Relief Fund II - CRRSA Act
Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	-	18,844	5,451,504
5020	Total Revenues	-	18,844	5,451,504
Expenditures				
Current:				
0011	Instruction	-	179,112	4,644,494
0012	Instruction resources and media services	-	-	-
0021	Instructional leadership	-	8,250	113,980
0031	Guidance, counseling and evaluation services	-	-	158,809
0033	Health services	-	-	-
0035	Food service	-	-	-
0051	Plant maintenance and operations	-	-	150,047
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	384,174
0061	Community services	-	-	-
6030	Total Expenditures	-	18,844	5,451,504
1200	Net change in fund balances	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-
3000	Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	282	283	284	285
Data Control Codes	American Rescue Plan (ESSER III)	Texas Homeless Youth	IDEA-Part B Formula - American Rescue Plan	IDEA-Part B Preschool - American Rescue Plan
Revenues				
5700 Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-	-
5900 Federal program revenues	538,786	-	252,261	16,817
5020 Total Revenues	538,786	-	252,261	16,817
Expenditures				
Current:				
0011 Instruction	467,235	-	252,261	16,817
0012 Instruction resources and media services	-	-	-	-
0021 Instructional leadership	11,694	-	-	-
0031 Guidance, counseling and evaluation services	14,722	-	-	-
0033 Health services	-	-	-	-
0035 Food service	-	-	-	-
0051 Plant maintenance and operations	6,440	-	-	-
0052 Security and monitoring services	-	-	-	-
0053 Data processing services	38,695	-	-	-
0061 Community services	-	-	-	-
6030 Total Expenditures	538,786	-	252,261	16,817
1200 Net change in fund balances	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Exhibit H-2
Page 6 of 8

Data Control Codes		287	288	289	338
		ESSA, Title IV, Part A, SSAE	Lone Star STEM Cycle	Federally Funded Special Revenue Funds	Shared Services Arrangements - Career and Technical Education - Quality Work Force
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	150,140	34,315	73,567	346,710
5020	Total Revenues	150,140	34,315	73,567	346,710
Expenditures					
Current:					
0011	Instruction	134,751	34,315	-	346,710
0012	Instruction resources and media services	-	-	-	-
0021	Instructional leadership	15,389	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0033	Health services	-	-	73,567	-
0035	Food service	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
6030	Total Expenditures	150,140	34,315	73,567	346,710
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-	-
3000	Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Exhibit H-2
Page 7 of 8

		397	410	428	429
Data Control Codes		Advanced Placement Incentives	State Textbook Fund	Pre-K Grant 2	State Funded Special Revenue Funds
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	30,839	-	21,828
5900	Federal program revenues	-	-	-	-
5020	Total Revenues	<u>-</u>	<u>30,839</u>	<u>-</u>	<u>21,828</u>
Expenditures					
Current:					
0011	Instruction	-	30,839	-	21,828
0012	Instruction resources and media services	-	-	-	-
0021	Instructional leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
6030	Total Expenditures	<u>-</u>	<u>30,839</u>	<u>-</u>	<u>21,828</u>
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-	-
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

		459	461	
Data Control Codes		SSA - State Educational Programs	Campus Activity Funds	Total Nonmajor Governmental Funds
Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ 186,600	\$ 1,098,085
5800	State program revenues	-	-	80,797
5900	Federal program revenues	-	-	21,848,899
5020	Total Revenues	<u>-</u>	<u>186,600</u>	<u>23,027,781</u>
Expenditures				
Current:				
0011	Instruction	-	232,903	12,345,530
0012	Instruction resources and media services	-	19,662	19,662
0021	Instructional leadership	-	-	336,743
0031	Guidance, counseling and evaluation services	-	-	320,643
0033	Health services	-	-	73,567
0035	Food service	-	-	7,972,384
0051	Plant maintenance and operations	-	-	156,487
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	422,869
0061	Community services	-	-	89,431
6030	Total Expenditures	<u>-</u>	<u>252,565</u>	<u>21,737,316</u>
1200	Net change in fund balances	-	(65,965)	1,290,465
0100	Fund Balance - July 1 (Beginning)	<u>-</u>	<u>181,912</u>	<u>1,731,832</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ 115,947</u>	<u>\$ 3,022,297</u>



REQUIRED TEA SCHEDULES

SHELDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended June 30, 2023

Exhibit J-1

Last Ten Fiscal Years	1		2	3	10	20	31	32	40	50
	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 6/30/22	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 6/30/23	
Maintenance	Debt Service									
2014 and prior	Various	Various	Various	\$ 637,237	\$ -	\$ 3,934	\$ 1,248	\$ (405)	\$ 631,650	
2015	1.1700	0.2600	\$ 4,931,143,966	208,389	-	1,148	358	(40)	206,843	
2016	1.1700	0.2400	5,438,701,915	215,091	-	2,155	479	(39)	212,418	
2017	1.1700	0.2400	5,318,091,348	153,743	-	1,513	336	(39)	151,855	
2018	1.1700	0.3000	5,411,504,422	211,823	-	4,240	870	1,335	208,048	
2019	1.1700	0.3000	5,463,206,327	131,842	-	15,253	3,129	4,487	117,947	
2020	1.0684	0.3800	5,401,138,007	163,116	-	14,392	3,690	(14,082)	130,952	
2021	1.0416	0.4600	5,178,775,839	301,911	-	(418,922)	(148,999)	(822,572)	47,260	
2022	0.9950	0.4600	5,372,256,151	1,429,952	-	(1,026,192)	(474,420)	(2,563,069)	367,495	
2023	0.9550	0.4600	5,955,801,555	-	84,274,592	57,153,925	27,529,639	2,313,757	1,904,785	
1000 Totals				<u>\$ 3,453,104</u>	<u>\$ 84,274,592</u>	<u>\$ 55,751,446</u>	<u>\$ 26,916,330</u>	<u>\$ (1,080,667)</u>	<u>3,979,253</u>	
									Penalty and interest receivable on taxes	<u>2,419,837</u>
									Total taxes receivable per Exhibit C-1	<u>\$ 6,399,090</u>
8000 - Taxes refunded under Section 26.115(c), Tax Code, for tax refunds issued for immediate homestead exemptions pursuant to Senate Bill (SB) 8, 87-2										<u>\$ -</u>

SHELDON INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

**BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM FUND
For the Year Ended June 30, 2023**

	<u>Budget</u>			variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts GAAP Basis</u>	
Revenues				
Local, Intermediate, and Out-of-State	\$ 919,662	\$ 956,162	\$ 911,485	\$ (44,677)
State Program Revenues	213,492	77,161	28,130	(49,031)
Federal Program Revenues	6,826,920	7,247,920	8,293,877	1,045,957
Total Revenues	<u>7,960,074</u>	<u>8,281,243</u>	<u>9,233,492</u>	<u>952,249</u>
Expenditures				
Food Services	8,191,937	8,545,306	7,877,062	668,244
Debt Service:				
Principal	-	100,000	-	100,000
Total Expenditures	<u>8,191,937</u>	<u>8,645,306</u>	<u>7,877,062</u>	<u>768,244</u>
Excess (Deficiency) Revenues Over Expenditures	<u>(231,863)</u>	<u>(364,063)</u>	<u>1,356,430</u>	<u>1,720,493</u>
Other Financing Sources (Uses)				
Other resources	-	364,063	-	(364,063)
Total Other Financing Sources (Uses)	<u>-</u>	<u>364,063</u>	<u>-</u>	<u>(364,063)</u>
Increase (Decrease) in Fund Balance	(231,863)	-	1,356,430	1,356,430
Fund Balance - July 1 (Beginning)	<u>1,549,920</u>	<u>1,549,920</u>	<u>1,549,920</u>	<u>-</u>
Fund Balance - June 30 (Ending)	<u>\$ 1,318,057</u>	<u>\$ 1,549,920</u>	<u>\$ 2,906,350</u>	<u>\$ 1,356,430</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended June 30, 2023

Exhibit J-3

	<u>Budget</u>			variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts GAAP Basis</u>	
Revenues				
Local, Intermediate, and Out-of-State	\$ 26,835,000	\$ 27,985,000	\$ 28,747,860	\$ 762,860
State Program Revenues	130,000	534,000	534,243	243
Total Revenues	<u>26,965,000</u>	<u>28,519,000</u>	<u>29,282,103</u>	<u>763,103</u>
Expenditures				
Debt Service:				
Principal on long-term debt	12,590,000	12,590,000	12,105,000	485,000
Interest on long-term debt	13,906,564	13,906,564	13,706,537	200,027
Debt service costs and fees	385,000	385,000	27,643	357,357
Total Expenditures	<u>26,881,564</u>	<u>26,881,564</u>	<u>25,839,180</u>	<u>1,042,384</u>
Excess (Deficiency) Revenues Over Expenditures	<u>83,436</u>	<u>1,637,436</u>	<u>3,442,923</u>	<u>1,805,487</u>
Other Financing Sources (Uses)				
Transfers in	-	1,847,051	1,847,050	(1)
Other uses	-	(3,484,487)	-	3,484,487
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,637,436)</u>	<u>1,847,050</u>	<u>3,484,486</u>
Increase (Decrease) in Fund Balance	83,436	-	5,289,973	5,289,973
Fund Balance - July 1 (Beginning)	<u>12,497,574</u>	<u>12,497,574</u>	<u>12,497,574</u>	<u>-</u>
Fund Balance - June 30 (Ending)	<u>\$ 12,581,010</u>	<u>\$ 12,497,574</u>	<u>\$ 17,787,547</u>	<u>\$ 5,289,973</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM
COMPLIANCE RESPONSES
For the Year Ended June 30, 2023

Exhibit J-4

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 14,726,289
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30)	\$ 12,598,851
Section B: Bilingual Education Programs		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 2,119,478
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25)	\$ 1,570,177



SHELDON INDEPENDENT SCHOOL DISTRICT
REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
For the Year Ended June 30, 2023

Schedule L-1

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes

(If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered **to not have made** timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.

Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.

SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 136,479

NOTE: This schedule is to be included as part of the annual financial audit report (AFR) submission on the required due date and published as a part of the school district's AFR. This schedule should be submitted in the data feed file and submitted as an Adobe Acrobat portable document file (pdf).



FEDERAL AWARDS SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Sheldon Independent School District

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, the business-type activities, each major fund, and the aggregate remaining fund information of Sheldon Independent School District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated November 14, 2023.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Trustees
Sheldon Independent School District

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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
November 14, 2023

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
Sheldon Independent School District

Report on Compliance for the Major Federal Program

We have audited Sheldon Independent School District’s (the “District”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal program for the year ended June 30, 2023. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District's complied, in all material respects, with the 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, 2023.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the 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 the 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 the 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 the 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 GAAS, *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 the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the 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 the 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 the 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.

Board of Trustees
Sheldon Independent School District

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.

Whitley Penn LLP

Houston, Texas
November 14, 2023

SHELDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
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Federal Communications Commission

<i>COVID-19 - Emergency Connectivity Fund</i>	32.009
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US Department of Education

<i>ESEA Title I, Part A - Improving Basic Programs</i>	84.010A
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<i>Career and Technology - Carl D. Perkins Basic Grant</i>	84.048A
<i>Perkins Reserve</i>	84.048A

<i>COVID- 19 - ARP Homeless II</i>	84.425W
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<i>COVID- 19 - CRSSA ESSER II</i>	84.425D
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<i>COVID- 19 - TCLASS ESSER III</i>	84.425U
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<i>COVID-19 - ARP - ESSER III</i>	84.425U
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Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
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Auditee qualified as low risk auditee?	No
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SHELDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2023

Financial Statement Findings

None reported

Federal Awards Findings and Questioned Costs

None reported

SHELDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Exhibit K-1
Page 1 of 2

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Assistance Listing Number	(2A) Pass Through Entity Identifying Number	(3) Federal Expenditures
U.S. Department of Agriculture			
Passed Through State Department of Education:			
<i>National School Breakfast Program</i>	10.553	71402301	\$ 1,934,499
<i>National School Lunch Program</i>	10.555	71302301	5,048,012
Passed Through State Department of Agriculture:			
<i>National School Lunch Program - Non-Cash Assistance</i>	10.555	806780706	344,960
<i>Supply Chain Assistance Grant</i>	10.555	6TX300400	473,601
<i>Summer Food Service Program</i>	10.559	806780706	95,322
<i>Total Child Nutrition Cluster (ALN 10.553, 10.555, 10.559)</i>			<u>7,896,394</u>
<i>COVID-19 - Pandemic Benefit Transfer</i>	10.542	00531	5,950
<i>Commodity Delivery Fee Reimbursement</i>	10.560	00531	4,887
<i>Child and Adult Care Food Program</i>	10.558	806780706	481,968
Total U. S. Department of Agriculture			<u>8,389,199</u>
U. S. Department of Education			
Passed Through State Department of Education:			
<i>ESEA Title I, Part A - Improving Basic Programs</i>	84.010A	23610101101924	2,152,328
<i>IDEA - Part B, Formula</i>	84.027A	236600011019246000	1,883,478
<i>IDEA - Part B, Preschool</i>	84.173A	236610011019246000	18,790
<i>COVID-19 - IDEA - Part B, Formula ARP Carryover</i>	84.027X	225350021019245000	256,203
<i>COVID-19 - IDEA - Part B, Preschool ARP Carryover</i>	84.173X	225360021019245000	17,079
<i>Total Special Education Cluster (ALN 84.027, 84.173)</i>			<u>2,175,550</u>
<i>Career and Technology - Carl D. Perkins Basic Grant</i>	84.048A	23420006101924	110,268
<i>Perkins Reserve</i>	84.048A	224200287110004	350,756
<i>Total ALN 84.048</i>			<u>461,024</u>
<i>Texas Gear Up Grant</i>	84.334S	225111017110005	379,860
<i>Title III, Part A - English Language Acquisition Grants</i>	84.365A	23671001101924	325,162
<i>ESEA Title II, Part A - Supporting Effective Instruction State Grant</i>	84.367A	23694501101924	376,382
<i>Summer School LEP</i>	84.369A	69552102	27,619
<i>Lone Star STEM Cycle</i>	84.411B	203929107110004	34,846
<i>Title IV, Part A, Subpart 1</i>	84.424A	23680101101924	151,944
<i>COVID- 19 - ARP Homeless II</i>	84.425W	21533002101924	18,844
<i>COVID- 19 - CRSSA ESSER II</i>	84.425D	21521001101924	6,028,871
<i>COVID- 19 - TCLASS ESSER III</i>	84.425U	21528042101924	232,485
<i>COVID-19 - ARP - ESSER III</i>	84.425U	21528001101924	593,731
<i>Total ALN 84.425</i>			<u>6,873,931</u>
Passed Through Harris County Department of Education:			
<i>Title IV, Part B 21st Century Community Learning Centers</i>	84.287C	S287C210044	325,730
Passed Through Texas Education Agency:			
<i>Title IV, Part B 21st Century Community Learning Centers</i>	84.287C	236950307110038	867,716
<i>Total ALN 84.287</i>			<u>1,193,446</u>
Total U. S. Department of Education			<u>14,152,092</u>

SHELDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Exhibit K-1
Page 2 of 2

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Assistance Listing Number	(2A) Pass Through Entity Identifying Number	(3) Federal Expenditures
U. S. Department of Health and Human Services			
Passed Through Harris County Department of Education:			
<i>COVID-19 - Public Health Workforce Supplement</i>	93.354	39342201	\$ 73,567
Total U. S. Department of Health and Human Services			73,567
Federal Communications Commission			
Direct			
<i>COVID-19 - Emergency Connectivity Fund</i>	32.009	ECF202107966	698,500
Total Federal Communications Commission			698,500
Total Expenditures of Federal Awards			\$ 23,313,358

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the fiscal year ended June 30, 2023. The information in this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

The District accounts for all awards under federal programs in the General Fund and certain Special Revenue funds in accordance with the Texas Education Agency's Financial Accountability System Resource Guide. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods. National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation.

Note 2 - De Minimis Cost Rate

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

Note 3 - Reconciliation to Basic Financial Statements

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

Total Expenditures of Federal Awards - Exhibit K-1	\$ 23,313,358
SHARS	1,137,652
E-Rate	90,348
Federal interest subsidy	723,877
Total Federal Revenue - Exhibit C-3	<u><u>\$ 25,265,235</u></u>

SHELDON INDEPENDENT SCHOOL DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Exhibit K-2
Page 2 of 2

Note 4 - General Fund Expenditures

Federal Awards reported in the general fund are submitted as follows:

Medicaid SHARS	\$ 1,137,652
Federal interest subsidy	723,877
Summer School LEP	27,619
FEMA reimbursement	
COVID-19 - Emergency Connectivity Fund	698,500
E-Rate	90,348
Indirect Costs:	
ESEA Title I, Part A - Improving Basic Programs	32,861
ESEA Title II, Part A - Supporting Effective Instruction State Grant	5,792
Career and Technology - Carl D. Perkins Basic Grant	1,332
Perkins Reserve	4,046
Texas Gear Up Grant	5,916
COVID-19 - IDEA - Part B, Formula ARP Carryover	3,942
COVID-19 - IDEA - Part B, Preschool ARP Carryover	262
COVID- 19 - CRSSA ESSER II	577,367
COVID-19 - ARP - ESSER III	54,945
COVID- 19 - TCLASS ESSER III	45,123
Title III, Part A - English Language Acquisition Grants	4,419
Lone Star STEM Cycle	531
Title IV, Part A, Subpart 1	1,804
Total Indirect Costs	<u>738,340</u>
Total Federal Revenue - Exhibit C-3	<u><u>\$ 3,416,336</u></u>

SHELDON INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2023

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

Prior Audit Findings

None reported

SHELDON INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2023

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

Corrective Action Plan

Not Applicable

