

SHERMAN INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2025

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025

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CERTIFICATE OF BOARD

Sherman Independent School District
Name of School District

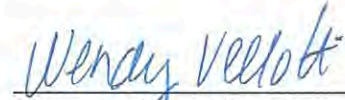
Grayson
County

091-906
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved _____ disapproved for the year ended June 30, 2025, at a meeting of the Board of Trustees of such school district on the 23rd day of February, 2026.



Signature of Board Secretary



Signature of Board President

Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN, SEAY & SCARBOROUGH**
A Limited Liability Company

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

Independent Auditors' Report

Sherman Independent School District
Sherman, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sherman Independent School District as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise Sherman Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Sherman Independent School District as of June 30, 2025, 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 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 Financials section of our report. We are required to be independent of Sherman Independent School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle Pertaining to Compensated Absences

As discussed in the notes to the financial statements, the District has changed its accounting for compensated absences, which was required by Governmental Accounting Standards Board (GASB) Statement No. 101, which became effective for fiscal years beginning after December 15, 2023. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with general accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sherman Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sherman Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

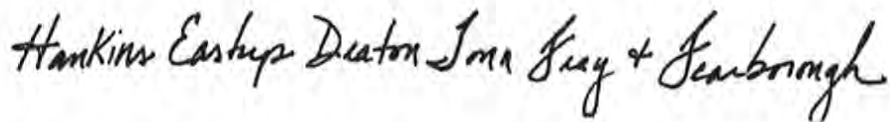
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12 and the Teacher Retirement System schedules on page 54 through 62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sherman Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2026 on our consideration of Sherman Independent School District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sherman Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sherman Independent School District's internal control over financial reporting and compliance.



Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas
February 23, 2026

**SHERMAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025
(UNAUDITED)**

This section of Sherman Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the District's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources of the District at the close of the most recent fiscal year by \$60,553,664 (*net position*).
- The District's total net position increased by \$19,550,631 during the current fiscal year from the result of current year operations.
- The General Fund reported an ending fund balance of \$14,890,861, a decrease of \$4,457,992 from the prior year.
- The unassigned fund balance in the General Fund as of June 30, 2025 was \$14,256,780, which is 14.5% of the total general fund expenditures for the fiscal year.
- The District reported total ending Governmental Funds fund balances of \$171,028,096, a decrease of \$122,471,116. The amount available for spending at the government's discretion is \$14,256,780 (8.3%).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of six parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, an optional section that presents *combining statements* for nonmajor governmental funds, a section containing required TEA schedules, and information regarding federal awards.

The basic financial statements include two kinds of statements that present different views of the District. The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status. The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.

The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.

Proprietary fund statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*. The District had no proprietary funds in the fiscal year ended June 30, 2025.

Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a *trustee or custodian* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

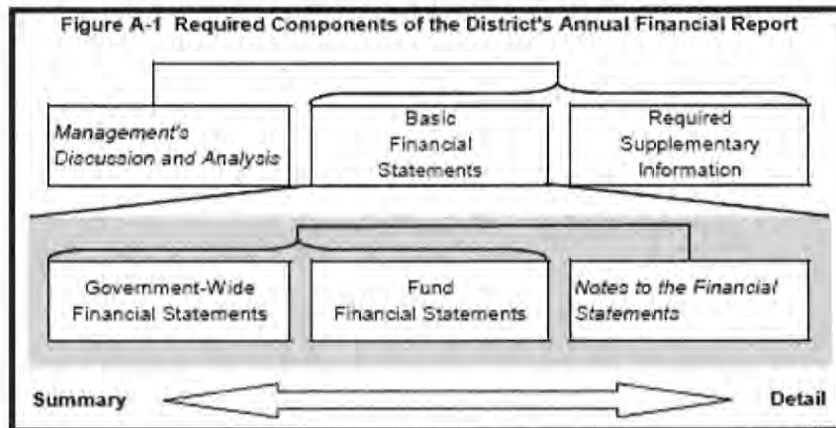


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2 Major Features of the District's Government-wide and Fund Financial Statements				
Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (Except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses: self insurance	Instances in which the District is the trustee or custodian for someone else's resources
Required financial statements	*Statement of net position	*Balance Sheet	*Statement of net position	*Statement of fiduciary net position
	*Statement of activities	*Statement of revenues, expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net position *Statement of cash flows	*Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets, deferred inflows of resources, liabilities, and deferred outflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's *net position* and how it has changed. Net position, the difference between the District's assets and deferred inflows of resources and the District's liabilities and deferred outflows of resources, is one way to measure the District's financial health or *position*.

Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base. The government-wide financial statements of the District are divided into three categories:

Governmental activities – Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Business-type activities – Account for funds where the District charges fees to customers to help it cover the costs of certain services it provides. The District has no business-type activities.

Component units – These funds would include other entities related to the District. Although legally separate, these – component units would be classified as important because of material relationships with the District. The District has no *component units* for which it is financially accountable.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants. The District has two kinds of funds:

Governmental funds - Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

Fiduciary funds - The District is the trustee, or *fiduciary*, for money raised by student activities. The District's custodial activity is reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 24 and 25. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

Net position of the Districts' governmental activities increased from \$42,618,081 to \$60,553,664. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$36,829,275) at June 30, 2025. See Table I and Table II for more detail.

Table I
NET POSITION

	Governmental Activities		Change	
	2025	2024	\$	%
Current and other assets	\$ 188,594,333	\$ 311,801,060	\$ (123,206,727)	-40%
Capital assets, net	388,760,675	258,036,563	130,724,112	51%
Total assets	577,355,008	569,837,623	7,517,385	1%
Deferred outflows of resources	21,964,422	23,071,885	(1,107,463)	-5%
Total assets and deferred outflows of resources	599,319,430	592,909,508	6,409,922	1%
Current liabilities	33,839,637	22,875,174	10,964,463	48%
Long-term liabilities	483,178,777	499,841,488	(16,662,711)	-3%
Total liabilities	517,018,414	522,716,662	(5,698,248)	-1%
Deferred inflows of resources	21,747,352	27,574,765	(5,827,413)	-21%
Total liabilities and deferred inflows of resources	538,765,766	550,291,427	(11,525,661)	-2%
Net position:				
Net investments in capital assets	67,620,920	54,740,960	12,879,960	24%
Restricted	29,762,019	19,347,432	10,414,587	54%
Unrestricted	(36,829,275)	(31,470,311)	(5,358,964)	17%
Total net position	\$ 60,553,664	\$ 42,618,081	\$ 17,935,583	42%

Table II

CHANGES IN NET POSITION

	Governmental Activities		Change	
	2025	2024	\$	%
Program revenues:				
Charges for services	\$ 1,893,392	\$ 1,689,289	\$ 204,103	12%
Operating grants and contributions	16,389,631	24,535,715	(8,146,084)	-33%
General revenues:				
Property taxes	94,712,505	64,711,939	30,000,566	46%
State aid - formula grants	36,744,801	43,774,485	(7,029,684)	-16%
Investment earnings	11,478,024	14,069,154	(2,591,130)	-18%
Other	131,106	128,468	2,638	2%
Total revenues	161,349,459	148,909,050	12,440,409	8%
Expenses:				
Instruction	68,109,468	67,998,957	110,511	0%
Instructional resources and media services	2,004,835	1,870,866	133,969	7%
Curriculum and instructional staff development	2,221,953	2,066,351	155,602	8%
Instructional leadership	1,688,903	1,473,809	215,094	15%
School leadership	6,603,046	6,519,213	83,833	1%
Guidance, counseling, and evaluation services	5,496,164	5,250,153	246,011	5%
Health services	1,399,568	1,250,375	149,193	12%
Student transportation	3,393,212	3,353,275	39,937	1%
Food services	6,665,046	5,839,978	825,068	14%
Extracurricular activities	2,967,556	2,728,562	238,994	9%
General administration	3,573,833	4,059,006	(485,173)	-12%
Facilities maintenance and operations	13,592,184	12,260,757	1,331,427	11%
Security and monitoring services	1,723,345	1,533,073	190,272	12%
Data processing services	2,737,214	2,950,260	(213,046)	-7%
Community services	43,917	34,908	9,009	26%
Interest on long-term debt	17,949,055	15,392,141	2,556,914	17%
Debt issuance costs and fees	4,800	2,120,964	(2,116,164)	-100%
Capital Outlays	-	19,912	(19,912)	-100%
Other intergovernmental charges	1,624,729	1,396,576	228,153	16%
Total expenses	141,798,828	138,119,136	3,679,692	3%
Increase in net position	19,550,631	10,789,914	8,760,717	81%
Net position - beginning of period	42,618,081	31,828,167	10,789,914	34%
Restatement	(1,615,048)	-	-	-
Net position - beginning of period, as restated	41,003,033	31,828,167	10,789,914	34%
Net position - end of period	\$ 60,553,664	\$ 42,618,081	\$ 19,550,631	46%

At the end of the current fiscal year, the District reports a deficit balance in unrestricted net position, while reporting a positive balance in restricted net position and net investment in capital assets. The District's net position increased by \$19,550,631 during the current fiscal year.

Changes in Net Position

Some of the factors affecting the change in the District's net position can be identified as follows:

- Local property tax values increased by 46.1%, therefore, tax collections increased notwithstanding a decrease in the maintenance and operations tax rate being decreased by 0.0304% because of tax rate compression required by state funding legislation.
- State funding for the 2024-25 fiscal year decreased approximately \$7 million due to increased local taxable values.
- General Fund expenditures increased from \$95,755,632 to \$98,520,573 or 2.9% primarily due to increases in salaries and instructional expenditures.

The total cost of all governmental activities for the current fiscal year was \$141,798,828. Of this, \$36,744,801 was provided by the state funding formula. Other governments and organizations contributed \$16,389,631. The amount financed by taxpayers was \$94,712,505. The balance of \$13,502,522 relates to charges for services, investment earnings and miscellaneous revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Balance

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements, bond covenants, and segregation for particular purposes.

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 the District's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$171 million.

Approximately \$14.3 million of this total amount constitutes unassigned fund balance. The remainder of fund balance is *nonspendable* (inventories - \$312,184, prepaids - \$321,897), and *restricted* (grant restrictions, capital acquisitions and retirement of long term debt - \$155.6 million).

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to the budgeted revenues and appropriations. The amendments fall into the following categories:

- Amendments throughout the year for unexpected occurrences.
- Amendments to revise estimates for state program revenues.

After revenues and appropriations were amended as described above, the actual revenues in the General Fund were \$0.9 million less than budgeted revenues. Expenditures for the General Fund were \$1.8 million less than budgeted amounts. This was primarily due to cost savings achieved across all functions during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2025, the District had \$388,760,675 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation equipment, athletics, administration, and maintenance. The amount represents a net increase of \$130,724,112 (51%) from last year.

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At June 30, 2025, The District had \$438,907,529 in bonds and unamortized premiums, a decrease of \$10,801,789 from the prior year. The District's Bond Series were rated Aaa/Aa3 by Moody's as a result of the purchase of a municipal bond insurance policy. Additional information on the District's long-term liabilities can be found in Note 5 to the financial statements.

ECONOMIC FACTORS, NEXT YEAR'S BUDGETS, AND TAX RATES

- The District's Maintenance and Operations certified property value decreased 18.1% and the Interest & Sinking certified property value increased 38.4%.
- The District's Maintenance and Operations tax rate will remain the same at \$0.7552 per \$100 valuation as well as the Debt Service tax rate remained at \$0.479 per \$100 valuation.
- The adopted 2025-2026 general fund budget has budgeted revenues of \$94.7 million and budgeted expenditures of \$94.7 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer of the District at Sherman Independent School District, 2701 Loy Lake Road, Sherman, TX 75090, 903-891-6415.

BASIC FINANCIAL STATEMENTS

SHERMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 173,941,085
1120 Current Investments	36,580
1220 Property Taxes - Delinquent	4,699,478
1230 Allowance for Uncollectible Taxes	(586,463)
1240 Due from Other Governments	9,869,572
1300 Inventories	312,184
1410 Prepayments	321,897
Capital Assets:	
1510 Land	6,164,564
1520 Buildings, Net	223,191,286
1530 Furniture and Equipment, Net	10,015,473
1580 Construction in Progress	149,389,352
1000 Total Assets	<u>577,355,008</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	9,088,540
1706 Deferred Outflow Related to TRS OPEB	12,875,882
1700 Total Deferred Outflows of Resources	<u>21,964,422</u>
LIABILITIES	
2110 Accounts Payable	7,268,670
2140 Interest Payable	7,931,434
2150 Payroll Deductions and Withholdings	492,729
2160 Accrued Wages Payable	5,130,819
2177 Due to Fiduciary Funds	116,135
2300 Unearned Revenue	1,328,061
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	11,571,789
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	429,712,320
2540 Net Pension Liability (District's Share)	32,084,770
2545 Net OPEB Liability (District's Share)	21,381,687
2000 Total Liabilities	<u>517,018,414</u>
DEFERRED INFLOWS OF RESOURCES	
2602 Deferred Gain on Bond Refunding	1,237,606
2605 Deferred Inflow Related to TRS Pension	1,015,446
2606 Deferred Inflow Related to TRS OPEB	19,494,300
2600 Total Deferred Inflows of Resources	<u>21,747,352</u>
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	67,620,920
Restricted:	
3820 Restricted for Federal and State Programs	1,015,339
3850 Restricted for Debt Service	28,746,680
3900 Unrestricted	(36,829,275)
3000 Total Net Position	<u>\$ 60,553,664</u>

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 68,109,468	\$ 491,887	\$ 5,955,370	\$ (61,662,211)
12 Instructional Resources and Media Services	2,004,835	18,389	175,751	(1,810,695)
13 Curriculum and Instructional Staff Development	2,221,953	-	194,625	(2,027,328)
21 Instructional Leadership	1,688,903	-	147,933	(1,540,970)
23 School Leadership	6,603,046	-	578,437	(6,024,609)
31 Guidance, Counseling, and Evaluation Services	5,496,164	-	481,427	(5,014,737)
33 Health Services	1,399,568	341,910	122,594	(935,064)
34 Student (Pupil) Transportation	3,393,212	-	297,276	(3,095,936)
35 Food Services	6,665,046	449,824	6,277,990	62,768
36 Extracurricular Activities	2,967,556	570,457	259,956	(2,137,143)
41 General Administration	3,573,833	-	313,040	(3,260,793)
51 Facilities Maintenance and Operations	13,592,184	20,925	1,190,716	(12,380,543)
52 Security and Monitoring Services	1,723,345	-	150,825	(1,572,520)
53 Data Processing Services	2,737,214	-	239,845	(2,497,369)
61 Community Services	43,917	-	3,846	(40,071)
72 Debt Service - Interest on Long-Term Debt	17,949,055	-	-	(17,949,055)
73 Debt Service - Bond Issuance Cost and Fees	4,800	-	-	(4,800)
99 Other Intergovernmental Charges	1,624,729	-	-	(1,624,729)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 141,798,828	\$ 1,893,392	\$ 16,389,631	(123,515,805)
General Revenues:				
Taxes:				
MT Property Taxes, Levied for General Purposes				58,017,822
DT Property Taxes, Levied for Debt Service				36,694,683
SF State Aid - Formula Grants				36,744,801
IE Investment Earnings				11,478,024
MI Miscellaneous Local and Intermediate Revenue				131,106
TR Total General Revenues				143,066,436
CN Change in Net Position				19,550,631
NB Net Position - Beginning as Previously Reported				42,618,081
PA Restatement				(1,615,048)
Net Position - Beginning as Restated and Adjusted				41,003,033
NE Net Position - Ending				\$ 60,553,664

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 26,494,790	\$ 25,396,235	\$ 122,050,060
1120 Investments - Current	-	-	-
1220 Property Taxes - Delinquent	3,008,089	1,691,389	-
1230 Allowance for Uncollectible Taxes	(373,299)	(213,164)	-
1240 Due from Other Governments	7,485,027	-	-
1260 Due from Other Funds	1,876,785	9,807,385	3,882,656
1300 Inventories	312,184	-	-
1410 Prepayments	321,897	-	-
1000 Total Assets	<u>\$ 39,125,473</u>	<u>\$ 36,681,845</u>	<u>\$ 125,932,716</u>
LIABILITIES			
2110 Accounts Payable	\$ 285,614	\$ -	\$ 6,927,336
2150 Payroll Deductions and Withholdings Payable	407,773	-	-
2160 Accrued Wages Payable	4,698,097	-	-
2170 Due to Other Funds	16,758,420	-	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>22,149,904</u>	<u>-</u>	<u>6,927,336</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	2,084,708	1,145,115	-
2600 Total Deferred Inflows of Resources	<u>2,084,708</u>	<u>1,145,115</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	312,184	-	-
3430 Prepaid Items	321,897	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	119,005,380
3480 Retirement of Long-Term Debt	-	35,536,730	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	14,256,780	-	-
3000 Total Fund Balances	<u>14,890,861</u>	<u>35,536,730</u>	<u>119,005,380</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 39,125,473</u>	<u>\$ 36,681,845</u>	<u>\$ 125,932,716</u>

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

Other Funds	Total Governmental Funds
\$ -	\$ 173,941,085
36,580	36,580
-	4,699,478
-	(586,463)
2,384,545	9,869,572
2,952,246	18,519,072
-	312,184
-	321,897
<u>\$ 5,373,371</u>	<u>\$ 207,113,405</u>
\$ 55,724	\$ 7,268,674
84,956	492,729
432,722	5,130,819
1,876,783	18,635,203
1,328,061	1,328,061
<u>3,778,246</u>	<u>32,855,486</u>
-	3,229,823
-	3,229,823
-	312,184
-	321,897
1,015,339	1,015,339
-	119,005,380
-	35,536,730
579,786	579,786
-	14,256,780
<u>1,595,125</u>	<u>171,028,096</u>
<u>\$ 5,373,371</u>	<u>\$ 207,113,405</u>

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SHERMAN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2025

EXHIBIT C-2

1 Total Fund Balances - Governmental Funds	171,028,096
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	496,338,298
3 Accumulated depreciation is not reported in the fund financial statements.	(107,577,623)
4 Bonds payable have not been included in the fund financial statements.	(399,725,000)
5 Bond premiums and discounts are not recognized in the fund financial statements.	(39,182,529)
6 Compensated absences are not reported in the fund financial statements.	(2,376,580)
7 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(7,931,434)
8 Deferred gain on bond refundings is not recognized in the fund financial statements.	(1,237,606)
9 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	3,229,823
10 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$32,084,770, Deferred Inflows of Resources related to TRS pension in the amount of \$1,015,446, and Deferred Outflows of Resources related to TRS pension in the amount of \$9,088,540. This results in a decrease in Net Position in the amount of \$24,011,676.	(24,011,676)
11 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$21,381,687, a Deferred Resource Inflow related to TRS OPEB in the amount of \$19,494,300, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$12,875,882. This results in a net decrease in Net Position in the amount of \$28,000,105.	(28,000,105)
29 Net Position of Governmental Activities	<u>\$ 60,553,664</u>

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 61,295,614	\$ 37,292,915	\$ 9,529,480
5800 State Program Revenues	32,352,433	2,559,793	-
5900 Federal Program Revenues	379,759	-	-
5020 Total Revenues	94,027,806	39,852,708	9,529,480
EXPENDITURES:			
Current:			
0011 Instruction	58,654,096	-	100,420
0012 Instructional Resources and Media Services	1,112,987	-	-
0013 Curriculum and Instructional Staff Development	779,441	-	-
0021 Instructional Leadership	1,626,740	-	-
0023 School Leadership	6,006,094	-	-
0031 Guidance, Counseling, and Evaluation Services	3,894,003	-	-
0033 Health Services	1,324,427	-	-
0034 Student (Pupil) Transportation	2,960,735	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,961,724	-	365,492
0041 General Administration	3,367,870	-	41,793
0051 Facilities Maintenance and Operations	1,595,274	-	120,565
0052 Security and Monitoring Services	1,435,625	-	84,155
0053 Data Processing Services	2,176,828	-	1,993,070
0061 Community Services	-	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	-	8,475,000	-
0072 Interest on Long-Term Liabilities	-	19,947,217	-
0073 Bond Issuance Cost and Fees	-	4,800	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	135,619,926
Intergovernmental:			
0099 Other Intergovernmental Charges	1,624,729	-	-
6030 Total Expenditures	98,520,573	28,427,017	138,325,421
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,492,767)	11,425,691	(128,795,941)
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	34,775	-	-
1200 Net Change in Fund Balances	(4,457,992)	11,425,691	(128,795,941)
0100 Fund Balance - July 1st (Beginning)	19,348,853	24,111,039	247,801,321
3000 Fund Balance - June 30 (Ending)	\$ 14,890,861	\$ 35,536,730	\$ 119,005,380

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

	Other Funds	Total Governmental Funds
\$	1,291,548	\$ 109,409,557
	1,828,843	36,741,069
	11,269,625	11,649,384
	14,390,016	157,800,010
	4,068,227	62,822,743
	85,081	1,198,068
	1,350,492	2,129,933
	-	1,626,740
	-	6,006,094
	1,338,832	5,232,835
	-	1,324,427
	-	2,960,735
	6,235,137	6,235,137
	408,433	2,735,649
	10,582	3,420,245
	630,791	12,346,630
	851,943	2,371,723
	9,554	4,179,452
	43,818	43,818
	-	8,475,000
	-	19,947,217
	-	4,800
	-	135,619,926
	-	1,624,729
	15,032,890	280,305,901
	(642,874)	(122,505,891)
	-	34,775
	(642,874)	(122,471,116)
	2,237,999	293,499,212
\$	1,595,125	\$ 171,028,096

SHERMAN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	(122,471,116)
Current year capital asset additions (net of capital asset disposals) are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.	138,684,163
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(7,960,051)
Current year principal payments on bonds payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	8,475,000
Current year amortization of the premium/discount on bonds payable are not amortized in the fund financial statements, but are reported net of amortization in the government-wide financial statements.	2,326,789
Interest expense on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due. The current year increase in accrued interest payable decreases net position in the government-wide financial statements.	(478,627)
Current year amortization of the deferred gain on bond refundings is not recognized in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.	150,000
Current year increase in compensated absences is not recorded in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(253,885)
Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible accounts, in the government-wide financial statements.	350,342
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/24 caused the change in the ending net position to decrease \$230,736. These contributions were replaced with the District's pension expense for the year of \$1,759,035, which caused a decrease in the change in net position. The net effect of both of these is to decrease the change in net position by \$1,989,771.	(1,989,771)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/24 but during the current fiscal year caused the ending net position to increase in the amount of \$3,482,330. These contributions were replaced with the District's negative OPEB expense for the year, which was \$764,543 which caused an increase in net position. The net effect of both of these is to increase the change in net position by \$2,717,787.	2,717,787
Change in Net Position of Governmental Activities	<u><u>\$ 19,550,631</u></u>

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 58,941,854	\$ 58,941,854	\$ 61,295,614	\$ 2,353,760
5800	State Program Revenues	35,505,096	35,505,096	32,352,433	(3,152,663)
5900	Federal Program Revenues	500,000	500,000	379,759	(120,241)
5020	Total Revenues	94,946,950	94,946,950	94,027,806	(919,144)
EXPENDITURES:					
Current:					
0011	Instruction	56,461,910	59,720,986	58,654,096	1,066,890
0012	Instructional Resources and Media Services	1,210,945	1,119,072	1,112,987	6,085
0013	Curriculum and Instructional Staff Development	1,100,333	789,983	779,441	10,542
0021	Instructional Leadership	1,363,868	1,643,568	1,626,740	16,828
0023	School Leadership	5,259,989	6,035,939	6,006,094	29,845
0031	Guidance, Counseling, and Evaluation Services	3,694,074	3,916,162	3,894,003	22,159
0033	Health Services	1,222,668	1,332,884	1,324,427	8,457
0034	Student (Pupil) Transportation	3,170,316	3,060,641	2,960,735	99,906
0036	Extracurricular Activities	2,121,036	1,971,764	1,961,724	10,040
0041	General Administration	3,557,086	3,365,000	3,367,870	(2,870)
0051	Facilities Maintenance and Operations	12,083,723	12,017,800	11,595,274	422,526
0052	Security and Monitoring Services	1,010,152	1,495,150	1,435,625	59,525
0053	Data Processing Services	2,783,426	2,185,577	2,176,828	8,749
0061	Community Services	3,000	-	-	-
Intergovernmental:					
0099	Other Intergovernmental Charges	1,850,000	1,650,000	1,624,729	25,271
6030	Total Expenditures	96,892,526	100,304,526	98,520,573	1,783,953
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,945,576)	(5,357,576)	(4,492,767)	864,809
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	34,775	34,775
1200	Net Change in Fund Balances	(1,945,576)	(5,357,576)	(4,457,992)	899,584
0100	Fund Balance - July 1st (Beginning)	19,348,853	19,348,853	19,348,853	-
3000	Fund Balance - June 30 (Ending)	\$ 17,403,277	\$ 13,991,277	\$ 14,890,861	\$ 899,584

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

	Custodial Fund
ASSETS	
Due from Other Funds	\$ 116,135
Total Assets	<u>116,135</u>
LIABILITIES	
Accounts Payable	<u>1,815</u>
Total Liabilities	<u>1,815</u>
NET POSITION	
Unrestricted Net Position	<u>114,320</u>
Total Net Position	<u><u>\$ 114,320</u></u>

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Custodial Fund
ADDITIONS:	
Contributions to Student Groups	\$ 107,075
Total Additions	<u>107,075</u>
DEDUCTIONS:	
Supplies and Materials	100,881
Total Deductions	<u>100,881</u>
Change in Fiduciary Net Position	6,194
Total Net Position - July 1st (Beginning)	<u>108,126</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 114,320</u></u>

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

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SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

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

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

Fund Financial Statements:

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

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

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

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds of this type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Fiduciary Funds** - These funds are used to account for activities of student groups and other organizational activities on a fiduciary basis. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program. No resources were declared surplus in the current fiscal year.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and deferred outflows of resources; and liabilities (whether current or non-current) and deferred inflows of resources are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

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

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

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

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

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

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

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

D. BUDGETARY CONTROL

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

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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Fund. The other special revenue funds adopt project-length budgets. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

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

	June 30, 2025
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 1,015,339
Nonappropriated Budget Funds	<u>579,786</u>
All Special Revenue Funds	<u>\$ 1,595,125</u>

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources.

Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at June 30, 2025.

F. INVENTORIES AND PREPAID ITEMS

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

G. INTERFUND RECEIVABLES AND PAYABLES

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
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H. CAPITAL ASSETS

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

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

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

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 5.6705 years.

A deferred outflow for pension expense also results from payments made to the TRS pension plan by the District after the plan's measurement date. The total amount of deferred outflows reported in the governmental activities for deferred pension expenses at June 30, 2025 was \$9,088,540.

Deferred outflows of resources for OPEB - Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 9.2215 years. The total amount of deferred outflows reported in the governmental activities for deferred OPEB expenses at June 30, 2025 was \$12,875,882

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

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Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2025 was \$3,229,823.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. In fiscal year 2025, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$1,015,446

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (9.2215 years for the 2024 measurement year). In fiscal year 2025, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$19,494,300.

Deferred inflows of resources for bond refunding - Reported in the government-wide statement of new position, the deferred gain on bond refundings results from the difference in the carrying value of refunded debt, and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred inflows reported in the governmental activities for the deferred gain on bond refundings at June 30, 2025 was \$1,237,606.

J. CASH EQUIVALENTS

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

K. COMPENSATED ABSENCES

A liability for compensated absences that employees have earned and carry-forward to future fiscal years has been accrued in the government-wide financial statements in accordance with GASB Statement No. 101, "Compensated Absences," which was effective for fiscal years beginning after December 15, 2023. The measurement of the liability includes salary-related payments that are directly and incrementally associated with the leave (e.g., employer Social Security and Medicare payroll taxes).

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. NET POSITION

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

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Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation's adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

O. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2025, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

P. USE OF ESTIMATES

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

NOTE 2. FUND BALANCES

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

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

The classifications used in the governmental fund financial statements are as follows:

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
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- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Food Service and other federal and state grant resources are restricted because their use is restricted pursuant to the mandates of the National School Lunch and Breakfast Program or other grant requirements.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of June 30, 2025 for campus activities, local grants, and future construction.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees or the Superintendent may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

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

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

General Fund

The General Fund has unassigned fund balance of \$14,256,780 at June 30, 2025. Inventories of \$312,184 and Prepaid Items of \$321,897 are considered nonspendable fund balances.

Debt Service Fund

The Debt Service Fund has restricted funds of \$35,536,730 at June 30, 2025 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Capital Projects Fund

The Capital Projects Fund has restricted funds of \$119,005,380 at June 30, 2025 consisting primarily of remaining bond issuance proceeds that are restricted for construction and other capital outlay expenditures.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

Other Funds

The fund balance of \$544,506 of the Campus Activity Fund and \$35,280 of the Scholarship Fund (both special revenue funds) are committed due to Board policy committing those funds to campus activities and scholarships. The Special Revenue Funds include \$1,015,339 of fund balance restricted for Federal or State grant programs.

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At June 30, 2025, the carrying amount of the District's deposits (checking accounts and interest-bearing demand accounts) was \$14,346,645 and the bank balance was \$16,608,245. The District's cash deposits at June 30, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

- a. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2025, the District's cash deposits totaled \$3,799,553. This entire amount was either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2025, the District held investments in five public funds investment pools. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for Lone Star Investment Pool, TexPool Investment Pool, and TexSTAR Investment Pool at year-end was AAAM (Standard & Poor's).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investments in external investment pools is less than 90 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2025, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The District's investments in public funds investment pools are not subject to the concentration risk. At June 30, 2025, the District's investments were not exposed to concentration of credit risk.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code.

In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the fair value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The District's cash and investments at June 30, 2025, are shown below:

	Fair Market Value	Weighted Average Maturity (Days)
Governmental Activities		
Cash and deposits	\$14,346,645	N/A
<i>Investments</i>		
Local Government Investments Pools		
Lone Star	36,818,785	Overnight
Logic	828,672	53
Nexbank	7,892,486	
Texas Range	705,212	60
TexPool	113,348,960	60
TexStar	325	45
Total Investments	159,594,440	
Total Governmental Activities	173,941,085	
Scholarship Fund		
CD-Bank of Texas	36,580	365
Total Scholarship Fund	36,580	

The amount of interest earned on the District's cash and investments for the fiscal year ended June 30, 2025 amounted to \$11,478,024.

Fair Value Measurements

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

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

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

	Fair Value Measurements Using		
	Quoted Prices In Active Markets for Identical Assets	Significant Other Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Balance			
6/30/2025			
<u>Investments by Fair Value Level:</u>			
Certificates of deposit	\$ 36,580	-	\$ 36,580

**SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance 1-Jul	Additions/ Completions	Retirement/ Adjustments	Balance 30-Jun
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 6,164,564	\$ -	\$ -	\$ 6,164,564
Construction in Progress	23,164,784	126,224,568	-	149,389,352
Total capital assets not being depreciated	29,329,348	126,224,568	-	155,553,916
Capital assets, being depreciated				
Building and improvements	293,751,984	10,029,107	(98,169)	303,682,922
Furniture and equipment	34,583,711	2,517,749	-	37,101,460
Total capital assets being depreciated	328,335,695	12,546,856	(98,169)	340,784,382
Less accumulated depreciation for:				
Buildings and improvements	(73,556,247)	(6,946,297)	10,908	(80,491,636)
Furniture and equipment	(26,072,233)	(1,013,754)	-	(27,085,987)
Total accumulated depreciation	(99,628,480)	(7,960,051)	10,908	(107,577,623)
Total capital assets, being depreciated, net	228,707,215	4,586,805	(87,261)	233,206,759
Governmental activities capital assets, net	\$ 258,036,563	\$ 130,811,373	(87,261)	\$ 388,760,675

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

Governmental activities:	
Instruction	\$ 3,859,467
Instructional Resources & Media Services	785,704
Instructional Leadership	21,490
School Leadership	445,862
Guidance, Counseling & Evaluation Services	65,648
Health Services	42,104
Student (Pupil) Transportation	387,935
Food Services	339,532
Extracurricular Activities	561,469
General Administration	86,077
Plant Maintenance and Operations	899,585
Security & Monitoring Services	105,062
Data Processing Services	360,116
Total depreciation expense - Governmental activities	7,960,051

NOTE 5. LONG-TERM LIABILITIES

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

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

**SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

The following schedule indicates the changes in long-term debt during the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Retired/ Refunded	Balance June 30, 2025	Due Within One Year
Bonds payable					
Carrying Value	\$ 408,200,000	\$ -	\$ 8,475,000	\$ 399,725,000	\$ 9,245,000
Unamortized premium(discount)	41,509,318	-	2,326,789	39,182,529	2,326,789
Total bonds payable	449,709,318	-	10,801,789	438,907,529	11,571,789
Compensated absences	2,122,695	253,885	-	2,376,580	-
Net pension liability	34,812,354	-	2,727,584	32,084,770	-
Net other post-employment benefits (OPEB)	14,812,169	6,569,518	-	21,381,687	-
	<u>\$ 501,456,536</u>	<u>\$ 6,823,403</u>	<u>\$ 13,529,373</u>	<u>\$ 494,750,566</u>	<u>\$ 11,571,789</u>

Current requirements for principal and interest expenditures (bonds payables and accreted interest payable) are accounted for in the Debt Service Fund. Total interest cost incurred by the District during the year ended June 30, 2025, was \$17,949,055. This entire amount was charged to expense in the statement of activities. Liquidations of vested sick leave benefits are accounted for in the General Fund.

BONDS PAYABLE

The following is a summary of the District's bonds outstanding as of June 30, 2025:

Issue	Interest Rates	Final Maturity	Amounts Original Issue	Amounts Outstanding July 1, 2024	Issued	Retired/ Refunded	Amounts Outstanding June 30, 2025
Refunding Bonds, Series 1998	3.5-5%	2024	\$ 11,696,357	\$ -	\$ -	\$ -	\$ -
Refunding Bonds, Series 2014	1-5%	2032	15,760,000	450,000	-	-	450,000
School Building Bonds, Series 2018-A	3-5%	2045	121,260,000	120,325,000	-	900,000	119,425,000
Refunding Bonds, Series 2021-A	1.82-4%	2032	30,375,000	27,735,000	-	6,275,000	21,460,000
Refunding Bonds, Series 2021-B	3-4%	2030	7,720,000	7,690,000	-	-	7,690,000
Refunding Bonds, Series 2023-A	5%	2032	15,665,000	14,425,000	-	1,300,000	13,125,000
School Building Bonds, Series 2023-B	5%	2053	237,575,000	237,575,000	-	-	237,575,000
				<u>\$ 408,200,000</u>	<u>\$ -</u>	<u>\$ 8,475,000</u>	<u>\$ 399,725,000</u>

DEBT SERVICE REQUIREMENTS

Bonds payable debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2026	9,245,000	19,604,218	28,849,218
2027	10,850,000	19,207,268	30,057,268
2028	13,010,000	18,710,668	31,720,668
2029	15,280,000	18,095,268	33,375,268
2030	16,025,000	17,369,468	33,394,468
2031-2035	70,655,000	75,800,386	146,455,386
2036-2040	73,950,000	59,139,250	133,089,250
2040-2044	84,545,000	38,656,250	123,201,250
2045-2049	61,310,000	20,717,000	82,027,000
Thereafter	44,855,000	4,560,250	49,415,250
	<u>399,725,000</u>	<u>291,860,026</u>	<u>691,585,026</u>

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

COMPENSATED ABSENCES

Employment contracts specify the days to be worked for all District employees except for mechanics, maintenance and custodial employees. Annual compensation is deemed to be directly attributable to the days specified in the contract. Mechanics, maintenance and custodial employees all begin accruing their vacation on July 1 of each year. If employed on or before November 30 of the previous year, the employees are entitled to two weeks of vacation, or one week of vacation if employed between November 30 and February 28. As of June 30, 2025, the accumulated unpaid vacation leave of the District is considered to be immaterial.

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

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

At June 30, 2025, the District estimates that sick-leave benefits of \$382,807 are vested for employees eligible to retire. This amount has been recorded as a liability in the District's government-wide financial statements.

NOTE 6. DEFERRED GAIN ON BOND REFUNDINGS

The District's deferred gain on bond refundings as of June 30, 2025 are as follows:

Balance - Deferred gain at June 30, 2024	\$ (1,387,606)
Current period amortization	<u>150,000</u>
Balance - Deferred gain at June 30, 2025	<u>\$ (1,237,606)</u>

NOTE 7. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2024-25 fiscal period was based was \$7,548,944,306. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the period ended June 30, 2025, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.7552 and \$0.479 per \$100 valuation, respectively, for a total of \$1.2342 per \$100 valuation. Current tax collections for the period ended June 30, 2025 were 99 % of the June 30, 2025 adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

As of June 30, 2025, property taxes and penalty and interest receivable, net of estimated uncollectible taxes, totaled \$2,634,790 and \$1,478,225 for the General and Debt Service Funds, respectively. Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

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NOTE 8. INTERFUND BALANCE AND ACTIVITIES

Interfund receivables and payables at June 30, 2025 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from June 30, 2025.

	Due from Other Funds	Due to Other Funds
Major Governmental Funds:		
General Fund:		
Debt Service Fund	\$ -	\$ 9,807,385
Capital Projects Fund	-	3,882,656
Non-Major Special Revenue Fund	1,876,783	2,952,246
Fiduciary Funds	-	116,135
Debt Service Fund:		
General Fund	9,807,385	
Capital Projects Fund:		
General Fund	3,882,656	-
Total Major Governmental Funds	<u>\$ 15,566,824</u>	<u>\$ 16,758,422</u>
Nonmajor Governmental Funds:		
Special Revenue Funds:		
General Fund	2,952,246	1,876,783
Total Nonmajor Governmental Funds	<u>\$ 2,952,246</u>	<u>\$ 1,876,783</u>
Fiduciary Funds:		
General Fund	116,135	-
Total	<u>\$ 18,635,205</u>	<u>\$ 18,635,205</u>

There were no transfers between funds during the year ended June 30, 2025.

NOTE 9. DEFINED BENEFIT PENSION PLAN

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

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

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

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,

SHERMAN INDEPENDENT SCHOOL DISTRICT
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the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	<u>Contribution Rates</u>	
	<u>2024</u>	<u>2025</u>
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
Sherman ISD FY2025 Employer Contributions	\$	3,167,488
Sherman ISD FY2025 Member Contributions	\$	5,932,104
Sherman ISD FY2025 NECE On-Behalf Contributions	\$	4,103,292

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- All public schools must contribute 1.7 percent of the member's salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025.

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2022 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2024	4.13%
Inflation	2.30%
Salary Increases Including Inflation	2.95% to 8.95%
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, 2024. For a full description of these assumptions please see the actuarial valuation report dated November 21, 2023.

Discount Rate. A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.50 percent of payroll in fiscal year 2025 gradually increasing to 9.56 percent in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.00%.

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.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2024 are summarized below:

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	4.0%	1.00%
Non-U.S. Developed	13%	4.5%	0.90%
Emerging Markets	9%	4.8%	0.70%
Private Equity	14%	7.0%	1.50%
Stable Value			
Government Bonds	16%	2.5%	0.50%
Absolute Return ⁴	0%	3.6%	0.00%
Stable Value Hedge Funds	5%	4.1%	0.20%
Real Return			
Real Estate	15%	4.9%	1.10%
Energy, Natural Resources	6%	4.8%	0.40%
Commodities	0%	4.4%	0.00%
Risk Parity			
Risk Parity	8%	4.5%	0.40%
Leverage			
Cash	2%	3.7%	0.00%
Asset Allocation Leverage	-6%	4.4%	-0.10%
Inflation Expectation	-		2.30%
Volatility Drag ³	-		-0.90%
Total	<u>100%</u>		<u>8.00%</u>

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.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Sherman ISD's proportionate share of the net pension liability:	\$51,247,508	\$32,084,770	\$16,207,080

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, Sherman Independent School District reported a liability of \$32,084,770 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Sherman Independent School District. The amount recognized by Sherman Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Sherman Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 32,084,770
State's proportionate share that is associated with the District	<u>42,590,034</u>
Total	<u>\$74,674,804</u>

¹ Target allocations are based on the FY23 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 06/30/2023).

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

⁴ Absolute Return includes credit sensitive investments.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.0525255023%, an increase of 3.64% from its proportionate share of 0.0506801220% at August 31, 2023.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation.

The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the net pension liability of TRS. In addition, the Legislature also provided for a cost of living adjustment (COLA) to retirees which was approved during the November 2023 elections which will be paid in January, 2025. Therefore, this contingent liability was not reflected as of August 31, 2023.

The amount of pension expense recognized by Sherman Independent School District in the reporting period was \$10,250,905. For the year ended June 30, 2025 Sherman Independent School District recognized pension expense of \$5,090,221 and revenue of \$5,090,221 for support by the State.

At June 30, 2025, Sherman Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (The amounts shown below will be the cumulative layers from the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,768,469	\$ 250,502
Changes in actuarial assumptions	1,656,605	222,094
Difference between projected and actual investment earnings	195,032	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,803,963	542,850
Contributions paid to TRS subsequent to the measurement date	2,664,471	-
Total	\$9,088,540	\$1,015,446

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

Year ended June 30:	Pension Expense Amount	Balance of Deferred Outflows (Deferred Inflows)
2026	\$ 661,836	4,746,786
2027	4,093,139	653,647
2028	956,100	(302,453)
2029	(520,554)	218,101
2030	218,101	-
Thereafter	-	-

SHERMAN INDEPENDENT SCHOOL DISTRICT
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NOTE 10. 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 TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/pages/aboutpublications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

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

* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

SHERMAN INDEPENDENT SCHOOL DISTRICT
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The following table shows contributions to the TRS-Care plan by type of contributor:

	<u>Contribution Rates</u>	
	<u>2024</u>	<u>2025</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Sherman ISD FY25 Employer Contributions	\$676,168	
Sherman ISD FY25 Member Contributions	\$467,352	
Sherman ISD FY25 NECE On-behalf Contributions	\$1,358,087	

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$21.3 million in fiscal year 2023 provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2024.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023. TRS pension actuarial valuation that was rolled forward to August 31, 2024:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Rates of Disability

The active mortality rates were based on PUB (2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from the mortality projection scale MP-2021.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the

SHERMAN INDEPENDENT SCHOOL DISTRICT
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	delivery of health care benefits are included in the age-adjusted claim costs
Projected Salary Increases	2.95% to 8.95%, including inflation
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65
Ad hoc post-employment benefit Changes	None

Discount Rate. A single discount rate of 3.87% was used to measure the total OPEB liability. There was a decrease of 0.26 percent in the discount rate since the previous year. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the single discount rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2024 using the fixed-income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.87%)	Current Single Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the Net OPEB Liability:	\$25,402,443	\$21,381,687	\$18,132,855

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the Net OPEB Liability:	\$17,412,210	\$21,381,687	\$26,554,312

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

At June 30, 2025, the District reported a liability of \$21,381,687 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

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

District's Proportionate share of the collective Net OPEB Liability	\$ 21,381,687
State's proportionate share that is associated with the District	<u>\$ 26,790,963</u>
Total	<u>\$ 48,172,650</u>

SHERMAN INDEPENDENT SCHOOL DISTRICT
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The Net OPEB Liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At August 31, 2024 the employer's proportion of the collective Net OPEB Liability was 0.0704468113%, an increase of 5.29% compared to the August 31, 2023 proportionate share of 0.0669074230%.

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

- The discount rate changed from 4.13 percent as of August 31, 2023 to 3.87 percent as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.

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

The amount of OPEB expense recognized by the District in the reporting period was \$1,442,342.

For the year ended June 30, 2025, the District recognized OPEB expense of \$3,482,331 and revenue of \$3,482,331 for support provided by the State.

At June 30, 2025, 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 related to OPEB from the following sources (the amounts shown below will be the cumulative layers for the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,098,151	\$ 10,670,621
Changes in actuarial assumptions	2,736,603	6,976,597
Difference between projected and actual investment earnings	-	59,875
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	5,473,703	1,787,207
Contributions paid to TRS subsequent to the measurement date	567,425	-
Total	\$ 12,875,882	\$ 19,494,300

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

Year ended June 30:	OPEB Expense Amount	Balance of Deferred Outflows (Deferred Inflows)
2026	\$ (2,596,533)	\$ (4,589,310)
2027	(1,628,132)	(2,961,178)
2028	(1,680,653)	(1,280,525)
2029	(1,715,652)	435,127
2030	(615,931)	1,051,058
Thereafter	\$ 1,051,058	\$ -

SHERMAN INDEPENDENT SCHOOL DISTRICT
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NOTE 11. SCHOOL DISTRICT RETIREE HEALTH PLAN

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare 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. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the years ended June 30, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on behalf of the District were \$509,455, \$392,052, and \$324,715, respectively.

NOTE 12. HEALTH CARE

During the period ended June 30, 2025, employees of Sherman Independent School District were covered by a health insurance plan (the Plan). The District contributed \$400 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

NOTE 13. WORKERS' COMPENSATION

The District participates in the Texas Educational Insurance Association Workers Compensation Fund. The District was fully insured under a guaranteed cost contract for the 24-25 fiscal period.

NOTE 14. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation, Per Capita, Existing Debt Allotment, and Instruction Facilities Allotment Programs. Amounts due from federal and state governments in the governmental funds as of June 30, 2025, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

	State Fund	Federal Grants	Governments	Total
General Fund	\$ 7,285,027	\$ 200,000	\$ -	\$ 7,485,027
Special Revenue Funds	351,440	1,773,604	259,501	2,384,545
Total	\$ 7,636,467	\$ 1,973,604	\$ 259,501	9,869,572

NOTE 15. LITIGATION AND CONTINGENCIES

The minimum funding received from the Agency is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to the Agency. Federal funding for Food Services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

**SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

The Grayson Central Appraisal District is a defendant in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.

NOTE 16. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 57,387,486	\$ -	\$ 36,320,090	\$ -	\$ 93,707,576
Food Sales	-	424,297	-	-	424,297
Investment Income	1,137,104	77,238	734,202	9,529,480	11,478,024
Penalties, interest, and other tax related income	415,964	-	238,623	-	654,587
Co-curricular student activities	605,455	630,766	-	-	1,236,221
Other	1,749,605	159,247	-	-	1,908,852
Total	<u>\$ 61,295,614</u>	<u>\$ 1,291,548</u>	<u>\$ 37,292,915</u>	<u>\$ 9,529,480</u>	<u>\$ 109,409,557</u>

NOTE 17. GENERAL FUND FEDERAL SOURCE REVENUES

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

Program or Source	FALN	Amount
SHARS	N/A	\$341,911
Medicaid Administrative Claiming	93.778	37,848
		<u>\$379,759</u>

NOTE 18. UNEARNED REVENUE

Unearned revenue at June 30, 2025 consisted of the following:

	Special Revenue Fund
State & Federal Grant Funds	\$ 889,925
Local Grant Funds	438,136
	<u>\$ 1,328,061</u>

NOTE 19. CONSTRUCTION COMMITMENTS

As of June 30, 2025, the District had entered into a \$262.2 million of contracts for construction and renovations throughout the District. At June 30, 2025, there was \$111.6 million remaining costs under these contracts. The projects are to be paid from the Capital Projects fund balance.

NOTE 20. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In May 2020, GASB issued Statement No. 96-Subscription-Based Information Technology Arrangements ("SBITA"). This statement increases the usefulness of governments' financial statements by requiring recognition of certain right-to-use subscription assets and corresponding subscription liabilities for SBITAs that were previously recognized as outflows of resources based on the payment provisions of the contract. The statement is effective for fiscal years beginning after June 15, 2022.

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

Per review of the information technology arrangements identified by the District as potential SBITAs, the arrangements were determined to either not meet the definition of a SBITA, or were immaterial to the financial statements.

NOTE 21. CHANGE IN ACCOUNTING PRINCIPLE – COMPENSATED ABSENCES

In June 2022, GASB issued new accounting pronouncement, GASB Statement No. 101, "Compensated Absences," which was effective for fiscal years beginning after December 15, 2023. In compliance with this new accounting pronouncement, a liability has been recognized in the District's statements of net position for carry-forward compensated absences more likely than not (a likelihood of more than 50%) to be used by or paid to employees in future periods. The measurement of the liability includes salary-related payments that are directly and incrementally associated with the leave. Texas state law provides a state minimum personal leave program consisting of five days per year personal leave with no limit on accumulation and transferability among Texas school districts; school districts can provide additional personal leave beyond this minimum. The liability for compensated absences in governmental fund financial statements is the amount, if material, that is to be liquidated with expendable available financial resources. This new accounting pronouncement does not apply to holiday leave or projected effects on defined benefit postemployment liabilities. Under previous accounting rules, a liability for compensated absences would have been recorded only if accumulated benefits were to be paid upon employee termination or retirement.

The implementation of this new accounting standard resulted in restating beginning net position in the District's governmental activities as follows:

Governmental Activities

Net position as of 8/31/2024 as previously reported	\$ 42,618,081
Restatement - change in accounting principle to record a liability for compensated absences	<u>(1,615,048)</u>
Net position as of 8/31/2024 as restated	<u>\$ 41,003,033</u>

NOTE 22. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for certain Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in one functional category in the General Fund, in two functional categories in the Debt Service Fund, and two functional categories in the Child Nutrition Fund for the year ended June 30, 2025.

NOTE 23. SUBSEQUENT EVENTS

The District's management has reviewed events subsequent to June 30, 2025 through February 23, 2026, which is the date the financial statements were available to be issued. On July 23rd, 2025, the District issued unlimited tax school building bonds, Series 2025, in the amount of \$218,850,000.

REQUIRED SUPPLEMENTARY INFORMATION

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
District's Proportion of the Net Pension Liability (Asset)	0.052525502%	0.050680122%	0.048231233%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 32,084,770	\$ 34,812,354	\$ 28,633,643
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	42,590,034	47,237,093	40,828,898
Total	<u>\$ 74,674,804</u>	<u>\$ 82,049,447</u>	<u>\$ 69,462,541</u>
District's Covered Payroll	\$ 70,047,750	\$ 64,814,016	\$ 58,987,556
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	45.80%	53.71%	48.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.51%	73.15%	75.62%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2024 for year 2025, August 31, 2023 for year 2024, August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, and August 31, 2015 for year 2016.

<u>FY 2022</u> <u>Plan Year 2021</u>	<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>
0.044334465%	0.04234068%	0.0483873%	0.0418505%	0.0452307%	0.0417648%	0.04348929%
\$ 11,290,419	\$ 22,676,804	\$ 25,153,249	\$ 23,035,540	\$ 14,462,328	\$ 15,782,292	\$ 15,372,853
18,247,530	38,169,380	37,058,375	34,797,984	21,407,421	25,489,636	24,150,807
<u>\$ 29,537,949</u>	<u>\$ 60,846,184</u>	<u>\$ 62,211,624</u>	<u>\$ 57,833,524</u>	<u>\$ 35,869,749</u>	<u>\$ 41,271,928</u>	<u>\$ 39,523,660</u>
\$ 55,422,682	\$ 53,229,453	\$ 49,600,611	\$ 44,238,339	\$ 45,296,346	\$ 42,125,583	\$ 40,456,183
20.37%	42.60%	50.71%	52.07%	31.93%	37.46%	38.00%
88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2025

	2025	2024	2023
Contractually Required Contribution	\$ 3,167,488	\$ 2,076,556	\$ 1,809,539
Contribution in Relation to the Contractually Required Contribution	(3,167,488)	(2,076,556)	(1,809,539)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 71,904,292	\$ 50,861,419	\$ 47,948,806
Contributions as a Percentage of Covered Payroll	4.41%	4.08%	3.77%

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

	2022		2021		2020		2019		2018		2017		2016
\$	1,411,773	\$	1,305,132	\$	1,179,164	\$	1,132,623	\$	1,039,028	\$	991,363	\$	971,446
	(1,411,773)		(1,305,132)		(1,179,164)		(1,132,623)		(1,039,028)		(991,363)		(971,446)
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	44,830,408	\$	42,387,934	\$	40,977,144	\$	39,427,555	\$	37,140,348	\$	36,081,222	\$	35,196,159
	3.15%		3.08%		2.88%		2.87%		2.80%		2.75%		2.76%

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.070446811%	0.066907423%	0.065512268%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 21,381,687	\$ 14,812,169	\$ 15,686,261
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	26,790,963	17,873,159	19,134,774
Total	<u>\$ 48,172,650</u>	<u>\$ 32,685,328</u>	<u>\$ 34,821,035</u>
District's Covered Payroll	\$ 70,047,750	\$ 64,814,016	\$ 58,987,556
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	30.52%	22.85%	26.59%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.70%	14.94%	11.52%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. For example, the amounts for FY 2025 are for the measurement date of August 31, 2024, etc.

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

FY 2022 Plan Year 2021		FY 2021 Plan Year 2020		FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
0.06108518%		0.06121674%		0.0655074%		0.0583144%		0.062862%	
\$	23,563,284	\$	23,271,248	\$	30,979,237	\$	29,116,913	\$	27,003,071
31,569,550		31,270,978		41,164,478		36,763,825		33,550,536	
\$	55,132,834	\$	54,542,226	\$	72,143,715	\$	65,880,738	\$	60,553,607
\$	55,422,682	\$	53,229,453	\$	49,600,611	\$	44,238,339	\$	45,296,346
42.52%		43.72%		62.46%		65.82%		59.61%	
6.18%		4.99%		2.66%		1.57%		0.91%	

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2025

	2025	2024	2023
Contractually Required Contribution	\$ 676,168	\$ 631,281	\$ 575,784
Contribution in Relation to the Contractually Required Contribution	(676,168)	(631,281)	(575,784)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 71,904,292	\$ 69,580,423	\$ 63,705,951
Contributions as a Percentage of Covered Payroll	0.94%	0.91%	0.90%

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

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

	2022	2021	2020	2019	2018
\$	525,499	\$ 460,291	\$ 447,466	\$ 434,490	\$ 357,584
	(525,499)	(460,291)	(447,466)	(434,490)	(357,584)
\$	-	\$ -	\$ -	\$ -	\$ -
\$	58,331,587	\$ 54,905,001	\$ 52,934,993	\$ 49,043,801	\$ 43,723,074
	0.90%	0.84%	0.85%	0.89%	0.82%

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

PENSION LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

OPEB LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

- The discount rate changed from 4.13 percent as of August 31, 2023 to 3.87 percent as of August 31, 2024. This change decreased the Total OPEB Liability.

COMBINING SCHEDULES

SHERMAN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

Data Control Codes		205	206	211	224
			ESSA, IX, A	ESEA I, A	IDEA - Part B
		Head Start	Homeless Children Ed.	Improving Basic Program	Formula
ASSETS					
1120	Investments - Current	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	182,399	2,749	812,522	496,604
1260	Due from Other Funds	-	4,597	-	-
1000	Total Assets	<u>\$ 182,399</u>	<u>\$ 7,346</u>	<u>\$ 812,522</u>	<u>\$ 496,604</u>
LIABILITIES					
2110	Accounts Payable	\$ 121	\$ 7,346	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	5,778	-	27,627	14,206
2160	Accrued Wages Payable	20,198	-	151,866	83,767
2170	Due to Other Funds	156,302	-	633,029	398,631
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>182,399</u>	<u>7,346</u>	<u>812,522</u>	<u>496,604</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 182,399</u>	<u>\$ 7,346</u>	<u>\$ 812,522</u>	<u>\$ 496,604</u>

225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	279 ESSER III TCLAS ARP Act	282 ESSER III ARP Act
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33,461	74,353	51,722	49,050	174,999	5,354	-	-
-	-	1,224,718	-	-	-	-	-
<u>\$ 33,461</u>	<u>\$ 74,353</u>	<u>\$ 1,276,440</u>	<u>\$ 49,050</u>	<u>\$ 174,999</u>	<u>\$ 5,354</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 45,215	\$ -	\$ -	\$ -	\$ -	\$ -
268	-	34,678	-	-	-	-	-
1,812	-	158,134	-	-	-	-	-
31,381	74,353	-	49,050	174,999	5,354	-	-
-	-	23,074	-	-	-	-	-
<u>33,461</u>	<u>74,353</u>	<u>261,101</u>	<u>49,050</u>	<u>174,999</u>	<u>5,354</u>	<u>-</u>	<u>-</u>
-	-	1,015,339	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>1,015,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 33,461</u>	<u>\$ 74,353</u>	<u>\$ 1,276,440</u>	<u>\$ 49,050</u>	<u>\$ 174,999</u>	<u>\$ 5,354</u>	<u>\$ -</u>	<u>\$ -</u>

SHERMAN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

Data Control Codes		284 IDEA B Formula ARP Act	288 ESEA IV, A Student Support	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI
ASSETS					
1120	Investments - Current	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	-	71,533	-	-
1260	Due from Other Funds	62,689	-	76,416	-
1000	Total Assets	<u>\$ 62,689</u>	<u>\$ 71,533</u>	<u>\$ 76,416</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	-	-	-	-
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	71,533	-	-
2300	Unearned Revenue	62,689	-	76,416	-
2000	Total Liabilities	<u>62,689</u>	<u>71,533</u>	<u>76,416</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 62,689</u>	<u>\$ 71,533</u>	<u>\$ 76,416</u>	<u>\$ -</u>

EXHIBIT H-1 (Cont'd)

397 Advanced Placement Incentives	410 State Instructional Materials	424 SAFE Grant	426 School Safety Standards	427 Read To Succeed	428 Special Ed Fiscal Support	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	92,631	179,132	-	-	-	-	148,948
5,261	-	-	-	617	2,879	2,206	549,218
<u>\$ 5,261</u>	<u>\$ 92,631</u>	<u>\$ 179,132</u>	<u>\$ -</u>	<u>\$ 617</u>	<u>\$ 2,879</u>	<u>\$ 2,206</u>	<u>\$ 698,166</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,887
-	-	-	-	-	-	-	2,184
-	-	-	-	-	-	-	12,465
-	92,631	179,132	-	-	-	-	-
5,261	-	-	-	617	2,879	2,206	681,630
<u>5,261</u>	<u>92,631</u>	<u>179,132</u>	<u>-</u>	<u>617</u>	<u>2,879</u>	<u>2,206</u>	<u>698,166</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 5,261</u>	<u>\$ 92,631</u>	<u>\$ 179,132</u>	<u>\$ -</u>	<u>\$ 617</u>	<u>\$ 2,879</u>	<u>\$ 2,206</u>	<u>\$ 698,166</u>

SHERMAN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

Data Control Codes		459 Other SSA Special Revenue Funds	461 Campus Activity Funds	482 Scholarship Fund	483 Other Local Special Revenue Funds
ASSETS					
1120	Investments - Current	\$ -	\$ -	\$ 36,580	\$ -
1240	Due from Other Governments	-	-	-	-
1260	Due from Other Funds	-	545,661	-	35,153
1000	Total Assets	<u>\$ -</u>	<u>\$ 545,661</u>	<u>\$ 36,580</u>	<u>\$ 35,153</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 1,155	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	-	-	-	-
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	1,300	-
2300	Unearned Revenue	-	-	-	35,153
2000	Total Liabilities	<u>-</u>	<u>1,155</u>	<u>1,300</u>	<u>35,153</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	544,506	35,280	-
3000	Total Fund Balances	<u>-</u>	<u>544,506</u>	<u>35,280</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 545,661</u>	<u>\$ 36,580</u>	<u>\$ 35,153</u>

EXHIBIT H-1 (Cont'd)

484 Other Local Special Revenue Funds	486 Other Local Special Revenue Funds	487 Other Local Special Revenue Funds	490 Other Local Special Revenue Funds	494 Other Local Special Revenue Funds	495 Other Local Special Revenue Funds	496 Other Local Special Revenue Funds	497 Other Local Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
10,625	10	6,341	71,972	3,421	4,603	151,713	4,028
<u>\$ 10,625</u>	<u>\$ 10</u>	<u>\$ 6,341</u>	<u>\$ 71,972</u>	<u>\$ 3,421</u>	<u>\$ 4,603</u>	<u>\$ 151,713</u>	<u>\$ 4,028</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	215	-	-	-	-	-
-	-	4,480	-	-	-	-	-
-	-	-	-	-	-	-	-
10,625	10	1,646	71,972	3,421	4,603	151,713	4,028
<u>10,625</u>	<u>10</u>	<u>6,341</u>	<u>71,972</u>	<u>3,421</u>	<u>4,603</u>	<u>151,713</u>	<u>4,028</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 10,625</u>	<u>\$ 10</u>	<u>\$ 6,341</u>	<u>\$ 71,972</u>	<u>\$ 3,421</u>	<u>\$ 4,603</u>	<u>\$ 151,713</u>	<u>\$ 4,028</u>

SHERMAN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

Data Control Codes		498	499	Total
		Other Local Special Revenue Funds	Other Local Special Revenue Funds	Nonmajor Governmental Funds
ASSETS				
1120	Investments - Current	\$ -	\$ -	\$ 36,580
1240	Due from Other Governments	9,088	-	2,384,545
1260	Due from Other Funds	-	190,118	2,952,246
1000	Total Assets	<u>\$ 9,088</u>	<u>\$ 190,118</u>	<u>\$ 5,373,371</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ -	\$ 55,724
2150	Payroll Deductions and Withholdings Payable	-	-	84,956
2160	Accrued Wages Payable	-	-	432,722
2170	Due to Other Funds	9,088	-	1,876,783
2300	Unearned Revenue	-	190,118	1,328,061
2000	Total Liabilities	<u>9,088</u>	<u>190,118</u>	<u>3,778,246</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	1,015,339
Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	579,786
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>1,595,125</u>
4000	Total Liabilities and Fund Balances	<u>\$ 9,088</u>	<u>\$ 190,118</u>	<u>\$ 5,373,371</u>

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SHERMAN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes	205 Head Start	206 ESSA, IX, A Homeless Children Ed.	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	414,600	35,593	2,578,340	1,669,044
5020 Total Revenues	414,600	35,593	2,578,340	1,669,044
EXPENDITURES:				
Current:				
0011 Instruction	414,004	35,593	1,549,606	331,604
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	984,120	-
0031 Guidance, Counseling, and Evaluation Services	-	-	1,392	1,337,440
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	596	-	43,222	-
6030 Total Expenditures	414,600	35,593	2,578,340	1,669,044
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1st (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	279 ESSER III TCLAS ARP Act	282 ESSER III ARP Act
\$ -	\$ -	\$ 501,521	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	25,527	-	-	-	-	-
53,413	74,353	5,616,931	94,399	350,857	99,672	49,195	35,675
53,413	74,353	6,143,979	94,399	350,857	99,672	49,195	35,675
53,413	74,353	-	94,399	3,938	94,054	49,195	35,675
-	-	-	-	-	-	-	-
-	-	-	-	336,337	5,618	-	-
-	-	-	-	-	-	-	-
-	-	6,235,137	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	10,582	-	-	-
-	-	593,997	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
53,413	74,353	6,829,134	94,399	350,857	99,672	49,195	35,675
-	-	(685,155)	-	-	-	-	-
-	-	1,700,493	-	-	-	-	-
\$ -	\$ -	\$ 1,015,338	\$ -	\$ -	\$ -	\$ -	\$ -

SHERMAN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		284 IDEA B Formula ARP Act	288 ESEA IV, A Student Support	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	1,391
5900	Federal Program Revenues	-	197,553	-	-
5020	Total Revenues	-	197,553	-	1,391
EXPENDITURES:					
Current:					
0011	Instruction	-	197,553	-	1,391
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0031	Guidance, Counseling, and Evaluation Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	-	-	-
6030	Total Expenditures	-	197,553	-	1,391
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - July 1st (Beginning)	-	-	-	-
3000	Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

397 Advanced Placement Incentives	410 State Instructional Materials	424 SAFE Grant	426 School Safety Standards	427 Read To Succeed	428 Special Ed Fiscal Support	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	147,633
-	618,866	826,515	61,827	-	-	400	186,589
-	-	-	-	-	-	-	-
-	618,866	826,515	61,827	-	-	400	334,222
-	562,126	-	-	-	-	400	334,222
-	56,740	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	618,866	826,515	61,827	-	-	400	334,222
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-

SHERMAN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		459 Other SSA Special Revenue Funds	461 Campus Activity Funds	482 Scholarship Fund	483 Other Local Special Revenue Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 475,278	\$ 14	\$ -
5800	State Program Revenues	107,728	-	-	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	107,728	475,278	14	-
EXPENDITURES:					
Current:					
0011	Instruction	85,228	11,169	-	-
0012	Instructional Resources and Media Services	-	25,641	-	-
0013	Curriculum and Instructional Staff Development	22,500	-	-	-
0031	Guidance, Counseling, and Evaluation Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	396,201	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	-	-	-
6030	Total Expenditures	107,728	433,011	-	-
1200	Net Change in Fund Balance	-	42,267	14	-
0100	Fund Balance - July 1st (Beginning)	-	502,240	35,266	-
3000	Fund Balance - June 30 (Ending)	\$ -	\$ 544,507	\$ 35,280	\$ -

484	486	487	490	494	495	496	497
Other Local	Other Local	Other Local	Other Local	Other Local	Other Local	Other Local	Other Local
Special	Special	Special	Special	Special	Special	Special	Special
Revenue Funds	Revenue Funds	Revenue Funds	Revenue Funds	Revenue Funds	Revenue Funds	Revenue Funds	Revenue Funds
\$ 120	\$ -	\$ 7,855	\$ 4,556	\$ 119	\$ -	\$ 88,022	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
120	-	7,855	4,556	119	-	88,022	-
120	-	-	4,556	119	-	80,615	-
-	-	-	-	-	-	2,700	-
-	-	-	-	-	-	1,917	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	7,855	-	-	-	2,790	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
120	-	7,855	4,556	119	-	88,022	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SHERMAN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		498	499	Total
		Other Local Special Revenue Funds	Other Local Special Revenue Funds	Nonmajor Governmental Funds
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ 66,430	\$ 1,291,548
5800	State Program Revenues	-	-	1,828,843
5900	Federal Program Revenues	-	-	11,269,625
5020	Total Revenues	-	66,430	14,390,016
EXPENDITURES:				
Current:				
0011	Instruction	-	54,894	4,068,227
0012	Instructional Resources and Media Services	-	-	85,081
0013	Curriculum and Instructional Staff Development	-	-	1,350,492
0031	Guidance, Counseling, and Evaluation Services	-	-	1,338,832
0035	Food Services	-	-	6,235,137
0036	Extracurricular Activities	-	1,587	408,433
0041	General Administration	-	-	10,582
0051	Facilities Maintenance and Operations	-	-	630,791
0052	Security and Monitoring Services	-	395	851,943
0053	Data Processing Services	-	9,554	9,554
0061	Community Services	-	-	43,818
6030	Total Expenditures	-	66,430	15,032,890
1200	Net Change in Fund Balance	-	-	(642,874)
0100	Fund Balance - July 1st (Beginning)	-	-	2,237,999
3000	Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ 1,595,125

REQUIRED T.E.A. SCHEDULES

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2025

Last 10 Years Ended	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2016 and prior years	Various	Various	\$ Various
2017	1.170000	0.270000	2,916,815,258
2018	1.170000	0.270000	3,079,170,361
2019	1.170000	0.479000	3,251,306,477
2020	1.068300	0.479000	3,675,348,475
2021	0.990700	0.479000	4,052,299,629
2022	0.960300	0.479000	4,303,531,494
2023	0.942900	0.479000	4,936,695,092
2024	0.757500	0.479000	5,463,626,208
2025 (School year under audit)	0.755200	0.479000	7,548,944,306
1000 TOTALS			
8000 Total Taxes Refunded Under Section 26.1115, Tax Code			

(10) Beginning Balance 7/1/2024	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2025	(99) Taxes Refunded Under Section 26.1115c
\$ 388,117	\$	\$ 16,245	\$ 6,248	\$ 42,492	\$ 408,116	
56,819		2,091	483	12,841	67,086	
74,846		2,188	505	18,019	90,172	
184,641		71,502	29,273	109,773	193,639	
261,334		14,983	6,718	78,334	317,967	
227,053		8,477	4,098	(33,028)	181,450	
211,653		22,639	11,292	(14,406)	163,316	
492,390		67,719	34,402	201,975	592,244	
2,069,178		563,464	356,303	1,236,011	2,385,422	
-	94,340,624	56,417,063	35,783,598	(1,839,897)	300,066	
<u>\$ 3,966,031</u>	<u>\$ 94,340,624</u>	<u>\$ 57,186,371</u>	<u>\$ 36,232,920</u>	<u>\$ (187,886)</u>	<u>\$ 4,699,478</u>	

\$ 53,753

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 922,153	\$ 922,153	\$ 501,521	\$ (420,632)
5800 State Program Revenues	21,500	21,500	25,527	4,027
5900 Federal Program Revenues	5,353,522	5,353,522	5,616,931	263,409
5020 Total Revenues	6,297,175	6,297,175	6,143,979	(153,196)
EXPENDITURES:				
Current:				
0035 Food Services	6,022,175	5,751,425	6,235,137	(483,712)
0051 Facilities Maintenance and Operations	225,000	495,750	593,997	(98,247)
6030 Total Expenditures	6,247,175	6,247,175	6,829,134	(581,959)
1200 Net Change in Fund Balances	50,000	50,000	(685,155)	(735,155)
0100 Fund Balance - July 1st (Beginning)	1,700,493	1,700,493	1,700,493	-
3000 Fund Balance - June 30 (Ending)	\$ 1,750,493	\$ 1,750,493	\$ 1,015,338	\$ (735,155)

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 36,754,588	\$ 36,754,588	\$ 37,292,915	\$ 538,327
5800 State Program Revenues	-	-	2,559,793	2,559,793
5020 Total Revenues	36,754,588	36,754,588	39,852,708	3,098,120
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	8,475,000	8,475,000	8,475,000	-
0072 Interest on Long-Term Liabilities	19,775,718	19,775,718	19,947,217	(171,499)
0073 Bond Issuance Cost and Fees	10,000	10,000	4,800	5,200
6030 Total Expenditures	28,260,718	28,260,718	28,427,017	(166,299)
1200 Net Change in Fund Balances	8,493,870	8,493,870	11,425,691	2,931,821
0100 Fund Balance - July 1st (Beginning)	-	24,111,039	24,111,039	-
3000 Fund Balance - June 30 (Ending)	\$ 8,493,870	\$ 32,604,909	\$ 35,536,730	\$ 2,931,821

SHERMAN INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2025

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	8,819,806
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	3,765,507

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	1,334,291
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	739,906

FEDERAL AWARDS SECTION

Members:
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**HANKINS, EASTUP, DEATON,
TONN, SEAY & SCARBOROUGH**

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CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sherman Independent School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Sherman Independent School District's basic financial statements, and have issued our report dated February 23, 2026

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Hankins Eastup Deaton Tonn Seay & Scarborough". The signature is written in a cursive, flowing style.

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

February 23, 2026

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sherman Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Sherman Independent School District's major federal programs for the year ended June 30, 2025. Sherman Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sherman Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sherman Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sherman Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sherman Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

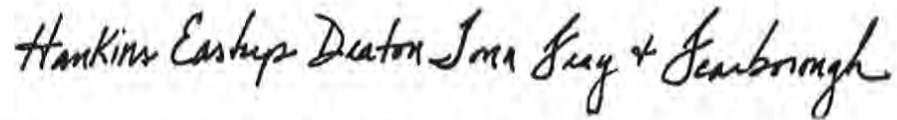
Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Hankins Eastup Deaton Tonn Seay & Scarborough". The script is cursive and fluid, with the names connected together.

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

February 23, 2026

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified
2. Internal control over financial reporting:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:
IDEA B Cluster:
FALN 84.027 Part B, Formula
FALN 84.027 Part B, Preschool
FALN 84.027 Part B, Discretionary

FALN 84.048 Career and Technical – Basic Grant
FALN 93.60 Head Start

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

8. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

None

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	24610101091906	\$ 30,289
ESEA, Title I, Part A - Improving Basic Programs	84.010A	25610101091906	2,548,051
Total Assistance Listing Number 84.010			2,578,340
*IDEA - Part B, Formula	84.027A	246600010919066000	9,875
*IDEA - Part B, Formula	84.027A	256610010919066000	1,659,169
*IDEA - Part B, Discretionary	84.027A	256610010919066000	74,353
Total Assistance Listing Number 84.027			1,743,397
*IDEA - Part B, Preschool	84.173A	246610010919066000	97
*IDEA - Part B, Preschool	84.173A	256610010919066000	53,316
Total Assistance Listing Number 84.173			53,413
Total Special Education Cluster (IDEA)			1,796,810
Career and Technical - Basic Grant	84.048	25420006091906	94,399
ESSA Title IX, Part A Homeless Children Education	84.196	244600057110081	35,593
Title III, Part A - English Language Acquisition	84.365A	24671001091906	13,813
Title III, Part A - English Language Acquisition	84.365A	25671001091906	85,859
Total Assistance Listing Number 84.365			99,672
ESEA, Title II, Part A, Teacher Principal Training	84.367A	24694501091906	45,315
ESEA, Title II, Part A, Teacher Principal Training	84.367A	25694501091906	305,542
Total Assistance Listing Number 84.367			350,857
ESEA, Title IV, Part A, Student Support	84.424A	24680101091906	4,950
ESEA, Title IV, Part A, Student Support	84.424A	25680101091906	192,603
Total Assistance Listing Number 84.424			197,553
COVID 19 - Learning Supports - (TCLAS) ESSER III	84.425U	23528042091906	49,195
COVID 19 ESSER III - School Emergency Relief	84.425U	21528001091906	35,675
Total Assistance Listing Number 84.425			84,870
Total Passed Through Texas Education Agency			5,238,094
TOTAL U.S. DEPARTMENT OF EDUCATION			5,238,094
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Health and Human Services Commission</u>			
Medicaid Administrative Claiming Program - MAC	93.778	529-07-0157-00167	37,848
Total Passed Through Texas Health and Human Services Commission			37,848
<u>Passed Through Texas Education Agency</u>			
Head Start	93.600	09CH7092	39,475
Head Start	93.600	09CH7092	375,125
Total Assistance Listing Number 93.600			414,600
Total Passed Through Texas Education Agency			414,600
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			452,448

SHERMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553	202525N109946	1,340,095
*National School Lunch Program - Cash Assistance	10.555	202525N109946	3,876,464
*National School Lunch Prog. - Non-Cash Assistance	10.555	202525N109946	400,372
Total Assistance Listing Number 10.555			<u>4,276,836</u>
Total Child Nutrition Cluster			<u>5,616,931</u>
Total Passed Through the Texas Department of Agriculture			<u>5,616,931</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>5,616,931</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,307,473</u>
*Clustered Programs			

SHERMAN INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

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

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

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

Amount reported on the Schedule of Expenditures of Federal awards	\$11,307,473
SHARS Revenue reported in the General Fund	<u>341,911</u>
Total Federal Program Revenue	<u>\$11,649,384</u>

