

**Sheldon Independent School District**  
Annual Financial Report  
For the Fiscal Year Ended August 31, 2018

**Sheldon Independent School District**  
 Annual Financial Report  
 For the Fiscal Year Ended August 31, 2018  
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Certificate of the Board

Sheldon Independent  
School District  
Name of Local Education Agency

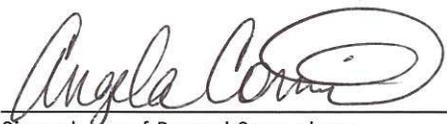
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County

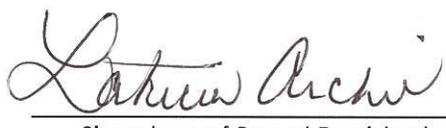
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County-District-Number

We, the undersigned, certify that the attached annual financial report of the above named school district was reviewed and

approved      disapproved  
  ✓        \_\_\_\_\_

for the year ended August 31, 2018 at a meeting of the Board of Trustees of such school district on the \_\_\_  
15 day of January, 2019.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

If the Board of Trustees disapproved the auditor's report, the reason(s) for disapproving it is (are):

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# Financial Section

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## Independent Auditor's Report

To the Board of Trustees of  
Sheldon Independent School District  
Houston, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sheldon Independent School District (the District), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Trustees of  
Sheldon Independent School District

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2018, 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.

### ***Emphasis of Matter***

#### *Change in Accounting Principle*

As discussed in Note 1.C. and Note 12 to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Beginning net position has been restated to reflect the change in accounting principle resulting from this statement. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information and Schedule of Required Responses to Selected School FIRST Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Board of Trustees of  
Sheldon Independent School District

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Required Responses to Selected School FIRST Indicators has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
January 15, 2019

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## Management's Discussion and Analysis

As management of the Sheldon Independent School District (the District), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2018.

### Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$14,256,833 (net position).
- The District's total net position increased by \$13,307,017 from current operations.
- As of the close of the year, the District's governmental funds had combined ending fund balances of \$165,751,860, an increase of \$23,678,753 as compared to the preceding year. The change in governmental fund balances was primarily due to the issuance of bonds.
- At the end of the year, unassigned fund balance of the general fund was \$17,895,430, or 18 percent of the year's total general fund expenditures.
- The District's total net bonded debt increased by \$88,830,000 (32 percent) during the year.

### Overview of the Financial Statements

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

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

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

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

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

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

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

In fiscal year 2018, the District implemented the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – which superseded GASB Statement No. 45.

Statement No. 75 establishes financial reporting standards and/or accounting standards for state and local government defined benefit other postemployment benefit (OPEB) plans and defined contribution OPEB plans. Statement No. 75 requires that, at transition, a government recognizes a beginning OPEB liability and beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The implementation of this statement has no impact on the District's governmental fund financial statements. However, implementation has resulted in certain changes to the presentation of the District's government-wide financial statements. More information on the implementation of this statement and the District's OPEB plan is available in Note 1. C. and Note 9, respectively.

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

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

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

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

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

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

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

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

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

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

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

## Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,252,698.

The District's net investment in capital assets (e.g. land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets, amounted to \$29,949,403. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Sheldon Independent School District's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 200,517,808	\$ 157,083,866	\$ 12,233	\$ 3,104	\$ 200,530,041	\$ 157,086,970
Capital assets, net of accumulated depreciation	289,088,330	216,068,485	-	-	289,088,330	216,068,485
Total assets	489,606,138	373,152,351	12,233	3,104	489,618,371	373,155,455
Total deferred outflows of resources	8,477,033	10,829,150	-	-	8,477,033	10,829,150
Current liabilities	31,003,302	11,224,436	8,098	3,104	31,011,400	11,227,540
Long-term liabilities outstanding	436,659,760	318,645,183	-	-	436,659,760	318,645,183
Total liabilities	467,663,062	329,869,619	8,098	3,104	467,671,160	329,872,723
Total deferred inflows of resources	16,167,411	1,256,746	-	-	16,167,411	1,256,746
Net position:						
Net investment in capital assets	29,949,403	25,826,755	-	-	29,949,403	25,826,755
Restricted	19,397,681	21,204,778	-	-	19,397,681	21,204,778
Unrestricted	(35,094,386)	5,823,603	4,135	-	(35,090,251)	5,823,603
<b>Total net position</b>	<b>\$ 14,252,698</b>	<b>\$ 52,855,136</b>	<b>\$ 4,135</b>	<b>\$ -</b>	<b>\$ 14,256,833</b>	<b>\$ 52,855,136</b>

Net position of \$19,397,681 is restricted for future debt service and grant expenditures. At the end of the current fiscal year, the District is able to report positive net position for governmental and business-type activities.

The District's net position increased by \$13,311,152 as a result of operations during the current fiscal year primarily related to an increase in interest expense on long-term debt.

**Governmental Activities.** Governmental activities increased the District's net position by \$13,307,017.

**Sheldon Independent School District's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue:						
Program revenues:						
Charges for services	\$ 579,211	\$ 1,001,403	\$ 438,551	\$ 375,850	\$ 1,017,762	\$ 1,377,253
Operating grants and contributions	275,400	15,523,863	-	-	275,400	15,523,863
General revenues:						
Property taxes, levied for general purposes	61,897,215	60,888,689	-	-	61,897,215	60,888,689
Property taxes, levied for debt service	16,293,042	12,692,656	-	-	16,293,042	12,692,656
Grants and contributions not restricted to specific programs	17,118,179	18,494,591	-	-	17,118,179	18,494,591
Investment earnings	2,986,840	993,362	-	-	2,986,840	993,362
Gain (loss) on sale of capital asset	35,108	10,398	-	-	35,108	10,398
Insurance recoveries	15,919,402	-	-	-	15,919,402	-
Miscellaneous	778,298	538,127	-	-	778,298	538,127
<b>Total revenues</b>	<b>115,882,695</b>	<b>110,143,089</b>	<b>438,551</b>	<b>375,850</b>	<b>116,321,246</b>	<b>110,518,939</b>
Expenses:						
Instruction	40,693,675	57,465,307	-	-	40,693,675	57,465,307
Instructional resources and media services	706,971	984,889	-	-	706,971	984,889
Curriculum and instructional staff development	262,977	168,452	-	-	262,977	168,452
Instructional leadership	1,812,081	2,667,335	-	-	1,812,081	2,667,335
School leadership	3,808,036	5,120,424	-	-	3,808,036	5,120,424
Guidance, counseling, and evaluation services	1,279,739	2,562,750	-	-	1,279,739	2,562,750
Social work services	37,954	38,375	-	-	37,954	38,375
Health services	426,159	686,058	-	-	426,159	686,058
Student transportation	4,143,544	4,247,209	-	-	4,143,544	4,247,209
Food services	5,280,672	6,730,285	-	-	5,280,672	6,730,285
Extracurricular activities	2,125,593	2,554,355	-	-	2,125,593	2,554,355
General administration	1,847,056	2,441,943	-	-	1,847,056	2,441,943
Plant maintenance and operations	22,179,331	8,551,103	-	-	22,179,331	8,551,103
Security and monitoring services	881,557	821,908	-	-	881,557	821,908
Data processing services	749,552	1,053,839	-	-	749,552	1,053,839
Community services	21,618	116,165	-	-	21,618	116,165
Interest on long-term debt	11,789,301	8,458,748	-	-	11,789,301	8,458,748
Issuance costs and fees	1,199,643	1,793,266	-	-	1,199,643	1,793,266
Facilities repair and maintenance	1,847,979	2,229,930	-	-	1,847,979	2,229,930
Contracted instructional services between schools	896,817	1,877,228	-	-	896,817	1,877,228
Payments to juvenile justice alternative education programs	-	-	-	-	-	-
Other intergovernmental charges	585,423	543,869	-	-	585,423	543,869
Day care	-	-	434,416	578,043	434,416	578,043
<b>Total expenses</b>	<b>102,575,678</b>	<b>111,113,438</b>	<b>434,416</b>	<b>578,043</b>	<b>103,010,094</b>	<b>111,691,481</b>
Increase in net position before transfers	13,307,017	(970,349)	4,135	(202,193)	13,311,152	(1,172,542)
Transfers	-	(202,193)	-	202,193	-	-
<b>Change in net position</b>	<b>13,307,017</b>	<b>(1,172,542)</b>	<b>4,135</b>	<b>-</b>	<b>13,311,152</b>	<b>(1,172,542)</b>
Net position - beginning	52,855,136	54,027,678	-	-	52,855,136	54,027,678
Prior period adjustment - implement GASB 75 for OPEB	(51,909,455)	-	-	-	(51,909,455)	-
<b>Net position - beginning, as restated</b>	<b>945,681</b>	<b>54,027,678</b>	<b>-</b>	<b>-</b>	<b>945,681</b>	<b>54,027,678</b>
<b>Net position - ending</b>	<b>\$ 14,252,698</b>	<b>\$ 52,855,136</b>	<b>\$ 4,135</b>	<b>\$ -</b>	<b>\$ 14,256,833</b>	<b>\$ 52,855,136</b>

(a) The restatement of the beginning net position is the result of the District implementing GASB Statement No. 75 in fiscal year 2018. The implementation is discussed previously in MD&A.

Revenues are generated primarily from two sources: grants and contributions and property taxes. Grants and contributions (\$17,393,579) represent 15 percent of total revenues and property taxes (\$78,190,257) represent 67 percent of total revenues. In fiscal year 2018, the District also had significant insurance recoveries as a result of Hurricane Harvey. Total insurance recoveries (15,919,402) represent 14 percent of total revenues. The remaining \$4,379,457 is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$40,693,675), which represents 40 percent of total expenses. Plant maintenance and operations (\$22,179,331) and interest on long-term debt (\$11,789,301) represent 22 percent and 11 percent, respectively, of total expenses. Food service (\$5,280,672) represents 5 percent of total expenses. The remaining individual functional categories of expenses are each less than 5 percent of total expenses.

**Business-type Activities.** Business-type activities operations increased the District's net position by \$4,135. Revenues increased by \$62,701, or 17 percent, primarily due to the increase of community participation in the day care. Expenditures decreased by \$143,627, or 25 percent, due to the decrease in payroll costs.

### **Financial Analysis of the Government's Funds**

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

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

At the end of the fiscal year, the District's governmental funds had combined ending fund balances of \$165,751,860, an increase of \$23,678,753 from the prior year.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was \$17,895,430 while total fund balance was \$23,297,331. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18 percent of total general fund expenditures, while total fund balance represents 24 percent of that same total. The fund balance of the general fund increased \$3,584,859 during the year, primarily due to the increase in state aid due to an increase in the foundation school program allotment.

The debt service fund had a total fund balance of \$17,509,177, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance decreased \$2,232,344 during the year, primarily due to an increase in expenditures for debt payments.

The capital projects fund has a total fund balance of \$123,100,185. The net increase in fund balance during the current year in the capital projects fund was \$21,839,074 and was due to proceeds from the sale of bonds in excess of current period fund expenditures.

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

### **General Fund Budgetary Highlights**

The District amends the budget as needed throughout the year. The plant maintenance and operations expenditure function was increased by \$3,321,159 for contracted services and supplies.

## Capital Assets and Long-term Liabilities

**Capital Assets.** The District's investment in capital assets for its governmental activities and business-type activities as of August 31, 2018 was \$289,088,330 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and construction in progress. The increase in net capital assets for the current fiscal year was \$73,019,845.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
	Amount	Amount	Amount	Amount	Amount	Amount
Land and improvements	\$ 32,405,491	\$ 30,540,144	\$ -	\$ -	\$ 32,405,491	\$ 30,540,144
Buildings and improvements	168,346,250	169,832,484	-	-	168,346,250	169,832,484
Furniture and equipment	3,956,019	3,069,715	-	-	3,956,019	3,069,715
Construction in progress	84,380,570	12,626,142	-	-	84,380,570	12,626,142
<b>Totals</b>	<b>\$ 289,088,330</b>	<b>\$ 216,068,485</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 289,088,330</b>	<b>\$ 216,068,485</b>

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

**Long-term Liabilities.** At year-end, the District had the following long-term liabilities:

### Sheldon Independent School District's Outstanding Long-term Liabilities

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds	\$ 368,979,996	85	\$ 280,149,996	76	\$ 88,830,000	32
Premiums	20,326,272	5	16,168,934	4	4,157,338	26
Accreted interest on capital appreciation bonds	71,078	-	59,337	-	11,741	20
Total bonds payable, net	389,377,346		296,378,267		92,999,079	
Compensated absences	463,463	-	471,449	-	(7,986)	(2)
Net pension liability	17,215,912	4	21,795,467	6	(4,579,555)	(21)
Net OPEB liability	29,603,039	7	52,262,670	14	(22,659,631)	(43)
<b>Totals</b>	<b>\$ 436,659,760</b>	<b>101</b>	<b>\$ 370,907,853</b>	<b>100</b>	<b>\$ 65,751,907</b>	

The District's total net bonded debt increased by \$88,830,000 (32 percent) during the current fiscal year, which resulted primarily from bonds issued.

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

Additional information on the District's OPEB liability can be found in Note 1.C. and Note 9 to the financial statements as indicated in the table of contents of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- School year (2018-19) student enrollment is 9,441, a 4% increase from the preceding year.
- District staff totals 1,266 employees in 2017-18, of which 598 are teachers and 235 are teacher aides and secretaries.
- The District maintains 10 campuses for student instruction.
- Property values of the District are projected to increase 2% for the 2018-19 year.
- A maintenance and operations tax rate of \$1.17 and a debt service tax rate of \$.30 (a total rate of \$1.47) were adopted for 2018-19.

All of these factors and others were considered in preparing the District's budget for the 2018-19 fiscal year.

The District's School Board of Trustees approved a change for the fiscal year start date to July 1, on February 20, 2018, effective on July 1, 2019. The District has notified the Texas Education Agency of their intent to change their fiscal year. The next fiscal year will be from September 1, 2018 to June 30, 2019.

## **Requests for Information**

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

# Basic Financial Statements

Sheldon Independent School District  
Statement of Net Position  
August 31, 2018

Exhibit A-1

Data Control Codes		Primary Government		
		Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>				
1110	Cash and cash equivalents	\$ 6,677,391	\$ 9,911	\$ 6,687,302
1120	Current investments	175,771,263	-	175,771,263
1220	Property taxes receivables	5,133,744	-	5,133,744
1230	Allowance for uncollectable taxes	(640,506)	-	(640,506)
1240	Due from other governments	6,120,599	-	6,120,599
1260	Internal balances	(2,322)	2,322	-
1267	Due from fiduciary funds	27,871	-	27,871
1290	Other receivables	94,578	-	94,578
1300	Inventories	339,504	-	339,504
	Capital assets, not being depreciated:			
1510	Land and improvements	32,405,491	-	32,405,491
1580	Construction in progress	84,380,570	-	84,380,570
	Capital assets, net of accumulated depreciation:			
1520	Buildings and improvements	168,346,250	-	168,346,250
1530	Furniture and equipment	3,956,019	-	3,956,019
1810	Restricted cash and investments	6,436,348	-	6,436,348
1910	Long-term investments	559,338	-	559,338
1000	Total assets	489,606,138	12,233	489,618,371
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
1705	Deferred outflows - pension	6,149,665	-	6,149,665
1706	Deferred outflows - OPEB	468,011	-	468,011
1710	Deferred charge on refunding	1,859,357	-	1,859,357
1700	Total deferred outflows of resources	8,477,033	-	8,477,033
<b>LIABILITIES</b>				
2110	Accounts payable	25,129,362	556	25,129,918
2140	Interest payable	610,056	-	610,056
2150	Payroll deductions and withholdings	562,178	-	562,178
2160	Accrued wages payable	4,413,434	7,542	4,420,976
2300	Unearned revenue	288,272	-	288,272
	Noncurrent liabilities:			
2501	Due within one year	11,025,997	-	11,025,997
2502	Due in more than one year	378,814,812	-	378,814,812
2540	Net pension liability	17,215,912	-	17,215,912
2545	Net OPEB liability	29,603,039	-	29,603,039
2000	Total liabilities	467,663,062	8,098	467,671,160
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2605	Deferred inflows - pension	3,784,404	-	3,784,404
2606	Deferred inflows - OPEB	12,383,007	-	12,383,007
2600	Total deferred inflows of resources	16,167,411	-	16,167,411
<b>NET POSITION</b>				
3200	Net investment in capital assets	29,949,403	-	29,949,403
3820	Restricted for grants	1,773,567	-	1,773,567
3850	Restricted for debt service	17,624,114	-	17,624,114
3900	Unrestricted	(35,094,386)	4,135	(35,090,251)
3000	<b>TOTAL NET POSITION</b>	<b>\$ 14,252,698</b>	<b>\$ 4,135</b>	<b>\$ 14,256,833</b>

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

**Sheldon Independent School District**  
**Statement of Activities**  
**For the Fiscal Year Ended August 31, 2018**

**Exhibit B-1**

Data Control Codes	Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
	<b>PRIMARY GOVERNMENT</b>						
	Governmental activities:						
0011	Instruction	\$ 40,693,675	\$ 65,184	\$ (3,284,475)	\$ (43,912,966)	\$ -	\$ (43,912,966)
0012	Instructional resources and media services	706,971	-	(131,875)	(838,846)	-	(838,846)
0013	Curriculum and instructional staff development	262,977	-	14,306	(248,671)	-	(248,671)
0021	Instructional leadership	1,812,081	-	(335,042)	(2,147,123)	-	(2,147,123)
0023	School leadership	3,808,036	-	(587,592)	(4,395,628)	-	(4,395,628)
0031	Guidance, counseling, and evaluation services	1,279,739	-	(317,484)	(1,597,223)	-	(1,597,223)
0032	Social work services	37,954	-	-	(37,954)	-	(37,954)
0033	Health services	426,159	-	939,318	513,159	-	513,159
0034	Student transportation	4,143,544	-	(434,610)	(4,578,154)	-	(4,578,154)
0035	Food services	5,280,672	389,000	5,184,967	293,295	-	293,295
0036	Cocurricular/extracurricular activities	2,125,593	125,027	(68,651)	(2,069,217)	-	(2,069,217)
0041	General administration	1,847,056	-	(396,112)	(2,243,168)	-	(2,243,168)
0051	Plant maintenance and operations	22,179,331	-	(690,565)	(22,869,896)	-	(22,869,896)
0052	Security and monitoring services	881,557	-	-	(881,557)	-	(881,557)
0053	Data processing services	749,552	-	(182,493)	(932,045)	-	(932,045)
0061	Community services	21,618	-	17,325	(4,293)	-	(4,293)
0072	Interest on long-term debt	11,789,301	-	548,383	(11,240,918)	-	(11,240,918)
0073	Issuance costs and fees	1,199,643	-	-	(1,199,643)	-	(1,199,643)
0081	Facilities repair and maintenance	1,847,979	-	-	(1,847,979)	-	(1,847,979)
0091	Contracted instructional services between schools	896,817	-	-	(896,817)	-	(896,817)
0099	Other intergovernmental charges	585,423	-	-	(585,423)	-	(585,423)
TG	Total governmental activities	102,575,678	579,211	275,400	(101,721,067)	-	(101,721,067)
	Business-type activities:						
0001	Day Care	434,416	438,551	-	-	4,135	4,135
TB	Total business-type activities	434,416	438,551	-	-	4,135	4,135
TP	<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 103,010,094</u>	<u>\$ 1,017,762</u>	<u>\$ 275,400</u>	(101,721,067)	4,135	(101,716,932)
	General revenues:						
MT	Property taxes, levied for general purposes				61,897,215	-	61,897,215
DT	Property taxes, levied for debt service				16,293,042	-	16,293,042
GC	Grants and contributions not restricted to specific programs				17,118,179	-	17,118,179
IE	Investment earnings				2,986,840	-	2,986,840
GS	Gain (loss) on sale of capital asset				35,108	-	35,108
IR	Insurance recoveries				15,919,402	-	15,919,402
MI	Miscellaneous				778,298	-	778,298
TR	Total general revenues and transfers				115,028,084	-	115,028,084
CN	Change in net position				13,307,017	4,135	13,311,152
NB	Net position - beginning				52,855,136	-	52,855,136
PA	Prior period adjustment - implement GASB 75 for OPEB				(51,909,455)	-	(51,909,455)
	Net position - beginning, as restated				945,681	-	945,681
NE	<b>NET POSITION - ENDING</b>				<u>\$ 14,252,698</u>	<u>\$ 4,135</u>	<u>\$ 14,256,833</u>

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

# Sheldon Independent School District

Balance Sheet  
 Governmental Funds  
 August 31, 2018

Data Control Codes		General Fund	Debt Service Fund
<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 2,184,029	\$ 1,469,540
1120	Current investments	21,306,549	9,234,770
1220	Property taxes receivables	4,074,441	1,059,303
1230	Allowance for uncollectable taxes	(493,466)	(147,040)
1240	Due from other governments	3,631,656	-
1260	Due from other funds	2,837,663	252,327
1290	Other receivables	94,151	-
1300	Inventories	250,320	-
1810	Restricted cash and investments	-	6,436,348
1910	Long-term investments	559,338	-
		<hr/>	<hr/>
1000	Total assets	34,444,681	18,305,248
		<hr/>	<hr/>
1000a	<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 34,444,681</b>	<b>\$ 18,305,248</b>
		<hr/>	<hr/>
<b>LIABILITIES</b>			
2110	Accounts payable	\$ 2,101,746	\$ -
2150	Payroll deductions and withholdings	562,178	-
2160	Accrued wages payable	4,294,003	-
2170	Due to other funds	474,397	-
2300	Unearned revenue	138,395	-
		<hr/>	<hr/>
2000	Total liabilities	7,570,719	-
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2620	Unavailable revenue - property taxes	2,765,896	796,071
2625	Unavailable revenue - SHARS grant	810,735	-
		<hr/>	<hr/>
2600	Total deferred inflows of resources	3,576,631	796,071
<b>FUND BALANCES</b>			
Nonspendable			
3410	Inventories	250,320	-
Restricted for:			
3450	Grants	59,016	-
3470	Capital acquisitions and contractual obligations	2,629,052	-
3480	Debt service	-	17,509,177
Committed to:			
3545	Other	-	-
Assigned to:			
3590	Assigned - other	2,463,513	-
3600	Unassigned	17,895,430	-
		<hr/>	<hr/>
3000	Total fund balances	23,297,331	17,509,177
		<hr/>	<hr/>
4000	<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 34,444,681</b>	<b>\$ 18,305,248</b>
		<hr/>	<hr/>

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

Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 1,851,510	\$ 1,172,312	\$ 6,677,391
144,600,905	629,039	175,771,263
-	-	5,133,744
-	-	(640,506)
599,513	1,889,430	6,120,599
-	219,749	3,309,739
-	427	94,578
-	89,184	339,504
-	-	6,436,348
-	-	559,338
<u>147,051,928</u>	<u>4,000,141</u>	<u>203,801,998</u>
<u>\$ 147,051,928</u>	<u>\$ 4,000,141</u>	<u>\$ 203,801,998</u>
\$ 22,549,096	\$ 478,520	\$ 25,129,362
-	-	562,178
-	119,431	4,413,434
1,402,647	1,407,146	3,284,190
-	149,877	288,272
<u>23,951,743</u>	<u>2,154,974</u>	<u>33,677,436</u>
-	-	3,561,967
-	-	810,735
-	-	4,372,702
-	-	250,320
-	1,714,551	1,773,567
123,100,185	-	125,729,237
-	-	17,509,177
-	130,616	130,616
-	-	2,463,513
-	-	17,895,430
<u>123,100,185</u>	<u>1,845,167</u>	<u>165,751,860</u>
<u>\$ 147,051,928</u>	<u>\$ 4,000,141</u>	<u>\$ 203,801,998</u>

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**Sheldon Independent School District**  
 Reconciliation of the Governmental Funds Balance  
 Sheet to the Statement of Net Position  
 August 31, 2018

**Exhibit C-1R**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)** \$ 165,751,860

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets - at cost	\$ 378,493,220	
Accumulated depreciation	(89,404,890)	289,088,330

Property taxes receivable, which will be collected subsequent to year-end but are not available soon enough to pay expenditures, are deferred in the funds.		3,561,967
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School Health and Related Services (SHARS) reimbursements have been submitted and are due this year, but are not available soon enough to pay for the current period's expenditures		810,735
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Long-term liabilities, including bonds payable, compensated absences, and net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end include:

General obligation bonds	\$ (368,979,996)	
Premiums on bonds	(20,326,272)	
Accreted interest on capital appreciation bonds	(71,078)	
Accrued interest on bonds	(610,056)	
Compensated absences	(463,463)	
Net pension liability	(17,215,912)	
Net OPEB liability	(29,603,039)	(437,269,816)

Deferred losses on issuances of refunding bonds are recorded as deferred outflows of resources in the statement of net position. This is the difference between the reacquisition price and the net carrying amount of refunded bonds, net of amortization.		1,859,357
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Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then.		6,149,665
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Deferred inflows for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		(3,784,404)
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Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then.		468,011
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Deferred inflows for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		(12,383,007)
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**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)** \$ 14,252,698

**Sheldon Independent School District**  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended August 31, 2018

Data Control Codes		General Fund	Debt Service Fund
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ 60,571,260	\$ 16,586,876
5800	State program revenues	20,692,562	117,039
5900	Federal program revenues	1,604,395	-
5020	Total revenues	82,868,217	16,703,915
<b>EXPENDITURES</b>			
Current:			
0011	Instruction	49,542,027	-
0012	Instructional resources and media services	828,509	-
0013	Curriculum and instructional staff development	260,753	-
0021	Instructional leadership	2,526,096	-
0023	School leadership	4,986,131	-
0031	Guidance, counseling, and evaluation services	1,959,508	-
0032	Social work services	36,584	-
0033	Health services	626,240	-
0034	Student transportation	4,697,374	-
0035	Food services	-	-
0036	Cocurricular/extracurricular activities	1,789,804	-
0041	General administration	2,727,942	-
0051	Plant maintenance and operations	23,467,921	-
0052	Security and monitoring services	881,557	-
0053	Data processing services	1,073,747	-
0061	Community services	24,158	-
Debt service:			
0071	Principal on long-term debt	655,000	8,470,000
0072	Interest on long-term debt	102,197	12,208,853
0073	Issuance costs and fees	-	26,492
Capital outlay:			
0081	Facilities acquisition and construction	331,555	-
Intergovernmental:			
0091	Contracted instructional services between schools	896,817	-
0099	Other intergovernmental charges	585,423	-
6030	Total expenditures	97,999,343	20,705,345
1100	Excess (deficiency) of revenues over (under) expenditures	(15,131,126)	(4,001,430)
<b>OTHER FINANCING SOURCES (USES)</b>			
7901	Refunding bonds issued	-	695,000
7911	Issuance of capital-related bonds	-	-
7912	Sale of real and personal property	35,108	-
7916	Premium or discount on issuance of bonds	-	1,784,456
7949	Other resources	18,605,877	-
8940	Payment to refunded bonds escrow agent	-	(710,370)
7080	Total other financing sources (uses)	18,640,985	1,769,086
7989	Other non-operating revenues	75,000	-
1200	Net change in fund balances	3,584,859	(2,232,344)
0100	Fund balances - beginning	19,712,472	19,741,521
3000	<b>FUND BALANCES - ENDING</b>	<b>\$ 23,297,331</b>	<b>\$ 17,509,177</b>

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

Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 2,029,529	\$ 664,162	\$ 79,851,827
-	629,889	21,439,490
-	10,499,377	12,103,772
<hr/>	<hr/>	<hr/>
2,029,529	11,793,428	113,395,089
-	5,375,757	54,917,784
-	9,828	838,337
-	31,528	292,281
-	27,878	2,553,974
-	-	4,986,131
-	75,280	2,034,788
-	-	36,584
-	-	626,240
-	-	4,697,374
-	5,740,728	5,740,728
-	-	1,789,804
-	-	2,727,942
-	-	23,467,921
-	-	881,557
-	-	1,073,747
-	45,265	69,423
-	-	9,125,000
-	-	12,311,050
1,173,151	-	1,199,643
80,190,455	-	80,522,010
-	-	896,817
-	-	585,423
<hr/>	<hr/>	<hr/>
81,363,606	11,306,264	211,374,558
(79,334,077)	487,164	(97,979,469)
-	-	695,000
97,970,000	-	97,970,000
-	-	35,108
3,203,151	-	4,987,607
-	-	18,605,877
-	-	(710,370)
<hr/>	<hr/>	<hr/>
101,173,151	-	121,583,222
-	-	75,000
<hr/>	<hr/>	<hr/>
21,839,074	487,164	23,678,753
101,261,111	1,358,003	142,073,107
<hr/>	<hr/>	<hr/>
\$ 123,100,185	\$ 1,845,167	\$ 165,751,860

**Sheldon Independent School District**  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances  
 of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended August 31, 2018

**Exhibit C-3**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2)** \$ 23,678,753

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 78,937,562	
Depreciation expense	(5,898,798)	73,038,764

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments, and dispositions) is an increase (decrease) to net position. (18,919)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. (28,940)

School Health and Related Services in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 126,695

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items was:

Issuance of bonds - principal	\$ (98,665,000)	
Premium on issuance of bonds	(4,987,607)	
Payment to escrow agent for advance refunding	710,370	
Repayment of bond principal	9,125,000	
Amortization of deferred loss on refunding bonds	(174,293)	
Amortization of premium on bonds payable	829,215	
Accreted interest on capital appreciation bonds	(11,741)	(93,174,056)

The change in the interest expense accrual amount for the current year from prior year amount was: (121,433)

The net change in net pension liability, and pension-related deferred outflows and deferred inflows, is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows decreased	\$ (2,645,151)	
Deferred inflows increased	(2,527,658)	
Net pension liability decreased	4,579,555	(593,254)

The net change in net OPEB liability, and OPEB-related deferred outflows and deferred inflows, is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased	\$ 114,797	
Deferred inflows increased	(12,383,007)	
Net OPEB liability decreased	22,659,631	10,391,421

The net decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. 7,986

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)** \$ 13,307,017

Sheldon Independent School District  
Statement of Net Position  
Proprietary Fund  
August 31, 2018

Exhibit D-1

<u>Data Control Codes</u>		<u>Enterprise Fund Early Learning Center - Daycare</u>
	<b>ASSETS</b>	
	Current assets:	
1110	Cash and cash equivalents	\$ 9,911
1260	Due from other funds	2,322
		<hr/>
1000	Total assets	12,233
	<b>LIABILITIES</b>	
	Current liabilities:	
2110	Accounts payable	556
2160	Accrued wages payable	7,542
		<hr/>
2000	Total liabilities	8,098
	<b>NET POSITION</b>	
3900	Unrestricted	4,135
		<hr/>
3000	<b>TOTAL NET POSITION</b>	<u>\$ 4,135</u>

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

**Sheldon Independent School District**  
Statement of Revenues, Expenses, and Changes  
in Net Position  
Proprietary Fund  
For the Fiscal Year Ended August 31, 2018

**Exhibit D-2**

<u>Data Control Codes</u>		<u>Enterprise Fund Early Learning Center - Daycare</u>
<b>OPERATING REVENUES</b>		
5700	Local and intermediate sources	\$ 438,551
5020	Total operating revenues	438,551
<b>OPERATING EXPENSES</b>		
6100	Payroll costs	425,612
6200	Professional and contracted services	6,836
6300	Supplies and materials	255
6400	Other operating costs	1,713
6030	Total operating expenses	434,416
1200	Change in net position	4,135
0100	Net position - beginning	-
3000	<b>NET POSITION - ENDING</b>	<u>\$ 4,135</u>

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

**Sheldon Independent School District**  
 Statement of Cash Flows  
 Proprietary Fund  
 For the Fiscal Year Ended August 31, 2018

**Exhibit D-3**

	<u>Enterprise Funds</u> <u>Early Learning</u> <u>Center - Daycare</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 438,551
Cash payments to suppliers for goods and services	(13,496)
Cash payments to employees	(420,618)
	<hr/>
Net cash provided (used) by operating activities	4,437
Cash and cash equivalents - beginning	5,474
	<hr/>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 9,911</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 4,135
Change in assets and liabilities:	
Decrease in due from other funds	(2,322)
Decrease in accrued wages payable	4,994
Increase in due to other funds	(2,370)
	<hr/>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 4,437</u>

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

Sheldon Independent School District  
Statement of Net Position  
Fiduciary Funds  
August 31, 2018

Exhibit E-1

<u>Data Control Codes</u>		<u>810 Private-Purpose Trust Fund Scholarship Fund</u>	<u>865 Agency Fund Student Activity</u>
	<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 87,155	\$ 175,278
1120	Current investments	189,340	36,213
1000	<b>TOTAL ASSETS</b>	<u>\$ 276,495</u>	<u>\$ 211,491</u>
	<b>LIABILITIES</b>		
2170	Due to other funds	\$ 27,871	\$ -
2190	Due to student groups	59,052	211,491
2000	<b>TOTAL LIABILITIES</b>	<u>\$ 86,923</u>	<u>\$ 211,491</u>
	<b>NET POSITION</b>		
3800	Held in trust for private purposes	189,572	
3000	<b>TOTAL NET POSITION</b>	<u>\$ 189,572</u>	

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

**Sheldon Independent School District**  
Statement of Changes in Net Position  
Fiduciary Fund  
For the Fiscal Year Ended August 31, 2018

**Exhibit E-2**

<u>Data Control Codes</u>		<u>810 Private-Purpose Trust Fund Scholarship Fund</u>
	<b>ADDITIONS</b>	
5700	Local and intermediate sources	\$ 65,269
	Total additions	65,269
	<b>DEDUCTIONS</b>	
6499	Scholarships	83,500
	Total deductions	83,500
	Change in net position	(18,231)
	Net position - beginning	207,803
	<b>NET POSITION - ENDING</b>	<u>\$ 189,572</u>

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

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## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### Note 1. Summary of Significant Accounting Policies

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

##### A. Reporting Entity

The District's Board of Trustees (the Board) has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; therefore the District is not included in any other governmental reporting entity. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity. During February 2018 the board changed the District's fiscal year-end from August 31<sup>st</sup> to June 30<sup>th</sup> effective for the 2019 reporting period.

##### B. Government-wide and Fund Financial Statements

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

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

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

## Sheldon Independent School District

### Notes to the Basic Financial Statements

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

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

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

#### C. Change in Accounting Principle

In fiscal year 2018, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – which supersedes GASB Statement No. 45.

The requirements of Statement No. 75 apply to the financial statements of all state and local government employers whose employees are provided postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense related to the OPEB plan. Note disclosure and required supplementary information requirements about the OPEB plan also are addressed. The implementation of Statement No. 75 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively. Refer to Note 9 for more information regarding the District's OPEB plan. The implementation of Statement No. 75 resulted in the retroactive reduction of the District's beginning net position by \$51,909,455. See Note 12 for details of the District's prior period adjustment and restatement of beginning net position.

#### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

## Sheldon Independent School District

### Notes to the Basic Financial Statements

*Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements (with the exception of agency funds which are custodial in nature thus do not have a measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

#### **E. Fund Accounting**

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

## Sheldon Independent School District

### Notes to the Basic Financial Statements

The District reports the following major governmental funds:

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

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

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

Additionally, the District reports the following fund types:

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

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

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

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

#### **F. Data Control Codes**

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

#### **G. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand and bank demand or time deposits with original maturities of three months or less from the date of acquisition.

## **Sheldon Independent School District**

### Notes to the Basic Financial Statements

#### **H. Investments**

The carrying value of the District's investments approximates fair value. The valuation policies of the District are described in Note 2.

Investments with a maturity of less than one year from August 31, 2018 are reported as current investments. Any investments with longer maturities are reported as long-term investments.

#### **I. Property Taxes**

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

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

#### **J. Inventories**

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

#### **K. Capital Assets**

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

Land and construction in progress are not depreciated. Buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital Asset Classes	Years
Buildings and improvements	10-50
Furniture and equipment	5-20

#### L. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized/recognized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

#### M. Long-Term Obligations

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

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

#### N. Compensated Absences

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

## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### O. Pensions

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

#### P. Postemployment Benefits Other Than Pensions (OPEB)

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 postemployment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

#### Q. Fund Balances and Net Position

*Net position* on the government-wide and proprietary fund statements of net position includes the following categories:

*Net investment in capital assets* – the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, net of premiums and discounts, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

*Restricted* – the component of net position that reports the difference between assets and liabilities with constraints placed on use by law.

*Unrestricted* – the difference between the assets and liabilities that is not reported in any of the classifications above.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted net position, before unrestricted net position is applied.

*Fund balance* on the governmental fund balance sheets is classified as follows:

*Non-spendable* – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories.

*Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes retirement of long-term debt, construction, and federal and state grants.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action in an open meeting of the highest level of decision making authority (i.e. the Board of Trustees). Committed fund balance is established pursuant to resolution passed by the District’s Board of Trustees. The same action must be taken to modify or rescind a committed fund balance. At August 31, 2018, the District’s committed fund balance includes campus activity funds.

*Assigned* – includes fund balance amounts that are self-imposed by the District as intended to be used for a particular purpose. Intent can be expressed by the District’s Board, or by an official or body to which the Board delegates authority. The Board has assigned fund balance in the general fund for the following:

State aid adjustments	\$	550,000
Wealth equalization payments		75,000
Activity fund		1,488,513
Emergency repairs		350,000
		<hr/>
<b>Total</b>	<b>\$</b>	<b><u>2,463,513</u></b>

*Unassigned* – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. The general fund should be the only fund that reports a positive unassigned balance. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted fund balances are available for use, it is the District’s policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications are available.

#### R. Use of Estimates

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

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate for the year ended August 31, 2018 will change, and that change could be material to the District’s financial statements.

**Sheldon Independent School District**  
Notes to the Basic Financial Statements

**Note 2. Deposits and Investments**

A summary of the District’s cash and investments at August 31, 2018, is shown below:

	Cash and Cash Equivalents	Current investments	Long-term	Restricted	Total Investments	Total Cash, Cash Equivalents, and Investments
General fund	\$ 2,184,029	\$ 21,306,549	\$ 559,338	\$ -	\$ 21,865,887	\$ 24,049,916
Debt service fund	1,469,540	9,234,770	-	6,436,348	15,671,118	17,140,658
Capital projects fund	1,851,510	144,600,905	-	-	144,600,905	146,452,415
Non-major governmental funds	1,172,312	629,039	-	-	629,039	1,801,351
<b>Total governmental funds</b>	<b>6,677,391</b>	<b>175,771,263</b>	<b>559,338</b>	<b>6,436,348</b>	<b>182,766,949</b>	<b>189,444,340</b>
Enterprise fund	9,911	-	-	-	-	9,911
<b>Total government-wide</b>	<b>6,687,302</b>	<b>175,771,263</b>	<b>559,338</b>	<b>6,436,348</b>	<b>182,766,949</b>	<b>189,454,251</b>
Fiduciary funds	262,433	225,553	-	-	225,553	487,986
<b>Totals</b>	<b>\$ 6,949,735</b>	<b>\$ 175,996,816</b>	<b>\$ 559,338</b>	<b>\$ 6,436,348</b>	<b>\$ 182,992,502</b>	<b>\$ 189,942,237</b>
Current investments					\$ 175,996,816	
Long-term investments					559,338	
Restricted investments					6,436,348	
<b>Total investments</b>					<b>\$ 182,992,502</b>	

**Cash Deposits**

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

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

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

## Sheldon Independent School District

### Notes to the Basic Financial Statements

The District may place funds with the depository in interest and non-interest bearing accounts. Statutes and the depository contract require that all funds in the depository institution be fully secured by federal depository insurance or a combination of federal depository insurance and acceptable collateral securities and/or an acceptable surety bond. The collateral securities must be delivered to the District or placed with an independent trustee institution with safekeeping receipts delivered to the District and copies of the safekeeping receipts delivered to the Texas Education Agency. In accordance with State statutes pertaining to lawful collateralization of District deposits, safekeeping receipts are issued in the name of the depository with proper indication that the collateral securities are pledged by the depository to secure funds of the District. Acceptable collateral securities include direct obligations of the United States of America (U.S.), bonds of any agency of the U.S. (except Farmers Home Administration Insured Notes), Bonds of the State of Texas, or of any county, school district, city, or town of the State of Texas that have been rated A or better by Moody's Investors Service, Inc., as authorized by Chapter 2257 Collateral for Public Funds of the Government Code.

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

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

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

#### **Investments**

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

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

## Sheldon Independent School District

### Notes to the Basic Financial Statements

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

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

The District's investments at August 31, 2018, are shown below:

	Local Government Investment Pools	Certificates of Deposit	US Treasury Securities	US Agency Securities	Repurchase Agreement	Commercial Paper	Total
General fund:							
Current investments	\$ 21,251,959	\$ -	\$ -	\$ 54,590	\$ -	\$ -	\$ 21,306,549
Long-term investments	-	-	100,746	458,592	-	-	559,338
Debt service fund:							
Current investments	9,234,770	-	-	-	-	-	9,234,770
Restricted investments	-	-	-	-	3,896,222	2,540,126	6,436,348
Capital projects fund:							
Current investments	144,600,905	-	-	-	-	-	144,600,905
Non-major governmental funds:							
Current investments	629,039	-	-	-	-	-	629,039
<b>Total governmental funds</b>	<b>175,716,673</b>	<b>-</b>	<b>100,746</b>	<b>513,182</b>	<b>3,896,222</b>	<b>2,540,126</b>	<b>182,766,949</b>
Fiduciary funds:							
Current investments	-	225,553	-	-	-	-	225,553
<b>Totals</b>	<b>\$ 175,716,673</b>	<b>\$ 225,553</b>	<b>\$ 100,746</b>	<b>\$ 513,182</b>	<b>\$ 3,896,222</b>	<b>\$ 2,540,126</b>	<b>\$ 182,992,502</b>

The District holds all US government securities to maturity date. The District did not purchase any derivative investment products during the current year nor participate in any securities lending agreements during the fiscal year.

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

## Sheldon Independent School District

### Notes to the Basic Financial Statements

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

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

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

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

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

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

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

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

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

# Sheldon Independent School District

## Notes to the Basic Financial Statements

The following table includes the portfolio valuation, weighted average maturity, credit rating and percentage of the portfolio balance by investment type of the District as of August 31, 2018:

	August 31, 2018	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost:							
Commercial paper - BNY Mellon	\$ 2,540,126	\$ -	\$ -	\$ -	1.39%	107	A-1+*
Investment pools:							
Lone Star Government Overnight Fund	154,510,899	-	-	-	84.44%	20	AAAm*
Lone Star Corporate Overnight Fund	489,790	-	-	-	0.27%	37	AAAm*
Investments measured at net asset value:							
Investment pools:							
TexSTAR	20,715,984	-	-	-	11.32%	24	AAAm*
Investments measured at cost:							
Repurchase agreement	3,896,222	-	-	-	2.13%	-	A-2**
Certificates of deposit	225,553	-	-	-	0.12%	134	Not Rated***
Investments measured at fair value:							
US treasury securities	100,746	100,746	-	-	0.06%	2,113	Aaa**
US agency securities:							
MBS	45,906	-	45,906	-	0.03%	3,670	Aaa**
CMO	268,178	-	268,178	-	0.15%	5,391	Aaa**
CMBS	12,951	-	12,951	-	0.01%	1,109	Aaa**
Agency	186,147	-	186,147	-	0.10%	678	Aaa**
<b>Total value</b>	<b>\$ 182,992,502</b>	<b>\$ 100,746</b>	<b>\$ 513,182</b>	<b>\$ -</b>	<b>100.00%</b>		
<b>Portfolio weighted average maturity</b>						<b>31</b>	

\* Standard & Poor's rating

\*\* Moody's rating

\*\*\* Certificates of deposit are insured or collateralized

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

### Interest Rate Risk

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

### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. During the year ended August 31, 2018, the District was not significantly exposed to credit risk. State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized credit rating organizations.

### Concentration of Credit Risk

State law and the District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity, scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

# Sheldon Independent School District

## Notes to the Basic Financial Statements

### Custodial Credit Risk

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

The District's investment in a repurchase agreement is subject to custodial credit risk because the underlying securities are held by the investments' counterparty, not in the name of the District. State statutes require repurchase agreements to be fully collateralized by bonds or securities issued by the federal government, or its agencies and instrumentalities. The District does not have an additional custodial credit risk policy. Eligible Securities, as identified in the repurchase agreement, require a security ratio of 103% per the terms of the agreement. The final repurchase date is February 15, 2027. At August 31, 2018, the fair market value of the pledged securities was \$4,099,276.

### Termination Risk

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

At August 31, 2018, the credit rating assigned to the counterparty is "A2" by Moody's and "A-" by Fitch.

### Note 3. Receivables

Net receivables, at August 31, 2018, consist of the following:

	General Fund	Debt Service	Capital Projects	Nonmajor Funds	Total
Property taxes	\$ 4,074,441	\$ 1,059,303	\$ -	\$ -	\$ 5,133,744
Due from other governments:					
State	2,708,759	-	-	1,889,430	4,598,189
Federal	922,897	-	-	-	922,897
Other receivables	94,151	-	599,513	427	694,091
<b>Gross receivables</b>	<b>7,800,248</b>	<b>1,059,303</b>	<b>599,513</b>	<b>1,889,857</b>	<b>11,348,921</b>
Less allowance for uncollectibles - property taxes	(493,466)	(147,040)	-	-	(640,506)
<b>Total receivables, net</b>	<b>\$ 7,306,782</b>	<b>\$ 912,263</b>	<b>\$ 599,513</b>	<b>\$ 1,889,857</b>	<b>\$ 10,708,415</b>

The District expects to collect all significant receivables within one year.

# Sheldon Independent School District

## Notes to the Basic Financial Statements

### Note 4. Interfund Activities

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

Interfund balances at August 31, 2018 consisted of the following individual fund balances:

	Interfund Receivables	Interfund Payables
Governmental funds:		
General fund	\$ 2,837,663	\$ 474,397
Debt service fund	252,327	-
Capital projects fund	-	1,402,647
Nonmajor governmental funds	219,749	1,407,146
Total governmental funds	3,309,739	3,284,190
Proprietary funds:		
Enterprise fund	2,322	-
Total proprietary funds	2,322	-
Fiduciary funds:		
Scholarship fund	-	27,871
Agency funds	-	-
Total fiduciary funds	-	27,871
<b>Total - all funds</b>	<b>\$ 3,312,061</b>	<b>\$ 3,312,061</b>

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." During the fiscal year ended August 31, 2018, the District made no transfers.

**Sheldon Independent School District**  
Notes to the Basic Financial Statements

**Note 5. Capital Assets**

A summary of changes in capital assets for the year ended August 31, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 30,540,144	\$ 1,865,347	\$ -	\$ 32,405,491
Construction in progress	12,626,142	71,754,428	-	84,380,570
<b>Total capital assets, not being depreciated</b>	<b>43,166,286</b>	<b>73,619,775</b>	<b>-</b>	<b>116,786,061</b>
Capital assets, being depreciated:				
Buildings and improvements	244,347,133	3,772,308	-	248,119,441
Furniture and equipment	12,550,356	1,545,479	(508,117)	13,587,718
<b>Total capital assets, being depreciated</b>	<b>256,897,489</b>	<b>5,317,787</b>	<b>(508,117)</b>	<b>261,707,159</b>
Less accumulated depreciation for:				
Buildings and improvements	(74,514,649)	(5,258,542)	-	(79,773,191)
Furniture and equipment	(9,480,641)	(640,256)	489,198	(9,631,699)
<b>Total accumulated depreciation</b>	<b>(83,995,290)</b>	<b>(5,898,798)</b>	<b>489,198</b>	<b>(89,404,890)</b>
<b>Total capital assets, being depreciated, net</b>	<b>172,902,199</b>	<b>(581,011)</b>	<b>(18,919)</b>	<b>172,302,269</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 216,068,485</b>	<b>\$ 73,038,764</b>	<b>\$ (18,919)</b>	<b>\$ 289,088,330</b>

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

Function	Amount
11 Instruction	\$ 3,603,640
12 Instructional resources and media services	161,357
21 Instructional leadership	53,785
23 School leadership	161,357
31 Guidance, counseling, and evaluation services	53,785
33 Health services	53,785
34 Student transportation	421,315
35 Food services	457,860
36 Cocurricular/extracurricular activities	507,379
41 General administration	53,785
51 Plant maintenance and operations	316,965
53 Data processing services	53,785
<b>Total depreciation expense - governmental activities</b>	<b>\$ 5,898,798</b>

The District has one active construction project as of August 31, 2018. The project includes construction and equipment of a new high school and has a remaining commitment of \$123,636,309 at year end.

**Sheldon Independent School District**  
Notes to the Basic Financial Statements

**Note 6. Long-Term Liabilities and Debt Service Requirements**

Long-term liability activity for the year ended August 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 280,149,996	\$ 98,665,000	\$ (9,835,000)	\$ 368,979,996	\$ 9,920,000
Premiums/discounts	16,168,934	4,987,607	(830,269)	20,326,272	910,233
Accreted interest on capital appreciation bonds	59,337	11,741	-	71,078	12,164
Total bonds payable, net	296,378,267	103,664,348	(10,665,269)	389,377,346	10,842,397
Compensated absences	471,449	87,594	(95,580)	463,463	183,600
Net pension liability	21,795,467	1,674,693	(6,254,248)	17,215,912	-
Net OPEB liability	52,262,670	5,009	(22,664,640)	29,603,039	-
<b>Governmental activities long-term liabilities</b>	<b>\$ 370,907,853</b>	<b>\$ 105,431,644</b>	<b>\$ (39,679,737)</b>	<b>\$ 436,659,760</b>	<b>\$ 11,025,997</b>

\* Per GASB 75, beginning balance for net OPEB liability includes the restatement of the net OPEB liability at September 1, 2017.

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

# Sheldon Independent School District

## Notes to the Basic Financial Statements

Bonded debt payable as of August 31, 2018 is as follows:

Series	Interest Rate	Maturity Date	Original Issue Amount	Beginning Balance	Additions	Reductions	Ending Balance
Unlimited Tax School Building Bonds, Series 2005	0.00%	2020	\$ 3,000,000	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000
Maintenance Tax Notes, Series 2006	3.875% to 4.125%	2021	8,200,000	2,805,000	-	(655,000)	2,150,000
Unlimited Tax Refunding Bonds, Series 2009	2.750% to 3.125%	2019	6,074,817	1,380,000	-	(1,380,000)	-
Unlimited Tax Refunding Bonds, Series 2010	4.000% to 4.500%	2027	19,114,997	13,485,000	-	(1,170,000)	12,315,000
Unlimited Qualified School Construction Bonds, Series 2010	5.632%	2027	8,200,000	8,200,000	-	-	8,200,000
Unlimited Tax School Building Bonds, Series 2010A	2.000% to 4.000%	2040	8,804,450	7,755,000	-	(270,000)	7,485,000
Unlimited Tax School Building Bonds, Series 2011	3.000% to 5.000%	2041	6,000,000	5,415,000	-	(115,000)	5,300,000
Unlimited Tax Refunding Bonds, Series 2011	2.125% to 3.000%	2028	3,559,996	3,129,996	-	(70,000)	3,059,996
Unlimited Tax School Building and Refunding Bonds, Series 2012	1.000% to 3.000%	2032	9,465,000	8,725,000	-	(160,000)	8,565,000
Unlimited Tax School Building and Refunding Bonds, Series 2013	2.000% to 3.500%	2043	20,295,000	18,565,000	-	(565,000)	18,000,000
Unlimited Tax School Building and Refunding Bonds, Series 2014	2.000% to 4.000%	2039	9,750,000	8,780,000	-	(335,000)	8,445,000
Unlimited Tax School Building and Refunding Bonds, Series 2015	3.000% to 5.000%	2040	16,040,000	15,040,000	-	(470,000)	14,570,000
Unlimited Tax School Building and Refunding Bonds, Series 2016	3.000% to 5.000%	2040	40,960,000	38,395,000	-	(1,795,000)	36,600,000
Unlimited Tax School Building and Refunding Bonds, Series 2016A	3.000% to 5.000%	2041	50,310,000	48,640,000	-	(690,000)	47,950,000
Unlimited Tax School Building Bonds, Series 2017	3.000% to 5.000%	2042	96,835,000	96,835,000	-	(2,160,000)	94,675,000
Unlimited Tax School Building and Refunding Bonds, Series 2018	3.000% to 5.000%	2048	98,665,000	-	98,665,000	-	98,665,000
				<u>\$ 280,149,996</u>	<u>\$ 98,665,000</u>	<u>\$ (9,835,000)</u>	<u>\$ 368,979,996</u>

## Sheldon Independent School District

### Notes to the Basic Financial Statements

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

Year Ending August 31,	Principal	Interest	Total
2019	\$ 9,920,000	\$ 13,799,358	\$ 23,719,358
2020	13,650,000	13,347,380	26,997,380
2021	11,295,000	12,862,183	24,157,183
2022	10,995,000	12,373,115	23,368,115
2023	11,500,000	11,879,302	23,379,302
2024-2028	73,014,996	50,892,631	123,907,627
2029-2033	71,515,000	35,937,991	107,452,991
2034-2038	78,695,000	22,913,094	101,608,094
2039-2043	59,145,000	11,381,653	70,526,653
2044-2048	29,250,000	1,931,725	31,181,725
<b>Totals</b>	<b>\$ 368,979,996</b>	<b>\$ 187,318,432</b>	<b>\$ 556,298,428</b>

At August 31, 2018, the District had \$48,600,000 in authorized but unissued bonds.

#### Qualified Zone Academy Bonds and Qualified School Construction Bonds

The District is scheduled to make annual deposits into trust accounts for the Qualified Zone Academy Bonds (QZAB), Series 2005 and Qualified School Construction Bonds (QSCB), Series 2010. These annual deposits plus the interest earned on the trust accounts will be used to pay off the debt upon maturities in 2020, and 2027, respectively. The Districts accounts for these trust accounts as restricted cash and investments on both the statement of net position (Exhibit A-1) and in the debt service fund on the governmental funds balance sheet (Exhibit C-1). Funds held in trust for Qualified Zone Academy Bonds (QZAB) and Qualified School Construction Bonds (QSCB) are comprised of the following balances at August 31, 2018:

Series	Restricted Cash and Temporary Investments	Maturity Date	Maturity Amount
Unlimited Tax School Building Bonds, Series 2005	\$ 2,540,126	2020	\$ 3,000,000
Unlimited Qualified School Construction Bonds, Series 2010	3,896,222	2027	8,200,000
<b>Totals</b>	<b>\$ 6,436,348</b>		<b>\$ 11,200,000</b>

#### Refunding of Long-Term Debt

The District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust, to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. At August 31, 2018, all of the District's refunded debt has been retired.

#### Issuance of Bonds

On February 1, 2018, the District issued \$98,665,000 of unlimited tax school building and refunding bonds, Series 2018 with interest rates ranging from 3.00% to 5.00%, to be used for the construction, acquisition, and equipment of school buildings in the District, acquisition of necessary sites for school buildings, the purchase of school buses and technology and to refund certain outstanding Series 2009 bonds totaling \$710,000.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### Note 7. Revenues from Local and Intermediate Sources

Revenues from local and intermediate sources in the governmental funds consisted of the following:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total
Property taxes	\$ 59,335,376	\$ 16,197,346	\$ -	\$ -	\$ 75,532,722
Investment income	557,503	389,530	2,029,529	10,278	2,986,840
Charges for services	200,678	-	-	603,913	804,591
Gifts and bequests	411,570	-	-	-	411,570
Other	66,133	-	-	49,971	116,104
<b>Totals</b>	<b>\$ 60,571,260</b>	<b>\$ 16,586,876</b>	<b>\$ 2,029,529</b>	<b>\$ 664,162</b>	<b>\$ 79,851,827</b>

#### Note 8. Defined Benefit Pension Plan

##### Plan Description

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

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

##### Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; 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, 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 cost of living adjustments (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.

# Sheldon Independent School District

## Notes to the Basic Financial Statements

### 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. 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for plan fiscal years 2016 and 2017 and the 85th Texas Legislature, GAA established the employer contribution rates for plan fiscal years 2018 and 2019. Rates for such plan fiscal years are as follows:

	Contribution Rates		
	2016	2017	2018
Member	7.2%	7.7%	7.7%
Non-employer contribution entity (state)	6.8%	6.8%	6.8%
Employers/District	6.8%	6.8%	6.8%

The contribution amounts for the District's fiscal year 2018 are as follows:

District contributions	\$ 1,777,997
Member contributions	4,419,103
NECE on-behalf contributions (state)	2,836,736

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

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

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

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

## Sheldon Independent School District

### Notes to the Basic Financial Statements

In addition to the employer contributions listed above, there are two 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.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

#### Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.00%
Long-term expected rate	8.00%
Municipal bond rate	N/A*
Last year ending August 31 in the 2017 to 2116 projection period (100 years)	2116
Inflation	2.50%
Salary increases	3.50% to 9.50% including inflation
Ad hoc post-employment benefit changes	None

\*If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not later than the Measurement Date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index".

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the 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 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2017 are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global equity:			
U.S.	18.0%	4.6%	1.0%
Non-U.S. developed	13.0%	5.1%	0.8%
Emerging markets	9.0%	5.9%	0.7%
Directional hedge funds	4.0%	3.2%	0.1%
Private equity	13.0%	7.0%	1.1%
Stable value:			
U.S. treasuries	11.0%	0.7%	0.1%
Absolute return	0.0%	1.8%	0.0%
Stable value hedge funds	4.0%	3.0%	0.1%
Cash	1.0%	(0.2%)	0.0%
Real return:			
Global inflation linked bonds	3.0%	0.9%	0.0%
Real assets	16.0%	5.1%	1.1%
Energy and natural resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk parity:			
Risk parity	5.0%	6.7%	0.3%
Inflation expectation			2.2%
Alpha			1.0%
<b>Totals</b>	100.0%		8.7%

\*The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 8.0%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1% lower (7%) or 1% higher (9%) than the current rate:

1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
\$ 29,022,626	\$ 17,215,912	\$ 7,384,906

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

At August 31, 2018, the District reported a liability of \$17,215,912 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 17,215,912
State's proportionate share that is associated with the District	<u>26,638,986</u>
<b>Total</b>	<b><u>\$ 43,854,898</u></b>

The net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.05384% which was an increase of 0.00384% from its proportion measured as of August 31, 2016.

#### Changes Since the Prior Actuarial Valuation

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

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

For the fiscal year ended August 31, 2018, the District recognized pension expense of \$4,403,167 and revenue of \$2,031,916 for support provided by the State.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

At August 31, 2018, the District reported deferred outflows of resources for contribution made after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 251,877	\$ 928,432
Changes in actuarial assumptions	784,212	448,943
Difference between projected and actual investment earnings	-	1,254,658
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,335,579	1,152,371
Contributions paid to TRS subsequent to the measurement date	1,777,997	-
<b>Totals</b>	<b>\$ 6,149,665</b>	<b>\$ 3,784,404</b>

\$1,777,997 reported as 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 fiscal year ending August 31, 2019. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending August 31,	
2018	\$ 79,810
2019	1,178,747
2020	(4,623)
2021	(342,303)
2022	(158,225)
Thereafter	(166,142)
<b>Total</b>	<b>\$ 587,264</b>

#### Note 9. Defined Other Postemployment Benefit Plan

##### Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Postemployment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

#### Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all 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 retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees 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. There are no automatic postemployment benefit changes; including automatic cost of living adjustments.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates  
Effective September 1, 2016-December 31, 2017

	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and spouse	20	175	255
Retiree* and children	41	132	182
Retiree and family	61	237	337
Surviving children only	28	62	82

\* 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.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2018</u>	<u>2017</u>
Active employee	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.00%
Employers/District	0.75%	0.55%
Federal/private funding remitted by employers	1.25%	1.00%

The contribution amounts for the District's fiscal year 2018 are as follows:

District contributions	\$ 463,378
Member contributions	373,041
NECE on-behalf contributions (state)	717,387

In addition, the State of Texas contributed \$176,410, \$167,670, and \$216,534 in 2018, 2017 and 2016, respectively, for on-behalf payments for Medicare Part D.

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they 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 \$15.6 million in fiscal year 2017 and \$212 million in fiscal year 2018.

# Sheldon Independent School District

## Notes to the Basic Financial Statements

### Actuarial Assumptions

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Plan's Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following additional actuarial methods and assumptions were employed in the August 31, 2017 actuarial valuation of the total OPEB liability:

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Inflation	2.50%
Discount rate*	3.42%*
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll growth rate	2.50%
Projected salary increases**	3.50% to 9.50%**
Healthcare trend rates***	4.50% to 12.00%***
Election Rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

\*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.

\*\*Includes inflation at 2.50%

\*\*\*Initial trend rates are 7.00% for non-Medicare retiree; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

### Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

# Sheldon Independent School District

## Notes to the Basic Financial Statements

### Sensitivity of the Net OPEB Liability

#### Discount Rate

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the net OPEB liability.

Sensitivity of the Net OPEB Liability  
to the Single Discount Rate Assumptions

1% Decrease (2.42%)	Current Single Discount Rate (3.42%)	1% Increase (4.42%)
\$ 34,938,935	\$ 29,603,039	\$ 25,314,182

#### Healthcare Cost Trend Rates

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

Sensitivity of the Net OPEB Liability to  
the Healthcare Cost Trend Rate Assumptions

1% Decrease	Current Healthcare Cost Discount Rate (3.42%)	1% Increase
\$ 24,647,494	\$ 29,603,039	\$ 36,103,314

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

At August 31, 2018, the District reported a liability of \$29,603,039 for its proportionate share of the TRS's net OPEB liability. 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 net OPEB liability	\$ 29,603,039
State's proportionate share of the net OPEB liability associated with the District	43,880,484
<b>Total</b>	<b>\$ 73,483,523</b>

The net OPEB liability was measured as of August 31, 2017 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, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net OPEB liability was 0.0680745% which was the same proportion measured as of August 31, 2016.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

**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:

1. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

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

GASB 75 requires the District to record OPEB expense for the amount of the State's proportionate share of collective OPEB expense that is associated with the District, and record revenue in the same amount for the support provided by the State. For the measurement period ended August 31, 2017, the State's proportionate share of collected OPEB expense was a negative expense of \$8,504,163,580 and the portion of that amount that is associated with the District is a negative expense of \$14,683,577. This amount is recorded as a negative revenue and negative expense for the year ended August 31, 2018.

For the year ended August 31, 2018, the District recognized total negative OPEB expense of \$24,611,619, which includes both the District's proportionate share of collective OPEB expense and the portion of the State's proportionate share of collective OPEB expense that is associated with the District, as described above.

At August 31, 2018, the District reported the District's contribution after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ -	\$ 617,986
Changes of assumptions	-	11,765,021
Net difference between projected and actual earnings on pension plan investments	4,497	-
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	136	-
District contributions after measurement date	463,378	-
	<u>                    </u>	<u>                    </u>
<b>Totals</b>	<u>\$ 468,011</u>	<u>\$ 12,383,007</u>

## Sheldon Independent School District

### Notes to the Basic Financial Statements

\$463,378 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

Year Ending August 31,	
2019	\$ (1,633,341)
2020	(1,633,341)
2021	(1,633,341)
2022	(1,633,341)
2023	(1,634,465)
Thereafter	<u>(4,210,545)</u>
<b>Total</b>	<b><u>\$ (12,378,374)</u></b>

#### Note 10. Litigation and Other Contingencies

The District is a party to various legal actions, none of which is believed by the administration or its legal counsel to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies.

The District participates in a number of federal and state financial assistance programs. These programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

#### Note 11. Tax Abatements

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

The agreement was for each local business to invest a minimum capital investment totaling \$80,000,000 within the District's boundaries during a qualifying period and to create jobs. Such investment would be limited to taxable value of the lesser of qualified appraised value or \$80,000,000. The District's tax abatements expire in increments through December 31, 2027.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

For the fiscal year ended August 31, 2018, the District foregoes collecting property taxes totaling \$4,042,880 resulting from the M&O tax rate of \$1.17 per \$100 of taxable value. The qualified properties per the agreements had a taxable value of \$505,545,270 and was limited to a taxable value of \$160,000,000. However, in foregoing the property tax revenue, the District receives state funding through the Foundation School Program funding formula to offset the loss of property tax revenues. In addition, the local business receiving such property tax abatement has committed to compensate the District for the loss of M&O revenue, reimburse the District for all non-reimbursed costs for extraordinary education related expenses not funded by state aid, and compensate the District with a supplemental payment amount of 40% of the net tax benefit not to exceed the aggregate limit in the agreements.

#### Note 12. Prior Period Adjustment

Net position at or September 1, 2017 was restated per the following table for the implementation of GASB 75, as previously noted in Note 1.C and Note 9:

	<u>Governmental Activities</u>
Beginning net position, as originally reported	\$ 52,855,136
Implementation of GASB 75 for OPEB	<u>(51,909,455)</u>
<b>Beginning net position, restated</b>	<b><u><u>\$ 945,681</u></u></b>

## **Required Supplementary Information**

**Sheldon Independent School District**  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance – Budget and Actual  
General Fund  
For the Fiscal Year Ended August 31, 2018

**Exhibit G-1**

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 79,651,357	\$ 79,604,958	\$ 60,571,260	\$ (19,033,698)
5800	State program revenues	18,701,431	19,559,397	20,692,562	1,133,165
5900	Federal program revenues	3,828,500	3,828,500	1,604,395	(2,224,105)
5020	Total revenues	102,181,288	102,992,855	82,868,217	(20,124,638)
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	51,186,601	51,624,674	49,542,027	2,082,647
0012	Instructional resources and media services	888,993	875,515	828,509	47,006
0013	Curriculum and instructional staff development	329,057	312,798	260,753	52,045
0021	Instructional leadership	2,412,640	2,576,736	2,526,096	50,640
0023	School leadership	5,038,968	5,006,531	4,986,131	20,400
0031	Guidance, counseling, and evaluation services	2,021,275	1,997,174	1,959,508	37,666
0032	Social work services	40,000	40,000	36,584	3,416
0033	Health services	689,471	652,374	626,240	26,134
0034	Student transportation	4,319,219	4,801,731	4,697,374	104,357
0036	Cocurricular/extracurricular activities	1,999,048	2,011,940	1,789,804	222,136
0041	General administration	2,691,092	2,960,694	2,727,942	232,752
0051	Plant maintenance and operations	24,661,243	27,982,402	23,467,921	4,514,481
0052	Security and monitoring services	975,580	982,330	881,557	100,773
0053	Data processing services	1,170,747	1,193,308	1,073,747	119,561
0061	Community services	42,010	42,010	24,158	17,852
Debt service:					
0071	Principal on long-term debt	655,000	655,000	655,000	-
0072	Interest on long-term debt	102,197	102,197	102,197	-
Capital outlay:					
0081	Facilities acquisition and construction	331,260	578,095	331,555	246,540
Intergovernmental:					
0091	Contracted instructional services between schools	1,996,000	1,396,000	896,817	499,183
0095	Payments to juvenile justice alternative education programs	15,000	10,000	-	10,000
0099	Other intergovernmental charges	622,200	622,200	585,423	36,777
6030	Total expenditures	102,187,601	106,423,709	97,999,343	8,424,366
1100	Excess (deficiency) of revenues over (under) expenditures	(6,313)	(3,430,854)	(15,131,126)	(11,700,272)
<b>OTHER FINANCING SOURCES (USES)</b>					
7912	Sale of real and personal property	15,000	15,000	35,108	20,108
7915	Transfers in	1,805,588	2,359,939	-	(2,359,939)
7949	Other resources	3,251,706	3,350,706	18,605,877	15,255,171
8911	Transfers out	(1,746,529)	(1,779,537)	-	1,779,537
8949	Other uses	(3,324,164)	(519,966)	-	519,966
7080	Total other financing sources (uses)	1,601	3,426,142	18,640,985	15,214,843
7989	Other non-operating revenues	4,712	4,712	75,000	70,288
1200	Net change in fund balance	-	-	3,584,859	3,584,859
0100	Fund balance - beginning	19,712,472	19,712,472	19,712,472	-
3000	<b>FUND BALANCE - ENDING</b>	<b>\$ 19,712,472</b>	<b>\$ 19,712,472</b>	<b>\$ 23,297,331</b>	<b>\$ 3,584,859</b>

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

**Sheldon Independent School District**

**Exhibit G-2**

Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan Teacher Retirement System of Texas For the Last Four Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.05384%	0.05768%	0.05930%	0.03889%
District's proportionate share of the net pension liability	\$ 17,215,912	\$ 21,795,467	\$ 20,961,902	\$ 10,381,059
State's proportionate share of the net pension liability associated with the District	<u>26,638,986</u>	<u>32,398,523</u>	<u>30,914,126</u>	<u>25,647,821</u>
<b>TOTALS</b>	<u>\$ 43,854,898</u>	<u>\$ 54,193,990</u>	<u>\$ 51,876,028</u>	<u>\$ 36,028,880</u>
District's covered payroll	\$ 56,381,175	\$ 56,838,001	\$ 54,422,769	\$ 49,819,013
District's proportionate share of the net pension liability as a percentage of its covered payroll	30.53%	38.35%	38.52%	20.84%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

\* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31, of the prior year. Ten years of data is not available.

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

**Exhibit G-3**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>TRS</b>				
Contractually required contributions	\$ 1,777,997	\$ 1,764,641	\$ 1,832,559	\$ 1,755,911
Contributions in relation to the contractually required contributions	<u>(1,777,997)</u>	<u>(1,764,641)</u>	<u>(1,832,559)</u>	<u>(1,755,911)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 57,390,948	\$ 56,381,175	\$ 56,838,001	\$ 54,422,769
Contribution as a percentage of covered payroll	3.10%	3.13%	3.22%	3.23%

\* The amounts presented for the fiscal years were determined as of the District's fiscal year end August 31.  
 Ten years of data is not available.

**Sheldon Independent School District****Exhibit G-4**

Schedule of the District's Proportionate Share of the Net OPEB  
Liability of a Cost-Sharing Multiple-Employer OPEB Plan  
Teacher Retirement System of Texas  
Last Fiscal Year\*

	<u>2018</u>
District's proportion of the net OPEB liability	0.00681%
District's proportionate share of the net OPEB liability	\$ 29,603,039
State's proportionate share of the net pension liability associated with the District	<u>43,880,484</u>
<b>TOTAL</b>	<b><u>\$ 73,483,523</u></b>
District's covered payroll	\$ 56,381,175
District's proportionate share of the net pension liability as a percentage of its covered payroll	67.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

\* The amounts presented for the fiscal year were determined as of the Plan's fiscal year end, August 31, of the prior year.  
Ten years of data is not available.

**Sheldon Independent School District**  
 Schedule of the District's Contributions to the  
 Teacher Retirement System of Texas OPEB Plan  
 Last Fiscal Year\*

**Exhibit G-5**

	<u>2018</u>
<b>TRS</b>	
Contractually required contributions	\$ 463,378
Contributions in relation to the contractually required contributions	<u>(463,378)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u>\$ -</u>
District's covered payroll	\$ 57,390,948
Contribution as a percentage of covered payroll	0.81%

\* The amounts presented for the fiscal year were determined as of the District's fiscal year end August 31.  
 Ten years of data is not available.

## Sheldon Independent School District

### Notes to the Required Supplementary Information

#### Note 1. Budgets and Budgetary Accounting

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

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended August 31, 2018. No expenditures exceeded appropriations at the function level (the legal level of budgetary control) for the General Fund for the year ended August 31, 2018.

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

The official school budget was prepared for adoption for budgeted governmental fund types by August 15, 2017. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

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

In the governmental funds, significant encumbrances included \$2,629,052 in restricted fund balance for the General Fund and \$121,007,257 in restricted fund balance for the Capital Projects Fund.

The most significant variance between the final budget and actual results are related to local and intermediate sources and other resources. The variance is due to insurance recoveries of \$15,919,402 being budgeted as local and intermediate sources but reported as other resources within the other financing sources (uses) category.

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# Supplementary Information

**Sheldon Independent School District**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 Special Revenue Funds  
 August 31, 2018

<b>Data Control Codes</b>		<b>211</b>	<b>214</b>
		<b>ESSA, Title I, Part A - Improving Basic Programs</b>	<b>ESSA, Title I, Part A - School Improvement Grant</b>
	<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 968	\$ 1,655
1120	Current investments	-	-
1240	Due from other governments	314,815	772
1260	Due from other funds	-	-
1290	Other receivables	-	-
1300	Inventories	-	-
		<hr/>	<hr/>
1000	<b>TOTAL ASSETS</b>	<b>\$ 315,783</b>	<b>\$ 2,427</b>
		<hr/> <hr/>	<hr/> <hr/>
	<b>LIABILITIES</b>		
2110	Accounts payable	\$ 115,125	\$ -
2160	Accrued wages payable	-	-
2170	Due to other funds	200,658	2,427
2300	Unearned revenue	-	-
		<hr/>	<hr/>
2000	Total liabilities	315,783	2,427
		<hr/>	<hr/>
	<b>FUND BALANCES</b>		
	Restricted for:		
3450	Grants	-	-
	Committed to:		
3545	Other	-	-
		<hr/>	<hr/>
3000	Total fund balances	-	-
		<hr/>	<hr/>
4000	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 315,783</b>	<b>\$ 2,427</b>
		<hr/> <hr/>	<hr/> <hr/>

224	225	240	244	254	255
IDEA - Part B, Formula	IDEA - Part B, Preschool	National School Breakfast & Lunch Program	Career and Technical - Basic Grant	Perkins Career Cluster	ESSA, Title II, Part A - Teacher & Principal Training & Recruiting
\$ 171	\$ -	\$ 966,933	\$ 2,480	\$ -	\$ 177
-	-	629,039	-	-	-
168,205	963	259,762	38,370	60,536	78,641
-	-	125,020	-	-	-
-	-	-	-	-	-
-	-	89,184	-	-	-
<u>\$ 168,376</u>	<u>\$ 963</u>	<u>\$ 2,069,938</u>	<u>\$ 40,850</u>	<u>\$ 60,536</u>	<u>\$ 78,818</u>
\$ 89,618	\$ -	\$ 210,472	\$ 6,367	\$ 60	\$ 51,397
-	-	119,431	-	-	-
78,758	963	-	34,483	60,476	27,421
-	-	25,484	-	-	-
168,376	963	355,387	40,850	60,536	78,818
-	-	1,714,551	-	-	-
-	-	-	-	-	-
-	-	1,714,551	-	-	-
<u>\$ 168,376</u>	<u>\$ 963</u>	<u>\$ 2,069,938</u>	<u>\$ 40,850</u>	<u>\$ 60,536</u>	<u>\$ 78,818</u>

Sheldon Independent School District  
Combining Balance Sheet  
Nonmajor Governmental Funds  
Special Revenue Funds - Continued  
August 31, 2018

Data Control Codes		263	265
		Title III, Part A, English Language Acquisition & Enhancement	21st Century Grant
	<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 764	\$ 23,820
1120	Current investments	-	-
1240	Due from other governments	24,176	126,017
1260	Due from other funds	-	-
1290	Other receivables	-	-
1300	Inventories	-	-
		<hr/>	<hr/>
1000	<b>TOTAL ASSETS</b>	<u>\$ 24,940</u>	<u>\$ 149,837</u>
	<b>LIABILITIES</b>		
2110	Accounts payable	\$ 494	\$ -
2160	Accrued wages payable	-	-
2170	Due to other funds	24,446	149,837
2300	Unearned revenue	-	-
		<hr/>	<hr/>
2000	Total liabilities	24,940	149,837
	<b>FUND BALANCES</b>		
	Restricted for:		
3450	Grants	-	-
	Committed to:		
3545	Other	-	-
		<hr/>	<hr/>
3000	Total fund balances	-	-
		<hr/>	<hr/>
4000	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 24,940</u>	<u>\$ 149,837</u>

286	287	289	410	427	428
Project SERV Hurricane Recovery Grant	ESSA, Title IV, Part A, SSAE	Federally Funded Special Revenue Funds	State Textbook Fund	Pre-K Grant	Pre-K Grant 2
\$ 91	\$ -	\$ 14,151	\$ 24,064	\$ 18	\$ 881
-	-	-	-	-	-
4,305	37,639	770,242	4,987	-	-
-	-	-	94,729	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 4,396</u>	<u>\$ 37,639</u>	<u>\$ 784,393</u>	<u>\$ 123,780</u>	<u>\$ 18</u>	<u>\$ 881</u>
\$ -	\$ -	\$ -	\$ 4,987	\$ -	\$ -
-	-	-	-	-	-
4,396	37,639	784,393	-	18	881
-	-	-	118,793	-	-
<u>4,396</u>	<u>37,639</u>	<u>784,393</u>	<u>123,780</u>	<u>18</u>	<u>881</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 4,396</u>	<u>\$ 37,639</u>	<u>\$ 784,393</u>	<u>\$ 123,780</u>	<u>\$ 18</u>	<u>\$ 881</u>

**Sheldon Independent School District**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 Special Revenue Funds - Continued  
 August 31, 2018

429

461

Data Control Codes		State Funded Special Revenue Funds	Campus Activity Fund
<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 5,950	\$ 130,189
1120	Current investments	-	-
1240	Due from other governments	-	-
1260	Due from other funds	-	-
1290	Other receivables	-	427
1300	Inventories	-	-
1000	<b>TOTAL ASSETS</b>	<u>\$ 5,950</u>	<u>\$ 130,616</u>
<b>LIABILITIES</b>			
2110	Accounts payable	\$ -	\$ -
2160	Accrued wages payable	-	-
2170	Due to other funds	350	-
2300	Unearned revenue	5,600	-
2000	Total liabilities	5,950	-
<b>FUND BALANCES</b>			
Restricted for:			
3450	Grants	-	-
Committed to:			
3545	Other	-	130,616
3000	Total fund balances	-	130,616
4000	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,950</u>	<u>\$ 130,616</u>

465	481	482	
Pass Grant (ECHS)	Houston A+ Challenge	Summer College Readiness	Total Nonmajor Funds (See Exhibit C-1)
\$ -	\$ -	\$ -	\$ 1,172,312
-	-	-	629,039
-	-	-	1,889,430
-	-	-	219,749
-	-	-	427
-	-	-	89,184
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,000,141</u>
\$ -	\$ -	\$ -	\$ 478,520
-	-	-	119,431
-	-	-	1,407,146
-	-	-	149,877
-	-	-	2,154,974
-	-	-	1,714,551
-	-	-	130,616
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,845,167</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,000,141</u>

# Sheldon Independent School District

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Special Revenue Funds  
For the Fiscal Year Ended August 31, 2018

Data Control Codes		211	214
		ESSA, Title I, Part A - Improving Basic Programs	ESSA, Title I, Part A - School Improvement Grant
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	1,778,008	22,647
		<hr/>	<hr/>
5020	Total revenues	1,778,008	22,647
<b>EXPENDITURES</b>			
Current:			
0011	Instruction	1,743,310	22,647
0012	Instructional resources and media services	-	-
0013	Curriculum and instructional staff development	-	-
0021	Instructional leadership	-	-
0031	Guidance, counseling, and evaluation services	-	-
0035	Food services	-	-
0061	Community services	34,698	-
		<hr/>	<hr/>
6030	Total Expenditures	1,778,008	22,647
		<hr/>	<hr/>
1200	Net change in fund balances	-	-
0100	Fund balances - beginning	-	-
		<hr/>	<hr/>
3000	<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>

224	225	240	244	254	255
IDEA - Part B, Formula	IDEA - Part B, Preschool	National School Breakfast & Lunch Program	Career and Technical - Basic Grant	Perkins Career Cluster	ESSA, Title II, Part A - Teacher & Principal Training & Recruiting
\$ -	\$ -	\$ 449,249	\$ -	\$ -	\$ -
-	-	178,414	-	-	-
1,261,213	24,074	5,620,208	86,083	60,536	203,567
1,261,213	24,074	6,247,871	86,083	60,536	203,567
1,185,933	24,074	-	86,083	60,536	149,500
-	-	-	-	-	-
-	-	-	-	-	31,528
-	-	-	-	-	22,539
75,280	-	-	-	-	-
-	-	5,740,728	-	-	-
-	-	-	-	-	-
1,261,213	24,074	5,740,728	86,083	60,536	203,567
-	-	507,143	-	-	-
-	-	1,207,408	-	-	-
\$ -	\$ -	\$ 1,714,551	\$ -	\$ -	\$ -

**Sheldon Independent School District**

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Special Revenue Funds – Continued  
For the Fiscal Year Ended August 31, 2018

<u>Data Control Codes</u>		263	265
		<u>Math and Science Partnerships</u>	<u>21st Century Grant</u>
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	258,664	326,198
		<hr/>	<hr/>
5020	Total revenues	258,664	326,198
<b>EXPENDITURES</b>			
Current:			
0011	Instruction	245,763	326,198
0012	Instructional resources and media services	-	-
0013	Curriculum and instructional staff development	-	-
0021	Instructional leadership	2,334	-
0031	Guidance, counseling, and evaluation services	-	-
0035	Food services	-	-
0061	Community services	10,567	-
		<hr/>	<hr/>
6030	Total expenditures	258,664	326,198
1200	Net change in fund balances	-	-
0100	Fund balances - beginning	-	-
		<hr/>	<hr/>
3000	<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>

286	287	289	410	427	428
Project SERV Hurricane Recovery Grant	ESSA, Title IV, Part A, SSAE	Federally Funded Special Revenue Funds	State Textbook Fund	Pre-K Grant	Pre-K Grant 2
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	416,859	-	1,016
10,196	37,639	810,344	-	-	-
10,196	37,639	810,344	416,859	-	1,016
10,196	37,639	810,344	413,854	-	1,016
-	-	-	-	-	-
-	-	-	3,005	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,196	37,639	810,344	416,859	-	1,016
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## Sheldon Independent School District

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Special Revenue Funds – Continued  
For the Fiscal Year Ended August 31, 2018

<u>Data Control Codes</u>		429	461
		<u>State Funded Special Revenue Funds</u>	<u>Campus Activity Fund</u>
	<b>REVENUES</b>		
5700	Local and intermediate sources	\$ -	\$ 214,913
5800	State program revenues	33,600	-
5900	Federal program revenues	-	-
		<hr/>	<hr/>
5020	Total revenues	33,600	214,913
	<b>EXPENDITURES</b>		
	Current:		
0011	Instruction	33,600	224,370
0012	Instructional resources and media services	-	9,828
0013	Curriculum and instructional staff development	-	-
0021	Instructional leadership	-	-
0031	Guidance, counseling, and evaluation services	-	-
0035	Food services	-	-
0061	Community services	-	-
		<hr/>	<hr/>
6030	Total expenditures	33,600	234,198
1200	Net change in fund balances	-	(19,285)
0100	Fund balances - beginning	-	149,901
		<hr/>	<hr/>
3000	<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ 130,616</u>

465	481	482	Total Nonmajor Funds (See Exhibit C-2)
Pass Grant (ECHS)	Houston A+ Challenge	Summer College Readiness	
\$ -	\$ -	\$ -	\$ 664,162
-	-	-	629,889
-	-	-	10,499,377
-	-	-	11,793,428
237	93	364	5,375,757
-	-	-	9,828
-	-	-	31,528
-	-	-	27,878
-	-	-	75,280
-	-	-	5,740,728
-	-	-	45,265
237	93	364	11,306,264
(237)	(93)	(364)	487,164
237	93	364	1,358,003
\$ -	\$ -	\$ -	\$ 1,845,167

**Sheldon Independent School District**  
 Schedule of Delinquent Taxes Receivable  
 For the Fiscal Year Ended August 31, 2018

<u>Year Ended August 31,</u>	<u>Tax Rates</u>		<u>Assessed/Appraised Value For School Tax Purposes</u>
	<u>Maintenance</u>	<u>Debt Service</u>	
2009 and prior	\$ Various	\$ Various	\$ Various
2010	1.0400	0.3900	3,449,039,580
2011	1.0900	0.3400	3,243,212,098
2012	1.0900	0.3400	3,505,474,406
2013	1.0900	0.3400	3,638,719,292
2014	1.1700	0.2600	4,861,681,259
2015	1.1700	0.2600	4,931,143,966
2016	1.1700	0.2400	5,438,701,915
2017	1.1700	0.2400	5,318,091,348
2018 (School year under audit)	1.1700	0.3000	5,411,504,422
<b>1000 TOTALS</b>			

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

Exhibit J-1

Beginning Balance 9/1/2017	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/2018
\$ 223,209	\$ -	\$ 45,030	\$ 11,969	\$ 1,542	\$ 167,752
153,331	-	15,523	5,821	(25)	131,962
154,361	-	9,840	3,690	64	140,895
136,432	-	10,095	3,149	3,714	126,902
97,216	-	14,329	3,418	7,844	87,313
113,823	-	20,100	4,467	9,485	98,741
295,007	-	39,383	8,752	21,523	268,395
498,180	-	179,588	36,839	42,499	324,252
1,334,178	-	9,564	1,962	(535,663)	786,989
-	79,549,115	58,547,102	15,907,676	(3,643,994)	1,450,343
<u>\$ 3,005,737</u>	<u>\$ 79,549,115</u>	<u>\$ 58,890,554</u>	<u>\$ 15,987,743</u>	<u>\$ (4,093,011)</u>	3,583,544
				Penalty and interest receivable on taxes	<u>1,550,200</u>
				Total taxes receivable per Exhibit C-1	<u>\$ 5,133,744</u>
		\$ -	\$ -		

**Sheldon Independent School District**  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balances – Budget and Actual  
National School Breakfast and Lunch Program  
For the Fiscal Year Ended August 31, 2018

**Exhibit J-2**

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 957,780	\$ 957,780	\$ 449,249	\$ (508,531)
5800	State program revenues	136,950	162,955	178,414	15,459
5900	Federal program revenues	5,644,830	5,914,830	5,620,208	(294,622)
5020	Total revenues	6,739,560	7,035,565	6,247,871	(787,694)
<b>EXPENDITURES</b>					
Current:					
0035	Food services	6,741,733	7,037,738	5,740,728	1,297,010
6030	Total expenditures	6,741,733	7,037,738	5,740,728	1,297,010
1100	Excess (deficiency) of revenues over (under) expenditures	(2,173)	(2,173)	507,143	509,316
<b>OTHER FINANCING SOURCES (USES)</b>					
7915	Transfers in	2,173	2,173	-	(2,173)
7080	Total other financing sources (uses)	2,173	2,173	-	(2,173)
1200	Net change in fund balance	-	-	507,143	507,143
0100	Fund balance - beginning	1,207,408	1,207,408	1,207,408	-
3000	<b>FUND BALANCE - ENDING</b>	<b>\$ 1,207,408</b>	<b>\$ 1,207,408</b>	<b>\$ 1,714,551</b>	<b>\$ 507,143</b>

**Sheldon Independent School District**  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balances – Budget and Actual  
 Debt Service Fund  
 For the Fiscal Year Ended August 31, 2018

**Exhibit J-3**

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 16,050,000	\$ 16,370,000	\$ 16,586,876	\$ 216,876
5800	State program revenues	-	117,039	117,039	-
5020	Total revenues	16,050,000	16,487,039	16,703,915	216,876
<b>EXPENDITURES</b>					
Debt service:					
0071	Principal on long-term debt	9,111,887	8,470,000	8,470,000	-
0072	Interest on long-term debt	10,443,407	11,199,731	12,208,853	(1,009,122)
0073	Issuance costs and fees	30,000	32,602	26,492	6,110
6030	Total expenditures	19,585,294	19,702,333	20,705,345	(1,003,012)
1100	Excess (deficiency) of revenues over (under) expenditures	(3,535,294)	(3,215,294)	(4,001,430)	(786,136)
<b>OTHER FINANCING SOURCES (USES)</b>					
7901	Refunding bonds issued	695,000	695,000	695,000	-
7915	Transfers in	1,766,208	1,446,208	-	(1,446,208)
7916	Premium or discount on issuance of bonds	1,784,456	1,784,456	1,784,456	-
8940	Payment to refunded bonds escrow agent	(710,370)	(710,370)	(710,370)	-
7080	Total other financing sources (uses)	3,535,294	3,215,294	1,769,086	(1,446,208)
1200	Net change in fund balance	-	-	(2,232,344)	(2,232,344)
0100	Fund balance - beginning	19,741,521	19,741,521	19,741,521	-
3000	<b>FUND BALANCE - ENDING</b>	<b>\$ 19,741,521</b>	<b>\$ 19,741,521</b>	<b>\$ 17,509,177</b>	<b>\$ (2,232,344)</b>

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**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees of  
Sheldon Independent School District  
Houston, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sheldon Independent School District (the District) as of and for the year ended August 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2019.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness: 2018-001.

***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*.

To the Board of Trustees of  
Sheldon Independent School District

### **The District's Response to Findings**

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
January 15, 2019

**Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance**

To the Board of Trustees of  
Sheldon Independent School District  
Houston, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Sheldon Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

To the Board of Trustees of  
Sheldon Independent School District

## Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-002, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
January 15, 2019

**Sheldon Independent School District**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended August 31, 2018

**Section 1. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Federal Awards**

Internal control over major federal programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Type of auditor's report issued on compliance for major federal programs:	<u>unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Identification of major federal programs:		
10.553, 10.555 and 10.559	Child Nutrition Cluster	
84.938	Hurricane Education Grant	
Dollar threshold used to distinguish between type A and type B programs:	<u>\$750,000</u>	
Auditee qualified as a low-risk auditee?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

## **Section 2. Financial Statement Findings**

2018-001: Improper Recording of Cash and Cash Equivalents and Accounts Payable  
Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria:

Management is responsible for the accuracy and completeness of all financial records and related information, for recording entries in the proper period, and for establishing and maintaining effective internal control over financial reporting. The existence of a material misstatement of an entity's financial statements is an indication of a material weakness in internal control.

Condition:

During the audit it was determined that cash and accounts payable were understated by \$9,655,013 due to improper posting of checks written after year-end.

Cause:

During 2018, the District implemented new accounting software with a new posting process for recording accounts payable. The finance department staff was unfamiliar with the process and erroneously posted checks written during September 2018 as a reduction of cash and cash equivalents as of August 31, 2018.

Effect or Potential Effect:

Material misstatement of the District's financial statements was not prevented or detected and corrected by the District's system of internal control.

Recommendation:

We recommend the District obtain all necessary training on the new accounting software to ensure an accurate financial close and ensure amounts are recorded in the proper period.

Views of Responsible Officials and Planned Corrective Action Plan:

See corrective action plan

## **Section 3. Federal Award Findings and Questioned Costs**

2018-002: Emergency Impact Aid (84.938)  
Type of Finding: Significant Deficiency in Internal Control over Compliance  
Federal Agency: U.S. Department of Education  
Pass-Through Entity: State Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles

Criteria:

The terms and conditions of the District's Emergency Impact Aid grant provided that the funding was to be utilized for payment of the compensation of personnel in schools enrolling displaced students. Allowable costs included salaries of personnel originally funded through the District's general fund.

Condition:

While the grant funding was fully utilized for payment of personnel costs which were originally funded through the general fund, consistent with the terms and conditions of the grant award, during the audit we noted certain inconsistencies related to the supporting documentation maintained by the District pertaining to the allocation of these personnel costs. Specifically, we noted that the supporting documentation indicated that a portion of the personnel costs had originally been funded through another federal grant program, while the District's financial and accounting records indicated that all personnel costs had originally been funded through the general fund. This error in the supporting documentation was corrected by District personnel. As described above, the actual allocation of personnel costs had been made in accordance with the terms and conditions of the grant award, and therefore there was no actual instance of material noncompliance noted related to this documentation error. However, because this error was not identified and corrected prior to the audit, this condition is indicative of a deficiency in the District's internal controls over compliance.

Questioned Costs:

None

Cause:

The District's internal review procedures over the accounting adjustments and supporting documentation pertaining to the Emergency Impact Aid grant failed to detect the error in the supporting documentation.

Effect or Potential Effect:

A deficiency in the District's internal review procedures could potentially allow noncompliance to occur and fail to be detected and corrected.

Repeat Finding:

No

Recommendation:

We recommend the District's processes include sufficient detailed review to identify errors or irregularities in amounts charged to grants and the related supporting documentation.

Views of Responsible Officials and Planned Corrective Action Plan:

See corrective action plan.

**Section 4. Schedule of Prior Audit Findings and Questioned Costs**

None

# SHELDON INDEPENDENT SCHOOL DISTRICT

## Corrective Action Plan

2018-001 Improper Recording of Cash and Cash Equivalents and Accounts Payable

### Planned Corrective Action

Follow up with training needs on the Skyward Finance software, especially pertaining to year end process.

### Anticipated Completion Date

The District implemented the corrective action plan on 1/10/2019.

### Contact person

Name: Abraham George  
Title: CFO

2018-002 Emergency Impact Aid (84.938) – Allowable Costs/Cost Principles

### Planned Corrective Action

Revisit process for verifying eligible costs for grant programs and make changes needed for informed decision making.

### Anticipated Completion Date

The District implemented the corrective action plan on 1/10/2019.

### Contact person

Name: Abraham George  
Title: CFO

Board of Trustees

Ken Coleman, President  
Laticia Charlot, Vice President  
Eileen Palmer, Secretary  
Debbie Kolacny, Member  
Devora Myles, Member  
Keith Norwood, Member  
Fred Rivas, Member

King Davis  
Superintendent of Schools

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

**Sheldon Independent School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended August 31, 2018**

**Exhibit K-1**

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	18610101101924	\$ 1,823,336
TTL I 1003 School Improvement	84.010A	18610123101924	22,647
Total program 84.010			1,845,983
Special Education Cluster (IDEA):			
IDEA - Part B, Formula	84.027A	186600011019246600	1,291,977
IDEA - Part B, Preschool	84.173A	186610011019246610	24,074
Total Special Education Cluster (IDEA)			1,316,051
Career and Technology - Carl D. Perkins Basic Grant			
Perkins Career Cluster	84.048A	18420006101924	86,083
	84.048A	184200557110037	60,536
Total program 84.048			146,619
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	18671001101924	258,664
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	18694501101924	208,304
Summer School LEP	84.369A	69,551,702	10,684
Title IV, Part A, Subpart 1	84.424A	18680101101924	37,639
Project Serv Hurricane Recovery Grant	84.938G	18510701101924	10,196
Emergency Impact Aid	84.938C	51271901	760,344
Total program 84.938			770,540
Passed Through Harris County Department of Education:			
Title IV, Part B 21st Century Community Learning Centers	84.287C	S287C170044	326,198
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			4,920,682
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	00531	377,740
Passed Through State Department of Education - Cash Assistance:			
National School Breakfast Program	10.553	71401801	1,540,743
National School Lunch Program	10.555	71301801	3,262,059
Passed Through State Department of Agriculture - Cash Assistance:			
Summer Food Service Program	10.559	00531	81,535
Total Child Nutrition Cluster			5,262,077
Passed Through State Department of Agriculture - Cash Assistance:			
Child and Adult Care Food Program	10.558	00531	358,131
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			5,620,208
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
477 Cluster:			
Passed Through Gulf Coast Workforce Solutions Board			
Child Care and Development Funds - TWC Partnership	93.596	2818CCMC24	50,000
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			50,000
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through State of Texas Comptroller			
FEMA - Disaster Grants	97.036	4332-2801	20,508
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			20,508
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 10,611,398</b>

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

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**Sheldon Independent School District**  
 Notes to Schedule of Expenditures of Federal Awards

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2018. The information in this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District. The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

**Note 2. Summary of Significant Accounting Policies**

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

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

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

**Note 3. Reconciliation to Basic Financial Statements**

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

Total expenditures of federal awards per Exhibit K-1	\$ 10,611,398
SHARS	1,061,030
Federal interest subsidy	431,344
	<hr/>
<b>Total federal revenues per Exhibit C-2</b>	<b>\$ 12,103,772</b>
	<hr/> <hr/>

**Sheldon Independent School District**  
 Schedule of Required Responses to  
 Selected School FIRST Indicators (Unaudited)  
 For the Fiscal Year Ended August 31, 2018

**Exhibit L-1**

<u>Data Control Codes</u>	<u>Responses</u>
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4 Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5 Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6 Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7 Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8 Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10 Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end?	\$ 71,078
SF11 Net pension assets (1920) at fiscal year-end.	\$ -
SF12 Net pension liabilities (2540) at fiscal year-end.	\$ 17,215,912