

# **Shepherd Independent School District**

Annual Financial Report

For the Fiscal Year Ended August 31, 2020

**Shepherd Independent School District**  
Annual Financial Report  
For the Fiscal Year Ended August 31, 2020  
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**Certificate of the Board**

**Shepherd Independent School District**  
Name of School District

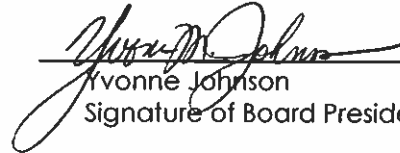
**San Jacinto**  
County

**204-904**  
Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and  approved \_\_\_\_\_ disapproved for the fiscal year ended August 31, 2020 at a meeting of the Board of Managers of such school district on the 17<sup>th</sup> day of December, 2020.



Andy Reeves  
Signature of Board Vice President



Yvonne Johnson  
Signature of Board President

If the Board of Managers disapproved the auditor's report, the reason(s) for disapproving it is/are (attach list as necessary):

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# Financial Section

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## Independent Auditor's Report

To the Board of Managers of  
Shepherd Independent School District  
Shepherd, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shepherd Independent School District (the District), as of and for the fiscal year ended August 31, 2020, 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*

The District's 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.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shepherd Independent School District, as of August 31, 2020, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.  
1406 Wilson Road, Suite 100 / Conroe, Texas 77304

Main: 936.756.8127

The Board of Managers of  
Shepherd Independent School District

***Emphasis of Matter***

As discussed in Note 1 to the basic financial statements, during the year ended August 31, 2020, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Beginning net position and beginning fund balance has been restated as a result of the implementation of 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 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.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 (Other Information) 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.

The Board of Managers of  
Shepherd Independent School District

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020 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.

Conroe, Texas  
December 14, 2020

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## Management's Discussion and Analysis (Unaudited)

As management of Shepherd Independent School District, we offer the readers of the accompanying annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2020. Please read it in conjunction with the District's financial statements, as indicated in the table of contents.

### Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,756,040 (net position). Unrestricted net position is a deficit (\$795,052), which includes recognition of the District's net pension and OPEB liabilities as well as related deferred outflows/inflows.
- The District's net position increased by \$565,385 as a result of current year operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$11,783,777, an increase of \$924,697 as a result of current year operations. Some of which is a result of reduced expenditures due to COVID-19 and the early phases of the pandemic.
- Implementation of GASB 84, *Fiduciary Activities*, in the current year resulted in a \$172,037 restatement of beginning net position and beginning fund balance.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,348,931, or 24 percent of total general fund expenditures.
- The District's net bonded debt decreased by \$843,560 primarily due to scheduled debt service payments.

### Overview of the Financial Statements

Type of Statements	Government-Wide	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire District's government (except fiduciary funds) and the District's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self-insurance
<i>Required Financial Statements</i>	Statement of Net Position, Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures & Changes in Fund Balance	Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows
<i>Accounting Basis and Measurement Focus</i>	Accrual Accounting and Economic Resources Focus	Modified Accrual Accounting and Current Financial Resources Focus	Accrual Accounting and Economic Resources Focus
<i>Type of Asset/Liability Information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of Deferred outflows/inflows</i>	A consumption or acquisition of net position applicable to a future period	A consumption or acquisition of fund balance applicable to a future period	A consumption or acquisition of net position applicable to a future period
<i>Type of inflows/outflows information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

The table on the previous page summarizes the major features of the District's financial statements, including the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each statement.

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 supplementary and other information in addition to the basic financial statements themselves.

**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 a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the most recent fiscal year. 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 transactions that will not result in cash flows until future fiscal periods (e.g. pension and OPEB benefits).

The government-wide financial operations of the District (*governmental activities*) of the District are principally supported by property taxes and state funding (general revenues) and operating grants provided through local, state and federal sources (program 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, extracurricular activities, general administration, plan maintenance and operations, security and monitoring services, data processing services, community services, interest on long-term debt, issuance costs and fees, facilities repair and maintenance, payments related to shared service arrangements and other intergovernmental charges.*

The government-wide financial statements report the District's net position and changes thereof. However, to fully assess the overall health of the District, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

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

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities 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 reported into one category: governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental 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-two 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 and debt service fund, which are considered to be major funds. Data from the other twenty governmental funds are combined into a single, aggregated presentation titled *Total Nonmajor Funds*.

The basic governmental 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 can be found as noted in the table of contents of this report.

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

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

The combining statements for nonmajor funds are presented immediately following the required supplementary information and contain even more information about the District's individual funds. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies.

## Government-wide Financial Analysis

The following analysis focuses on the net position (Table 1) and changes in net position (Table II) of the District's governmental activities.

As noted earlier, net position may, over time, serve as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,756,040 at the close of the most recent fiscal year.

**Table I**  
**Shepherd Independent School District's Net Position**

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 14,721,343	32	\$ 13,398,474	31	\$ 1,322,869	10
Capital assets	31,678,280	68	29,145,866	69	2,532,414	9
Total assets	46,399,623	100	42,544,340	100	3,855,283	
Total deferred outflows of resources	8,825,131	100	6,840,352	100	1,984,779	29
Current liabilities	1,710,461	4	1,375,795	4	334,666	24
Noncurrent liabilities	37,835,289	96	35,032,649	96	2,802,640	8
Total liabilities	39,545,750	100	36,408,444	100	3,137,306	
Total deferred inflows of resources	4,922,964	100	2,957,630	100	1,965,334	66
Net position						
Net investment in capital assets	10,716,324	100	9,479,113	95	1,237,211	13
Restricted	834,768	7	139,285	1	695,483	499
Unrestricted	(795,052)	(7)	400,220	4	(1,195,272)	(299)
<b>Total net position</b>	<b>\$ 10,756,040</b>	<b>100</b>	<b>\$ 10,018,618</b>	<b>100</b>	<b>\$ 737,422</b>	

Net investment in capital assets (e.g. capital assets, net of accumulated depreciation and less any related debt used to acquire those assets that is still outstanding) represents the largest portion of the District's net position. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's net investment in capital assets is report 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.

Restricted net position represents resources dedicated to debt service and administration of state and federal grants.

Unrestricted net position represents resources that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The existence of a deficit unrestricted net position (\$795,052) is the result of recognition of the District's obligation for net pension and OPEB liabilities.

Governmental activities increased the District's net position by \$565,385 from current year operations. The District also reported an increase in net position of \$172,037 in the current year resulting from the implementation of GASB 84. The elements giving rise to the change may be determined from the table below.

**Table II**  
**Shepherd Independent School District's Changes in Net Position**

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	\$ 314,320	1	\$ 734,644	2	\$ (420,324)	(57)
Operating grants and contributions	4,883,645	18	5,454,569	5	(570,924)	(10)
General revenues:						
Property taxes, levied for general purposes	5,179,522	20	4,696,715	20	482,807	10
Property taxes, levied for debt service	1,079,067	4	584,561	3	494,506	85
Grants and contributions not restricted to specific programs	14,834,859	56	14,530,143	69	304,716	2
Investment earnings	137,534	1	193,248	1	(55,714)	(29)
Miscellaneous	34,467	-	1,204	-	33,263	2,763
Total revenues	<u>26,463,414</u>	100	<u>26,195,084</u>	100	<u>268,330</u>	
Expenses:						
Instruction	12,804,801	49	12,751,999	45	52,802	-
Instructional resources and media services	162,918	1	146,874	2	16,044	11
Curriculum and instructional staff development	928,819	3	762,987	1	165,832	22
Instructional leadership	698,978	3	538,217	1	160,761	30
School leadership	1,315,344	5	1,280,649	5	34,695	3
Guidance, counseling, and evaluation services	1,017,177	4	1,023,168	2	(5,991)	(1)
Social work services	39,414	-	38,878	-	536	1
Health services	286,132	1	246,480	1	39,652	16
Student transportation	946,444	4	951,540	7	(5,096)	(1)
Food services	1,452,455	6	1,491,634	7	(39,179)	(3)
Extracurricular activities	813,743	3	592,506	4	221,237	37
General administration	1,193,236	4	919,479	4	273,757	30
Plant maintenance and operations	2,302,129	9	1,999,721	12	302,408	15
Security and monitoring services	305,972	1	283,096	1	22,876	8
Data processing services	675,764	3	625,936	1	49,828	8
Community services	7,740	-	27,098	-	(19,358)	(71)
Interest on long-term debt	693,180	3	669,919	4	23,261	3
Issuance costs and fees	55,846	-	1,500	1	54,346	3,623
Facilities repair and maintenance	-	-	12,602	-	(12,602)	(100)
Payments related to shared services arrangements	-	-	493,747	1	(493,747)	(100)
Other intergovernmental charges	197,937	1	146,828	1	51,109	35
Total expenses	<u>25,898,029</u>	100	<u>25,004,858</u>	100	<u>893,171</u>	
Change in net position	565,385		1,190,226		(624,841)	
Net position - beginning	10,018,618		8,828,392		1,190,226	
Cumulative effect of implementation of GASB 84	<u>172,037</u>		<u>-</u>		<u>172,037</u>	
Net position - beginning, as restated	<u>10,190,655</u>		<u>8,828,392</u>		<u>1,362,263</u>	
<b>Net position - ending</b>	<u>\$ 10,756,040</u>		<u>\$ 10,018,618</u>		<u>\$ 737,422</u>	

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues) totaling \$19,718,504 represent 74% of total revenues, and property taxes totaling \$6,258,589 represent 24% of total revenues. The remaining 2% is generated from investment earnings, charges for services, and miscellaneous revenues. The most significant change was an increase of approximately \$977k of property taxes in the current year.

The primary functional expense of the District is instruction (\$12,804,801), which represents 49% of total expenses. The remaining functional categories of expenses are individually 10% or less of total expenditures. The cost of all governmental activities in the current year was \$25,898,029 compared to \$25,004,858 in the prior year. The most significant change was an increase of approximately \$1.2mm in pension and OPEB expenses in the current year.

### **Governmental Fund Financial Analysis**

At the end of the fiscal year, the District's governmental funds had combined ending fund balances of \$11,783,777, an increase of \$924,697 from current year operations and \$172,037 from implementation of GASB 84, *Fiduciary Activities*.

Fund balance is the accumulated excess of revenues over expenditures during the life of a school District. At any given point, the amount in fund balance represents the difference between governmental fund assets and liabilities. Although fund balance may change drastically during the business cycle of a school District, the standard measuring point is at the fiscal year end.

The amount maintained in fund balance is critical. First, such balances indicate financial stability. This is especially important when the District issues bonds. Second, by maintaining this balance at August 31, operations can continue without requiring debt until state funds and taxes are received. State funds are generally received in the first three and last five months of the fiscal year.

Local property taxes are received primarily from early October through the end of January. The Appraisal District mails tax statements in early October.

The District records five types of fund balance categories. The nonspendable portion of General Fund balance is comprised of inventories, prepaid items, and permanent fund principal that cannot be converted to cash and spent. Restricted fund balance is the amount that is restricted to a specific purpose. The constraint on the use of these funds is externally imposed by creditors, grantors, contributors, laws and regulations. Committed fund balance is the amount that can only be used for specific purposes that the Board of Trustees determines through formal action. Assigned fund balance is the amount that the District intends to use on a specific purpose. The Superintendent or designee has the authority to assign fund balance and does not need formal board approval. The remaining fund balance is unassigned and may be used for any purpose without constraints.

The general fund is the primary operating fund of the District. At year end, unassigned fund balance of the general fund was \$5,348,931, while total fund balance was \$10,943,680. 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 24 percent (or 3 months) of total general fund expenditures, while total fund balance represents 48 percent (or 6 months) of that same total. The District has committed \$3.3mm of total fund balance to pay for future construction needs of the District.

The fund balance of the general fund increased \$798,852 during the year. General fund revenue increased \$1.4mm from the prior year primarily due to an increase in property tax values that outweighed the decrease in tax rates. General fund expenditures increased by \$3.5mm due primarily to the rebuild of the HVAC Water Source Heat Pump System at Shepherd High School.

The debt service fund ended the year with a total fund balance of \$531,834, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased \$79,985 during the year, primarily due to an increase in property tax revenues resulting from rising appraised tax values.

### General Fund Budgetary Highlights

The District amends the budget as needed throughout the year. The most significant difference between the original budget and the final amended budget of the general fund was an increase of \$3.5mm in facilities acquisition and construction expenditures related to the aforementioned HVAC project to improve energy efficiency.

The most significant difference between the final amended budget and actual expenditures of the general fund was an excess of \$1.1mm in budgeted expenditures for instructional salaries. This was a result of the decline of wages paid to auxiliary and part-time employees related to the unexpected disruption in District operations from the COVID-19 pandemic starting in March 2020.

### Capital Assets and Long-Term Liabilities

**Capital Assets.** The District’s investment in capital assets for its governmental type activities as of August 31, 2020, amounts to \$31,678,280 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, infrastructure, and construction in progress. The increase of investment in capital assets for the current fiscal year was offset by the current year’s depreciation expense resulting in a net increase of 9%.

Major capital asset events during the current fiscal year included the following:

- \$3,446,797 – HVAC Water Source Heat Pump System
- \$208,678 – New school buses
- \$119,999 – Serving line at Shepherd Middle School

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

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 766,976	2	\$ 766,976	3	\$ -	-
Buildings and improvements	24,510,178	78	25,649,062	88	(1,138,884)	(4)
Furniture and equipment	2,852,728	9	2,651,005	9	201,723	8
Infrastructure	101,601	-	78,823	-	22,778	29
Construction in progress	3,446,797	11	-	-	3,446,797	100
<b>Totals</b>	<b>\$ 31,678,280</b>	<b>100</b>	<b>\$ 29,145,866</b>	<b>100</b>	<b>\$ 2,532,414</b>	

Additional information on the District’s capital assets can be found in the notes to the basic financial statements as listed in the table of contents.

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

**Shepherd Independent School District's Long-term Liabilities Outstanding**

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds	\$ 20,269,224	55	\$ 21,112,784	60	\$ (843,560)	(4)
Maintenance tax notes payable	2,060,000	5	-	-	2,060,000	
Compensated absences	33,347	-	28,000	-	5,347	19
Net pension liability	6,993,361	18	6,089,810	17	903,551	15
Net OPEB liability	8,479,357	22	7,802,055	23	677,302	-
<b>Totals</b>	<b>\$ 37,835,289</b>	<b>100</b>	<b>\$ 35,032,649</b>	<b>100</b>	<b>\$ 2,802,640</b>	

The District's total long-term indebtedness increased \$2,802,640 over the prior year. This increase is primarily the result of issuance of the Series 2019 Maintenance Tax Notes, as well as increases in the net pension and net OPEB liabilities. The District is required to record a net pension and OPEB liability for its proportionate share of participation in the Teacher Retirement System of Texas (TRS) Pension and TRS-Care (OPEB) plans.

The District's general obligation debt is backed by the full faith and credit of the District, as further guaranteed by the Texas Permanent School Fund Bond Guarantee Program. State statutes do not limit the tax rate or amount of local tax support of school districts' bonded indebtedness. However, approval of the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term liabilities can be found in the notes to the basic financial statements as listed in the table of contents.

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

The Shepherd Independent School District is located along the I-59 corridor. Shepherd, Texas is approximately 40 minutes North of Houston located in San Jacinto County. The current unemployment rate for the County is 4.6% which is a decrease from the prior year's rate of 5.0%. This compares favorably to the state's average unemployment rate of 6.8%. Shepherd ISD is the largest employer located within the city limits with 141 teachers and 60 teachers' aides and secretaries.

The District expects student enrollment to remain steady after a decrease in the 2020 fiscal year.

While there is uncertainty in the area of school finance at both the local, state and federal levels, the District maintains a fund balance both for operational purposes and for future facility needs. Additionally, the District's debt service fund is generated through the interest and sinking rate. The District has taken steps to decrease the amount of debt service owed for future years by refunding higher interest bonds. This allows the District's interest and sinking rate to remain stable regardless of future changes in assessed values.

The District's adjusted taxable value used for the 2020-2021 school year budget preparation increased from the previous year due to a reappraisal of properties within the District and the addition of omitted properties to the tax roll.

Other considerations impacting the budget are projects supporting technology infrastructure, maintaining competitive salaries, overcoming aging facilities and hiring highly qualified staff and supporting the instructional and operational framework due a pandemic.

With these estimates and considerations, the District's budgetary General Fund balance is expected to decrease slightly. Shepherd ISD will be assessing and prioritizing its capital improvement needs.

### **Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Shepherd Independent School District, 1401 South Byrd Avenue, Shepherd, Texas, 77371.

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# Basic Financial Statements

Shepherd Independent School District  
Statement of Net Position  
August 31, 2020

Exhibit A-1

1

<u>Data Control Codes</u>	<u>Primary Governmental Governmental Activities</u>
<b>ASSETS</b>	
1110 Cash and cash equivalents	\$ 1,494,160
1120 Investments	10,921,707
1220 Property taxes receivable	1,381,011
1230 Allowance for uncollectible taxes	(124,783)
1240 Due from other governments	828,953
1290 Other receivables	1,154
1300 Inventories	114,641
1410 Prepaid items	104,500
Capital assets, not being depreciated:	
1510 Land and improvements	766,976
1580 Construction in progress	3,446,797
Capital assets, net of accumulated depreciation:	
1520 Buildings and improvements	24,510,178
1530 Furniture and equipment	2,852,728
1590 Infrastructure	101,601
1000 Total assets	<u>46,399,623</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred outflows - pension	4,271,443
1706 Deferred outflows - OPEB	3,186,420
1710 Deferred charge on refunding	1,367,268
1700 Total deferred outflows of resources	<u>8,825,131</u>
<b>LIABILITIES</b>	
2110 Accounts payable	680,701
2140 Interest payable	29,123
2160 Accrued wages payable	463,885
2180 Due to other governments	512,785
2200 Accrued liabilities	49
2300 Unearned revenue	23,918
Noncurrent liabilities:	
2501 Due within one year	945,000
2502 Due in more than one year	21,417,571
2540 Net pension liabilities	6,993,361
2545 Net OPEB liabilities	8,479,357
2000 Total liabilities	<u>39,545,750</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred inflows - pension	1,254,668
2606 Deferred inflows - OPEB	3,668,296
2600 Total deferred inflows of resources	<u>4,922,964</u>
<b>NET POSITION</b>	
3200 Net investment in capital assets	10,716,324
3820 Restricted for grants	141,594
3850 Restricted for debt service	693,174
3900 Unrestricted	(795,052)
3000 <b>TOTAL NET POSITION</b>	<u>\$ 10,756,040</u>

The Notes to the Financial Statements are an integral part of this statement.

Shepherd Independent School District  
Statement of Activities  
For the Fiscal Year Ended August 31, 2020

Exhibit B-1

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues		5 Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
				Operating Grants and Contributions	Capital Grants and Contributions		
<b>PRIMARY GOVERNMENT</b>							
Governmental activities:							
0011	Instruction	\$ 12,804,801	\$ 9,375	\$ 1,651,388	\$ -	\$ -	\$ (11,144,038)
0012	Intructional resources and media services	162,918	-	18,960	-	-	(143,958)
0013	Curriculum and instructional staff development	928,819	-	542,749	-	-	(386,070)
0021	Instructional leadership	698,978	-	170,495	-	-	(528,483)
0023	School leadership	1,315,344	-	102,715	-	-	(1,212,629)
0031	Guidance, counseling, and evaluation services	1,017,177	-	286,411	-	-	(730,766)
0032	Social work services	39,414	-	-	-	-	(39,414)
0033	Health services	286,132	-	44,908	-	-	(241,224)
0034	Student transportation	946,444	-	92,534	-	-	(853,910)
0035	Food services	1,452,455	77,084	1,192,468	-	-	(182,903)
0036	Extracurricular activities	813,743	221,618	29,100	-	-	(563,025)
0041	General administration	1,193,236	-	70,672	-	-	(1,122,564)
0051	Plant maintenance and operations	2,302,129	6,243	199,936	-	-	(2,095,950)
0052	Security and monitoring services	305,972	-	20,858	-	-	(285,114)
0053	Data processing services	675,764	-	28,405	-	-	(647,359)
0061	Community services	7,740	-	6,110	-	-	(1,630)
0072	Interest on long-term debt	693,180	-	425,936	-	-	(267,244)
0073	Issuance cost and fees	55,846	-	-	-	-	(55,846)
0099	Other intergovernmental charges	197,937	-	-	-	-	(197,937)
TG	Total governmental activities	25,898,029	314,320	4,883,645	-	-	(20,700,064)
TP	<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 25,898,029</u>	<u>\$ 314,320</u>	<u>\$ 4,883,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(20,700,064)</u>
General revenues:							
MT	Property taxes, levied for general purposes						5,179,522
DT	Property taxes, levied for debt service						1,079,067
GC	Grants and contributions not restricted to specific programs						14,834,859
IE	Investment earnings						137,534
MI	Miscellaneous						34,467
TR	Total general revenues						<u>21,265,449</u>
CN	Change in net position						565,385
NB	Net position - beginning						<u>10,018,618</u>
PA	Cumulative effect of implementation of GASB 84						<u>172,037</u>
	Net position - beginning, as restated						<u>10,190,655</u>
NE	<b>NET POSITION - ENDING</b>						<u>\$ 10,756,040</u>

The Notes to the Financial Statements are an integral part of this statement.

Shepherd Independent School District  
 Balance Sheet  
 Governmental Funds  
 August 31, 2020

Exhibit C-1

		199	599		98
Data Control Codes		General Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
1110	Cash and cash equivalents	\$ 996,304	\$ 273,421	\$ 224,435	\$ 1,494,160
1120	Investments	9,861,498	402,620	657,589	10,921,707
1220	Property taxes receivable	1,167,954	213,057	-	1,381,011
1230	Allowance for uncollectible taxes	(102,189)	(22,594)	-	(124,783)
1240	Due from other governments	609,768	25,123	194,062	828,953
1260	Due from other funds	740,968	-	-	740,968
1290	Other receivables	-	-	1,154	1,154
1300	Inventories	84,380	-	30,261	114,641
1410	Prepaid items	-	-	104,500	104,500
1000	Total assets	<u>13,358,683</u>	<u>891,627</u>	<u>1,212,001</u>	<u>15,462,311</u>
1000a	<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 13,358,683</u>	<u>\$ 891,627</u>	<u>\$ 1,212,001</u>	<u>\$ 15,462,311</u>
<b>LIABILITIES</b>					
2110	Accounts payable	\$ 585,442	\$ -	\$ 95,259	\$ 680,701
2160	Accrued wages payable	420,297	-	43,588	463,885
2170	Due to other funds	-	-	740,968	740,968
2180	Due to other governments	343,455	169,330	-	512,785
2200	Accrued liabilities	44	-	5	49
2300	Unearned revenue	-	-	23,918	23,918
2000	Total liabilities	<u>1,349,238</u>	<u>169,330</u>	<u>903,738</u>	<u>2,422,306</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2600	Unavailable revenue - property taxes	<u>1,065,765</u>	<u>190,463</u>	<u>-</u>	<u>1,256,228</u>
	Total deferred inflows of resources	<u>1,065,765</u>	<u>190,463</u>	<u>-</u>	<u>1,256,228</u>
<b>FUND BALANCES</b>					
3410	Non-spendable - inventories	84,380	-	-	84,380
3450	Restricted - grant funds	-	-	141,594	141,594
3480	Restricted - debt service	-	531,834	-	531,834
3510	Committed - construction	3,276,749	-	-	3,276,749
3545	Committed - campus activity	-	-	166,669	166,669
3565	Assigned - retirement of notes payable	2,060,000	-	-	2,060,000
3590	Assigned - purchases on order/contracts	173,620	-	-	173,620
3600	Unassigned	<u>5,348,931</u>	<u>-</u>	<u>-</u>	<u>5,348,931</u>
3000	Total fund balances	<u>10,943,680</u>	<u>531,834</u>	<u>308,263</u>	<u>11,783,777</u>
4000	<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 13,358,683</u>	<u>\$ 891,627</u>	<u>\$ 1,212,001</u>	<u>\$ 15,462,311</u>

The Notes to the Financial Statements are an integral part of this statement.

**Shepherd Independent School District**  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 August 31, 2020

**Exhibit C-1R**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)** \$ 11,783,777

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 costs	\$ 55,209,630	
Accumulated depreciation of governmental capital assets	<u>(23,531,350)</u>	31,678,280

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.		1,256,228
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Long-term liabilities, including bonds and notes payable, compensated absences payable, 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. Liabilities at year end related to such items consist of:

Bonds payable, at original par	\$ (18,875,000)	
Premium on bonds payable	(1,394,224)	
Accrued interest on the bonds	(29,123)	
Compensated absences payable	(33,347)	
Notes payable	(2,060,000)	
Net pension liability	(6,993,361)	
Net OPEB liability	<u>(8,479,357)</u>	(37,864,412)

Deferred charge on refunding is reported as deferred outflow in the statement of net position and is not reported in the funds due to it is not a current financial resource available to pay for current expenditures.		1,367,268
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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.		4,271,443
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Deferred inflows of resources 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.		(1,254,668)
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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.		3,186,420
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Deferred inflows of resources 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.		<u>(3,668,296)</u>
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**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)** \$ 10,756,040

**Shepherd Independent School District**  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended August 31, 2020

**Exhibit C-2**

Data Control Codes	199 General Fund	599 Debt Service Fund	Total Nonmajor Funds	98 Total Governmental Funds
<b>REVENUES</b>				
5700 Local and intermediate sources	\$ 5,506,061	\$ 1,081,568	\$ 270,711	\$ 6,858,340
5800 State program revenues	15,694,603	425,936	286,152	16,406,691
5900 Federal program revenues	179,483	-	2,413,171	2,592,654
5020 Total revenues	<u>21,380,147</u>	<u>1,507,504</u>	<u>2,970,034</u>	<u>25,857,685</u>
<b>EXPENDITURES</b>				
Current:				
0011 Instruction	10,267,343	-	622,064	10,889,407
0012 Instructional resources and media services	142,286	-	10,208	152,494
0013 Curriculum and instructional staff development	235,671	-	438,727	674,398
0021 Instructional leadership	442,223	-	107,052	549,275
0023 School leadership	1,084,141	-	-	1,084,141
0031 Guidance, counseling, and evaluation services	610,628	-	201,011	811,639
0032 Social work services	39,214	-	200	39,414
0033 Health services	218,122	-	24,951	243,073
0034 Student transportation	1,007,747	-	48,712	1,056,459
0035 Food services	7,876	-	1,152,179	1,160,055
0036 Extracurricular activities	576,885	-	171,573	748,458
0041 General administration	1,032,736	-	-	1,032,736
0051 Plant maintenance and operations	2,135,160	-	-	2,135,160
0052 Security and monitoring services	268,794	-	18,153	286,947
0053 Data processing services	613,404	-	-	613,404
0061 Community services	-	-	6,145	6,145
Debt service:				
0071 Principal on long-term debt	-	229,353	-	229,353
0072 Interest on long-term debt	32,548	1,195,915	-	1,228,463
0073 Issuance costs and fees	53,595	2,251	-	55,846
Capital outlay:				
0081 Facilities acquisition and construction	3,678,185	-	119,999	3,798,184
Intergovernmental:				
0099 Other intergovernmental charges	197,937	-	-	197,937
6030 Total expenditures	<u>22,644,495</u>	<u>1,427,519</u>	<u>2,920,974</u>	<u>26,992,988</u>
1100 Excess (deficiency) of revenues over (under) expenditures	(1,264,348)	79,985	49,060	(1,135,303)
<b>OTHER FINANCING SOURCES (USES)</b>				
7914 Proceeds from issuance of notes	2,060,000	-	-	2,060,000
7915 Transfers in	3,200	-	-	3,200
8911 Transfers out	-	-	(3,200)	(3,200)
7080 Total other financing sources (uses)	<u>2,063,200</u>	<u>-</u>	<u>(3,200)</u>	<u>2,060,000</u>
1200 Net change in fund balances	798,852	79,985	45,860	924,697
0100 Fund balances - beginning	10,144,828	451,849	90,366	10,687,043
Cumulative effect of implementation of GASB 84				
	-	-	172,037	172,037
Fund balances - beginning, as restated	<u>10,144,828</u>	<u>451,849</u>	<u>262,403</u>	<u>10,859,080</u>
3000 <b>FUND BALANCES - ENDING</b>	<u>\$ 10,943,680</u>	<u>\$ 531,834</u>	<u>\$ 308,263</u>	<u>\$ 11,783,777</u>

The Notes to the Financial Statements are an integral part of this statement.

**Shepherd 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, 2020

**Exhibit C-3**

**TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2)** \$ 924,697

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 cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital assets increased	\$ 4,228,014	
Depreciation expense	<u>(1,695,600)</u>	2,532,414

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered available revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. (108,370)

Issuance of notes payable provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. (2,060,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 229,353

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The (increase) decrease in interest expense reported in the statement of activities consist of the following:

Accreted interest paid	\$ 540,647	
Interest accreted on the capital appreciation bonds	(6,134)	
Accrued interest on current interest bonds payable ( <i>increased</i> ) <i>decreased</i>	(161)	
Amortization of bond premiums	79,694	
Amortization of deferred charge on refunding	<u>(78,763)</u>	535,283

The net change in net pension liability, 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 revenue or expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 578,424	
Deferred inflows (increased) decreased	(764,236)	
Net pension liability (increased) decreased	<u>(903,551)</u>	(1,089,363)

The net change in net OPEB liability, 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 revenue or expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 1,485,118	
Deferred inflows (increased) decreased	(1,201,098)	
Net OPEB liability (increased) decreased	<u>(677,302)</u>	(393,282)

The (increase) 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. (5,347)

**CHANGE IN NET POSITION FOR GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)** \$ 565,385

The Notes to the Financial Statements are an integral part of this statement.

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# Shepherd Independent School District

## Notes to the Basic Financial Statements

### Note 1. Summary of Significant Accounting Policies

#### A. Reporting Entity

The Shepherd Independent School District (the District) is governed by a five-member board of managers (the Board), which has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board were appointed by the Texas Commissioner of Education; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters. The Board will remain in place until such time as determined by the Texas Education Agency. The District is not included in any other governmental reporting entity. The accompanying financial statements present the District.

#### B. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

#### C. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each governmental fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than those identified as a major fund) that are restricted for committed to expenditures for specific purposes.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds are eliminated in the governmental activities.

## Shepherd Independent School District

### Notes to the Basic Financial Statements

#### D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources *measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

#### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

##### 1. 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.

##### 2. Investments

Investments for the District, except certain investment pools, are reported at fair value. Non-negotiable certificates of deposit are reported at cost.

##### 3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

# Shepherd Independent School District

## Notes to the Basic Financial Statements

### 4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, furniture and equipment and infrastructure, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. 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.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Building and improvements	10-40
Furniture and equipment	5-32
Infrastructure	10-38

### 5. Deferred Outflows/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 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.

## Shepherd Independent School District

### Notes to the Basic Financial Statements

#### **6. *Compensated Absences***

It is the District's policy to permit all employees who participate in the Teacher Retirement System of Texas (TRS) to accumulate earned but unused sick leave benefits. Payments for unused sick leave days accumulated locally will be made upon retirement (in accordance with guidelines established by the TRS) for all employees with at least ten consecutive years of service with the District. All sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in government funds only if they have matured, for example, when an employee is eligible for retirement.

The District does not have a liability for unpaid vacation at year end due to the District's policy does not allow a carryover of vacation not taken at August 31.

#### **7. *Net Position Flow Assumption***

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### **8. *Fund Balance Flow Assumptions***

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **9. *Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees (the Board) is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by board action or the resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has by policy, authorized the superintendent or his designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

## Shepherd Independent School District

### Notes to the Basic Financial Statements

#### **10. Pension**

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.

#### **11. Other Postemployment Benefits**

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other 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.

### **F. Revenues and Expenditures/Expenses**

#### **1. Program Revenues**

Amounts reported as *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

#### **2. Property Taxes**

Property values are determined by the County Appraisal District as of January 1 or each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon as thereafter as practicable, shall adopt a tax rate thus creating the tax levy.

Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

### **G. Use of Estimates**

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

### **H. Data Control Codes**

The Data Control Codes refer to the account code structure prescribed by 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 database for policy development and funding plans.

# Shepherd Independent School District

## Notes to the Basic Financial Statements

### I. Implementation of New Accounting Standards

GASB Statement No. 84, Fiduciary Activities (GASB 84), establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2018; however, issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance (GASB 95), extended the effective date of GASB 84 to reporting periods beginning after December 15, 2019, with earlier application encouraged. GASB 84 was early implemented for fiscal year 2020, and resulted in reclassification of fiduciary funds to special revenue funds. A restatement of \$172,037 is presented in the government-wide statement of activities and governmental fund statement of revenues, expenditures and changes in fund balance as the cumulative effect of implementation of GASB 84 as of September 1, 2019. Restatement of previously issued financial statements was not considered necessary as the administrative cost outweighed the benefit of such restatement.

### Note 2. Stewardship, Compliance, and Accountability

#### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, national school breakfast and lunch program special revenue fund, and debt service fund. All annual appropriations lapse at fiscal year-end. The following procedures are followed in establishing the budgetary data reflected in the financial statements. All other governmental funds adopt project-length budgets.

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

#### B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The General Fund reported \$173,620 of outstanding encumbrances in the general fund and are reported as assigned.

# Shepherd Independent School District

## Notes to the Basic Financial Statements

### Note 3. Detailed Notes on All Funds

#### A. Deposits and Investments

##### Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

##### Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Fully collateralized repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Securities lending program as permitted by Government Code 2256.0115; 5) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 6) Commercial paper if it has a stated maturity of 270 days or fewer from the date of its issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit rating agencies or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 7) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission and have a dollar-weighted average stated maturity of 90 days or fewer; 8) No-load mutual funds which shall be registered with the Securities and Exchange Commission, have an average weighted maturity of less than two years, include investments that comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 9) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 10) Public funds investment pools which meet the requirements of the Public Funds Investment Act.

## Shepherd Independent School District

### Notes to the Basic Financial Statements

The District's investment balances and weighted average maturity of investments are as follows:

	Governmental Funds	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost:				
Investment pools:				
TexPool	\$ 5,231,410	48%	32	AAAm <sup>[1]</sup>
TexPool Prime	2,501,637	23%	53	AAAm <sup>[1]</sup>
Investments measured at fair value, not subject to level reporting:				
Investment pools:				
LOGIC	1,108,077	10%	51	AAAm <sup>[1]</sup>
Investments measured at cost:				
Certificates of deposit	2,080,583	19%	69	Not rated*
<b>Total</b>	<b>\$ 10,921,707</b>	<b>100%</b>		
<b>Portfolio weighted average maturity</b>			46	

\* Certificates are insured or collateralized.

<sup>[1]</sup> Standard & Poor's Rating

TexPool is duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Investors, Inc. State Street Bank serves as the custodial bank. The portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; and AAA rated money market mutual funds. The investment pool transacts at a net asset value of \$1.00 per share, has a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by a nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. The investment pool has a redemption notice period of one day and no maximum transaction amounts. 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.

TexPool Prime is duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Investors, Inc. State Street Bank serves as the custodial bank. The portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; AAA rated money market mutual funds; commercial paper and certificates of deposit. The investment pool transacts at a net asset value of \$1.00 per share, has a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by a nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. The investment pool has a redemption notice period of one day and no maximum transaction amounts. 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.

## Shepherd Independent School District

### Notes to the Basic Financial Statements

LOGIC is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. (JPMIM), and managed by JPMIM, who provides custody and investment management. LOGIC's investment objectives are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The portfolio will maintain a dollar-weighted average maturity that does not exceed 60 days and seeks to maintain a net asset value of \$1.00 per share. LOGIC may invest in securities including: obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; other obligations which are unconditionally guaranteed or insured by the U.S.; fully collateralized repurchase agreements with a defined termination date and unconditionally guaranteed or insured by the U.S. or its agencies and instrumentalities; SEC-registered money-market fund rated in the highest rating category by at least one nationally recognized statistical rating organization (NRSRO); and commercial paper as authorized under the Public Funds Investment Act. The investment pool has a redemption notice period of one day and no maximum transaction amounts. 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.

#### **Credit Risk**

For fiscal year 2020, the District is not exposed to credit risk, as the District's certificates of deposit are insured or collateralized.

#### **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 specific identification. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 180 days, and any other individual investment not to exceed one year from the time of purchase, unless specifically authorized by the Board of Trustees.

#### **Concentration of Credit Risk**

The risk is the risk of loss attributed to the magnitude of a District's investment in a single issuer. The District's investment policy dictates that no individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

#### **Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2020, District's banks' balances were not exposed to custodial credit risk because they were insured and collateralized with securities held by the District's agent and in the District's name.

#### **Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk due to the investments are insured or registered in the District's name or the investments are held by the District or its agent in the District's name.

# Shepherd Independent School District

## Notes to the Basic Financial Statements

### B. Receivables

Approximately 60% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

### C. Interfund Receivables, Payables, and Transfers

#### 1. Receivables/Payables

The composition of interfund balances as of August 31, 2020, is as follows:

Fund	Interfund Receivables	Interfund Payables
General fund	\$ 740,968	\$ -
Nonmajor governmental funds	-	740,968
	<u>\$ 740,968</u>	<u>\$ 740,968</u>

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are primarily 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.

#### 2. Transfers

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. There was one interfund transfer during the fiscal year ended August 31, 2020.

Transfer Out	Transfer In	Amount
Nonmajor Governmental Funds	General Fund	<u>\$ 3,200</u>
<b>Total</b>		<u>\$ 3,200</u>

# Shepherd Independent School District

## Notes to the Basic Financial Statements

### D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2020 was as follows:

	Beginning Balance	Additions	Retirements and Reclasses	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 766,976	\$ -	\$ -	\$ 766,976
Construction in progress	-	3,446,797	-	3,446,797
<b>Total capital assets, not being depreciated</b>	<b>766,976</b>	<b>3,446,797</b>	<b>-</b>	<b>4,213,773</b>
Capital assets, being depreciated:				
Buildings and improvements	43,634,126	56,508	-	43,690,634
Furniture and equipment	6,236,900	696,021	-	6,932,921
Infrastructure	343,614	28,688	-	372,302
<b>Total capital assets, being depreciated</b>	<b>50,214,640</b>	<b>781,217</b>	<b>-</b>	<b>50,995,857</b>
Less accumulated depreciation for:				
Buildings and improvements	(17,985,064)	(1,195,392)	-	(19,180,456)
Furniture and equipment	(3,585,895)	(494,298)	-	(4,080,193)
Infrastructure	(264,791)	(5,910)	-	(270,701)
<b>Total accumulated depreciation</b>	<b>(21,835,750)</b>	<b>(1,695,600)</b>	<b>-</b>	<b>(23,531,350)</b>
<b>Total capital assets, being depreciated, net</b>	<b>28,378,890</b>	<b>(914,383)</b>	<b>-</b>	<b>27,464,507</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 29,145,866</b>	<b>\$ 2,532,414</b>	<b>\$ -</b>	<b>\$ 31,678,280</b>

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

Governmental activities:	
11 Instruction	\$ 978,022
12 Instructional resources and media services	12,887
13 Curriculum and instructional staff development	50,868
21 Instructional leadership	51,207
23 School leadership	106,145
31 Guidance, counseling, and evaluation services	81,389
33 Health services	20,686
34 Student transportation	65,959
35 Food services	53,920
36 Extracurricular activities	27,808
41 General administration	71,724
51 Plant maintenance and operations	109,536
52 Security and monitoring services	25,604
53 Data processing services	39,506
61 Community Services	339
<b>Total depreciation expense-governmental activities</b>	<b>\$ 1,695,600</b>

# Shepherd Independent School District

## Notes to the Basic Financial Statements

### Construction Commitments

The District has an active construction project as of August 31, 2020, for the replacement of the HVAC water source heat pump system. At year end, the District's remaining commitment on the project totaled \$173,620.

### E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, maintenance tax notes, compensated absences, and net pension and net OPEB liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

### Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended August 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds, par	\$ 19,104,353	\$ -	\$ (229,353)	\$ 18,875,000	\$ 830,000
Issuance premium (discount) (CIB's)	1,473,918	-	(79,694)	1,394,224	-
Accreted interest (CAB's)	534,513	6,134	(540,647)	-	-
Total bonds payable	21,112,784	6,134	(849,694)	20,269,224	830,000
Maintenance tax notes payable	-	2,060,000	-	2,060,000	115,000
Compensated absences	28,000	36,996	(31,649)	33,347	-
Net pension liability	6,089,810	2,327,776	(1,424,225)	6,993,361	-
Net OPEB liability	7,802,055	2,073,121	(1,395,819)	8,479,357	-
<b>Governmental activities long-term liabilities</b>	<b>\$ 35,032,649</b>	<b>\$ 6,504,027</b>	<b>\$ (3,701,387)</b>	<b>\$ 37,835,289</b>	<b>\$ 945,000</b>

### General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG) and to refund general obligation bonds (REF).

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 5-30 year current interest (CIB) or capital appreciation bonds (CAB) with various amounts of principal maturing each year. Rates may be fixed or variable.

The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2014 REF CIB	2.00-4.00%	8,755,000	2037	\$ 8,390,000	\$ -	\$ -	\$ 8,390,000
2014 REF CAB	1.40-2.00%	164,998	2020	6,821	-	(6,821)	-
2015 REF CIB	3.00-4.00%	8,755,000	2038	8,280,000	-	-	8,280,000
2015 REF CAB	1.55%	160,000	2020	160,000	-	(160,000)	-
2016 REF CIB	3.25%-3.50%	2,305,000	2039	2,205,000	-	-	2,205,000
2016 REF CAB	1.55%-1.65%	155,000	2020	62,532	-	(62,532)	-
<b>Totals</b>				<b>\$ 19,104,353</b>	<b>\$ -</b>	<b>\$ (229,353)</b>	<b>\$ 18,875,000</b>

# Shepherd 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
2021	\$ 830,000	\$ 642,530	\$ 1,472,530
2022	855,000	616,664	1,471,664
2023	890,000	589,864	1,479,864
2024	910,000	561,068	1,471,068
2025	925,000	531,493	1,456,493
2026	950,000	502,218	1,452,218
2027	980,000	472,111	1,452,111
2028	1,010,000	440,186	1,450,186
2029	1,045,000	405,743	1,450,743
2030	1,080,000	369,543	1,449,543
2031	1,110,000	331,880	1,441,880
2032	1,155,000	292,580	1,447,580
2033	1,190,000	251,499	1,441,499
2034	1,235,000	207,628	1,442,628
2035	1,290,000	159,338	1,449,338
2036	1,335,000	107,513	1,442,513
2037	1,390,000	53,713	1,443,713
2038	540,000	15,850	555,850
2039	155,000	2,173	157,173
<b>Totals</b>	<b>\$ 18,875,000</b>	<b>\$ 6,553,594</b>	<b>\$ 25,428,594</b>

As of August 31, 2020, the District did not have any authorized but unissued bonds.

The District defeased certain bonds through the issuance of new bonds and placed the proceeds in an irrevocable trust to provide for all future debt service payments of the old bonds. Securities being utilized to repay the refinanced debt as it becomes due consist solely of U.S. government obligations. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the District's basic financial statements. As of August 31, 2020, there are no outstanding bonds.

### F. Maintenance Tax Notes

In December 2019, the District approved the private sale of Maintenance tax notes in the amount of \$2,060,000 to rebuild the HVAC Water Source Heat Pump System at Shepherd High School.

The following is a summary of changes in the notes payable for the fiscal year:

Description	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2019 Maintenance Tax Notes	2.400%	2,060,000	2/15/2035	\$ -	\$2,060,000	\$ -	\$2,060,000
<b>Total notes payable</b>				<b>\$ -</b>	<b>\$2,060,000</b>	<b>\$ -</b>	<b>\$2,060,000</b>

# Shepherd Independent School District

## Notes to the Basic Financial Statements

Annual debt service requirements to maturity for maintenance tax notes payable are as follows:

Year Ending August 31,	Principal	Interest	Total
2021	\$ 115,000	\$ 48,060	\$ 163,060
2022	120,000	45,240	165,240
2023	120,000	42,360	162,360
2024	125,000	39,420	164,420
2025	125,000	36,420	161,420
2026	130,000	33,360	163,360
2027	135,000	30,180	165,180
2028	135,000	26,940	161,940
2029	140,000	23,640	163,640
2030	145,000	20,220	165,220
2031	145,000	16,740	161,740
2032	150,000	13,200	163,200
2033	155,000	9,540	164,540
2034	160,000	5,760	165,760
2035	160,000	1,920	161,920
<b>Totals</b>	<b>\$ 2,060,000</b>	<b>\$ 393,000</b>	<b>\$ 2,453,000</b>

### G. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Other Governmental Funds	Totals
Property taxes	\$ 5,292,969	\$ 1,073,990	\$ -	\$ 6,366,959
Investment income	129,667	7,578	289	137,534
Charges for services	44,307	-	270,013	314,320
Other	39,118	-	409	39,527
<b>Totals</b>	<b>\$ 5,506,061</b>	<b>\$ 1,081,568</b>	<b>\$ 270,711</b>	<b>\$ 6,858,340</b>

## Note 4. Other Information

### A. Risk Management

#### Workers' Compensation and Property/Liability Losses

The District participates in the Texas Association of School Boards Risk Management Fund ("Fund") Workers' Compensation and Property/Liability Program. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its coverages and transfers the risk to the Fund. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the pool. There were no significant reductions in insurance coverage from the prior year or settlements exceeding insurance coverage for each of the past three fiscal years.

## Shepherd Independent School District

### Notes to the Basic Financial Statements

#### Health Care Coverage

During the fiscal year ended August 31, 2020, the District contributed a premium of \$225 per month per employee towards the cost of health care for those who elected to participate in the TRS health care plan.

#### B. Contingencies

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2020, 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. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

#### C. 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) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

##### Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/Pages/about\\_archive\\_cafr.aspx](http://www.trs.texas.gov/Pages/about_archive_cafr.aspx); by writing to TRS at 1000 Red River Street, Austin, Texas, 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% (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 where the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes, including automatic cost of living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as previously noted in the Plan Description above.

# Shepherd Independent School District

## Notes to the Basic Financial Statements

### Contributions

Employee contribution rates are set in state statute, Texas Government Code 825.402. Contribution requirements are established or amended pursuant to Article XVI, 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.

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2020	2019
Member	7.7%	7.7%
Non-employer contributing entity (State)	7.5%	6.8%
Employers (District)	7.5%	6.8%
Employers (District - Non-OASDI)*	1.5%	1.5%

\*SB12 requires an increase in employer contributions by public school districts, charter schools and regional education service centers. Prior to SB12, only those employers not participating in social security were required to pay a 1.5% contributions (Non-OASDI surcharge). Beginning September 1, 2019 all employers are required to pay the Public Education Employer contribution irrespective of participation in social security.

The contribution amounts for the District’s fiscal year 2020 are as follows:

District contributions	\$ 499,388
Member contributions	1,078,510
NECE On-behalf contributions (State)	743,308

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

As the non-employer contributing entity, 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 the 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, local or non-educational and general 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.

## Shepherd Independent School District

### Notes to the Basic Financial Statements

In addition to the employer contributions listed above, there are two 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 member's salary.

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

At August 31, 2020, the District reported a liability of \$6,993,361 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 are as follows:

District's proportionate share of the net pension liability	\$ 6,993,361
State's proportionate share of the net pension liability associated with the District	<u>8,752,653</u>
<b>Total</b>	<u><u>\$ 15,746,014</u></u>

The net pension liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2018 rolled forward to August 31, 2019. 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, 2018 through August 31, 2019.

At the measurement date of August 31, 2019, the District's proportion of the collective net pension liability was 0.01345%, which was an increase of 0.00239% from its proportion measured as of August 31, 2018.

For the fiscal year ended August 31, 2020, the District recognized pension expense of \$2,963,670 and revenue of \$1,374,919 for support provided by the State.

At August 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 29,378	\$ 242,821
Changes of assumptions	2,169,684	896,616
Difference between projected and actual earnings on pension plan investments	70,221	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	1,502,772	115,231
District contributions paid subsequent to the measurement date	<u>499,388</u>	<u>-</u>
<b>Totals</b>	<u><u>\$ 4,271,443</u></u>	<u><u>\$ 1,254,668</u></u>

# Shepherd Independent School District

## Notes to the Basic Financial Statements

\$499,388 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending August 31,	
2021	\$ 555,699
2022	476,624
2023	584,580
2024	598,113
2025	315,255
Thereafter	(12,884)
<b>Totals</b>	<b>\$ 2,517,387</b>

### Actuarial Methods and Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2018. Update procedures were used to roll forward the total pension liability to August 31, 2019 and was determined using the following actuarial methods and assumptions:

-	Individual entry age normal
Asset valuation method	Market value
Single discount rate	7.25%
Long-term expected rate of return	7.25%
Municipal bond rate as of August 2019	2.63%. Source for the rate is the Fixed Income Market Data / Yield Curve / Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in projection period (100 years)	2116
Inflation	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc postemployment benefit changes	None
Active mortality rates	Based on 90% of the RP 2014 Employing Mortality Tables for males and females with full generational mortality. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale U-MP.

The actuarial methods and assumptions are primarily based on a study of actual experience for the three year period ending August 31, 2018 and adopted in July 2018.

# Shepherd Independent School District

## Notes to the Basic Financial Statements

### Discount Rate and Long-Term Expected Rate of Return

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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 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 arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2019 are summarized below:

Asset Class	Target Allocation*	Long-term Expected Arithmetic Real Rate of Return
Global equity:		
U.S.	18.00%	5.70%
Non-U.S. developed	13.00%	6.90%
Emerging markets	9.00%	8.95%
Directional hedge funds	4.00%	3.53%
Private equity	13.00%	10.18%
Stable value:		
U.S. treasuries	11.00%	1.11%
Stable value hedge funds	4.00%	3.09%
Real return:		
Global inflation linked bonds	3.00%	0.70%
Real estate	14.00%	5.21%
Energy, natural resources and infrastructure	5.00%	7.48%
Risk parity:		
Risk parity	5.00%	3.70%
Asset allocation leverage cash	1.00%	(0.30%)
<b>Totals</b>	<b>100.00%</b>	

\* FY 2019 target allocation based on the strategic asset allocation dated 10/1/2018.

# Shepherd Independent School District

## Notes to the Basic Financial Statements

### Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of the TRS net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 10,749,812	\$ 6,993,361	\$ 3,949,911

### Change of Assumptions since the Prior Measurement Date

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

### Change of Benefit Terms since the Prior Measurement Date

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

## D. 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 Post-Employment 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.

### OPEB Plan Fiduciary Net Position

Detailed 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.texas.gov/Pages/about\\_archive\\_cafr.aspx](http://www.trs.texas.gov/Pages/about_archive_cafr.aspx); by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592.

### Benefits Provided

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees of TRS 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.

# Shepherd Independent School District

## Notes to the Basic Financial Statements

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

TRS-Care Monthly Plan Premium Rates

	<u>Medicare</u>	<u>Non-medicare</u>
Retiree or surviving spouse	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree or surviving spouse and children	468	408
Retiree and family	1,020	999

### Contributions

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

Texas Insurance Code, section 1575.202 establishes the State’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 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.

Rates for such plan fiscal years are as follows:

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2019</u>
Active employee	0.65%	0.65%
Non-employer contribution entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding*	1.25%	1.25%

\*Contributions paid from federal funds and private grants are remitted by the employer (District) and paid at the State rate.

The contribution amounts for the District’s fiscal year 2020 are as follows:

District contributions	\$ 123,592
Member contributions	91,042
NECE on-behalf contributions (State)	203,155

In addition, the State of Texas contributed \$65,793, \$47,254 and \$35,984 in 2020, 2019, and 2018, 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 hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

## Shepherd Independent School District

### Notes to the Basic Financial Statements

TRS-Care received a supplemental appropriation from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

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

At August 31, 2020, the District reported a liability of \$8,479,357 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District are as follows:

District's proportionate share of the net OPEB liability	\$ 8,479,357
State's proportionate share of the net OPEB liability associated with the District	<u>11,267,171</u>
<b>Total</b>	<u><u>\$ 19,746,528</u></u>

The net OPEB liability was measured as of August 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as August 31, 2018 rolled forward to August 31, 2019. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.01793%, which was an increase of 0.00230% from its proportion measured as of August 31, 2018.

For the fiscal year ended August 31, 2020, the District recognized OPEB expense of \$813,830 and revenue of \$296,956 for support provided by the State.

At August 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 415,985	\$ 1,387,557
Changes of assumptions	1,100	2,280,739
Difference between projected and actual earnings on OPEB plan investments	470,777	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	2,174,966	-
District contributions paid subsequent to the measurement date	<u>123,592</u>	<u>-</u>
<b>Totals</b>	<u><u>\$ 3,186,420</u></u>	<u><u>\$ 3,668,296</u></u>

## Shepherd Independent School District

### Notes to the Basic Financial Statements

\$123,592 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending August 31,		
2021	\$	(181,304)
2022		(181,304)
2023		(181,600)
2024		(181,770)
2025		(181,723)
Thereafter		<u>302,233</u>
<b>Total</b>	<b>\$</b>	<b><u>(605,468)</u></b>

#### Actuarial Methods and Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2018. Update procedures were used to roll forward the total OPEB liability to August 31, 2019.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2019 TRS annual pension actuarial valuation:

<u>Demographic Assumptions</u>	<u>Economic Assumptions</u>
Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Salary increases
Rates of disability	

See Note 4.C. for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The initial medical trend rates were 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50 % over a period of 13 years.

## Shepherd Independent School District

### Notes to the Basic Financial Statements

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

Actuarial cost method	Individual entry age normal
Single discount rate	2.63%
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Ad hoc postemployment benefit changes	None

The impact of the Cadillac Tax that is returning in fiscal year 2023 has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

#### Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability at August 31, 2019. This was a decrease of 1.06% in the discount rate since the August 31, 2018 measurement date. The plan is essentially a "pay-as-you-go" plan, and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments to current members and therefore, the single discount rate is equal to the prevailing municipal bond rate. 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".

## Shepherd Independent School District

### Notes to the Basic Financial Statements

#### Sensitivity Analysis of Rates

##### Discount Rate

The following table presents the District's proportionate share of the TRS-Care net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the net OPEB liability.

	<u>1% Decrease (1.63%)</u>	<u>Current Discount Rate (2.63%)</u>	<u>1% Increase (3.63%)</u>
District's proportionate share of the net OPEB liability	\$ 10,237,307	\$ 8,479,357	\$ 7,104,114

##### Healthcare Cost Trend Rates

The following table presents the District's proportionate share of net OPEB liability 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:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 6,917,163	\$ 8,479,357	\$ 10,571,983

#### Change of Assumptions since the Prior Measurement Date

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

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
- The trend rates were reset to better reflect the plan's anticipated experience. This change increased the total OPEB liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.

#### Change of Benefit Terms since the Prior Measurement Date

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

## Shepherd Independent School District

### Notes to the Basic Financial Statements

#### **E. Joint Venture-Shared Service Arrangements**

The District participates in the following shared service arrangements:

The District participates in a shared service arrangement for the improvement of the education of limited English proficient children funded under ESEA Title III, Part A, English Language Acquisition and Language Enhancement. The District has neither a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center – Region VI, nor does the District have an equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared service arrangement.

The District participates in a shared service arrangement for the education of students with a visual impairment, funded under State Supplemental Visually Impaired funds, TEC Section 30.002, 19 TAC 89.238(6). The District has neither a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center – Region VI, nor does the District have an equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared service arrangement.

The District is the fiscal agent for a Shared Service Arrangement, which provides special education to member districts. In addition to the District, the other member district is Goodrich Independent School District. The member district provides funds to the fiscal agent. According to guidance provided in the Texas Education Agency's Financial Accountability System Resource Guide, the District has accounted for the fiscal agent's activities in a Special Revenue Fund. The shared services arrangement was dissolved during fiscal year 2020.

#### **F. Nonmonetary Transactions**

During fiscal year 2020, the District received goods purchased by the State of Texas for the benefit of the District through the Technology and Instructional Materials Allotment program. The instructional materials have been recorded in the amount of \$122,503 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

During fiscal year 2020, the District received goods purchased by the Texas Department of Agriculture (TDA) through the Food Distribution Program (commodities). These commodities have been recorded in the amount of \$109,311 in a special revenue fund as federal revenues, which represents the amount of consideration given by TDA.

#### **G. Subsequent Events**

##### **COVID-19 Pandemic**

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the District's operations and financial results at this time.

## Shepherd Independent School District

### Notes to the Basic Financial Statements

#### H. Recent Accounting Pronouncements

GASB Statement No. 87, *Leases* (GASB 87), establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2019; however, issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), extended the effective date of GASB 87 to reporting periods beginning after June 15, 2021, with earlier application encouraged. GASB 87 will be implemented in the District's fiscal year 2022 financial statements and the impact has not yet been determined.

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## **Required Supplementary Information**

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**Shepherd Independent School District**  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance – Budget and Actual  
 General Fund  
 For the Fiscal Year Ended August 31, 2020

**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	\$ 4,905,500	\$ 5,400,000	\$ 5,506,061	\$ 106,061
5800	State program revenues	15,814,387	15,361,943	15,694,603	332,660
5900	Federal program revenues	250,000	291,375	179,483	(111,892)
5020	Total revenues	20,969,887	21,053,318	21,380,147	326,829
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	10,710,830	11,409,339	10,267,343	1,141,996
0012	Instructional resources and media services	165,821	172,288	142,286	30,002
0013	Curriculum and instructional staff development	311,299	319,141	235,671	83,470
0021	Instructional leadership	566,764	571,905	442,223	129,682
0023	School leadership	1,251,428	1,184,050	1,084,141	99,909
0031	Guidance, counseling, and evaluation services	752,961	757,020	610,628	146,392
0032	Social work services	50,000	50,000	39,214	10,786
0033	Health services	236,361	257,022	218,122	38,900
0034	Student transportation	1,172,607	1,177,106	1,007,747	169,359
0035	Food services	12,156	17,156	7,876	9,280
0036	Extracurricular activities	716,526	709,484	576,885	132,599
0041	General administration	927,471	1,055,001	1,032,736	22,265
0051	Plant maintenance and operations	2,472,082	2,476,050	2,135,160	340,890
0052	Security and monitoring services	397,932	325,899	268,794	57,105
0053	Data processing services	710,649	935,082	613,404	321,678
Debt service:					
0072	Interest on long-term debt	-	32,548	32,548	-
0073	Issuance costs and fees	-	53,595	53,595	-
Capital outlay:					
0081	Facilities acquisition and construction	315,000	3,865,896	3,678,185	187,711
Intergovernmental:					
0099	Other intergovernmental charges	200,000	200,000	197,937	2,063
6030	Total expenditures	20,969,887	25,568,582	22,644,495	2,924,087
1100	Excess (deficiency) of revenues over (under) expenditures	-	(4,515,264)	(1,264,348)	3,250,916
<b>OTHER FINANCING SOURCES (USES)</b>					
7914	Proceeds from issuance of notes	-	2,060,000	2,060,000	-
7915	Transfers in	-	-	3,200	3,200
7080	Total other financing sources (uses)	-	2,060,000	2,063,200	3,200
1200	Net change in fund balance	-	(2,455,264)	798,852	3,254,116
0100	Fund balance - beginning	10,144,828	10,144,828	10,144,828	-
3000	<b>FUND BALANCE - ENDING</b>	<u>\$ 10,144,828</u>	<u>\$ 7,689,564</u>	<u>\$ 10,943,680</u>	<u>\$ 3,254,116</u>

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

## Shepherd Independent School District

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 Six Fiscal Years\*

	<u>2020</u>
District's proportion of the net pension liability	0.0134531%
District's proportionate share of the net pension liability	\$ 6,993,361
State's proportionate share of the net pension liability associated with the District	<u>8,752,653</u>
<b>TOTALS</b>	<b><u>\$ 15,746,014</u></b>
District's covered payroll	\$ 13,101,166
District's proportionate share of the net pension liability as a percentage of its covered payroll	53.38%
Plan fiduciary net position as a percentage of the total pension liability	75.24%

\* 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.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0110638%	0.0093738%	0.0090767%	0.0103965%	0.0067083%
\$ 6,089,810	\$ 2,997,222	\$ 3,429,941	\$ 3,675,024	\$ 1,791,879
<u>10,021,712</u>	<u>6,232,603</u>	<u>7,286,358</u>	<u>7,089,490</u>	<u>5,811,619</u>
<u>\$ 16,111,522</u>	<u>\$ 9,229,825</u>	<u>\$ 10,716,299</u>	<u>\$ 10,764,514</u>	<u>\$ 7,603,498</u>
\$ 12,182,701	\$ 11,409,860	\$ 10,782,623	\$ 10,855,716	\$ 10,311,336
49.99%	26.27%	31.81%	33.85%	17.38%
73.74%	82.17%	78.00%	78.43%	83.25%

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

	<u>2020</u>
Contractually required contributions	\$ 499,388
Contributions in relation to the contractually required contributions	<u>(499,388)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u><u>\$ -</u></u>
District's covered payroll	\$ 13,997,727
Contributions as a percentage of covered payroll	3.57%

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

Exhibit G-3

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 472,959	\$ 372,141	\$ 307,217	\$ 288,389	\$ 307,845
<u>(472,959)</u>	<u>(372,141)</u>	<u>(307,217)</u>	<u>(288,389)</u>	<u>(307,845)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 13,101,166	\$ 12,182,701	\$ 11,409,860	\$ 10,782,623	\$10,885,716
3.61%	3.05%	2.69%	2.67%	2.83%

**Shepherd 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  
 For the Last Three Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.0179301%	0.0156257%	0.0137517%
District's proportionate share of the net OPEB liability	\$ 8,479,357	\$ 7,802,055	\$ 5,980,078
State's proportionate share of the net OPEB liability	<u>11,267,171</u>	<u>10,075,725</u>	<u>8,881,431</u>
<b>TOTALS</b>	<u><u>\$ 19,746,528</u></u>	<u><u>\$ 17,877,780</u></u>	<u><u>\$ 14,861,509</u></u>
District's covered payroll	\$ 13,101,166	\$ 12,182,701	\$ 11,409,860
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	64.72%	64.04%	52.41%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%

\*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.

**Shepherd Independent School District**  
 Schedule of the District's Contributions to the  
 Teacher Retirement System of Texas OPEB Plan  
 For the Last Three Fiscal Years\*

**Exhibit G-5**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 123,592	\$ 128,085	\$ 109,352
Contributions in relation to the contractually required contributions	<u>(123,592)</u>	<u>(128,085)</u>	<u>(109,352)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 13,997,727	\$ 13,101,166	\$ 12,182,701
Contributions as a percentage of covered payroll	0.88%	0.98%	0.90%

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

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**Shepherd Independent School District**  
Notes to the Required Supplementary Information

**Note 1. Budget**

**A. Budgetary Information**

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year-end.

**Note 2. Net Pension Liability and Net OPEB Liability**

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

**Changes in actuarial assumptions and inputs**

Measurement Date August 31,	Net Pension Liability		Net OPEB Liability
	Discount Rate	Long-term Expected Rate of Return	Discount Rate
2019	7.250%	7.250%	2.630%
2018	6.907%	7.250%	3.690%
2017	8.000%	8.000%	3.420%
2016	8.000%	8.000%	
2015	8.000%	8.000%	
2014	8.000%	8.000%	

## **Shepherd Independent School District**

Notes to the Required Supplementary Information

### **Changes in Demographic and Economic Assumptions**

For measurement dates August 31, 2019 and 2014-2017 – No changes in assumptions

For measurement date August 31, 2018 – Net Pension Liability and Net OPEB Liability:

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement and economic assumptions, including rates of salary increase for individual participants were updated based on the experience study performed for TRS for the period ending August 31, 2017.

## Supplementary Information

# Shepherd Independent School District

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 Special Revenue Funds  
 August 31, 2020

	211	224	225	226
<u>Data Control Codes</u>	<u>ESSA Title I, A Improving Basic Programs</u>	<u>IDEA, Part B Formula</u>	<u>IDEA, Part B Preschool</u>	<u>Evaluation Capacity Grant</u>
<b>ASSETS</b>				
1110 Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1120 Investments	50,022	314,414	3,251	6,982
1240 Due from other governments	77,917	22,753	-	-
1290 Other receivables	-	-	956	-
1300 Inventories	-	-	-	-
1410 Prepaid items	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
1000 <b>TOTAL ASSETS</b>	<u>\$ 127,939</u>	<u>\$ 337,167</u>	<u>\$ 4,207</u>	<u>\$ 6,982</u>
<b>LIABILITIES</b>				
2110 Accounts payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued wages payable	13,540	9,540	-	-
2200 Accrued liabilities	-	3	-	-
2170 Due to other funds	114,399	327,624	4,207	6,982
2300 Unearned revenue	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
2000 Total liabilities	127,939	337,167	4,207	6,982
<b>FUND BALANCES</b>				
3450 Restricted - grant funds	-	-	-	-
3545 Committed - campus activity	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
3000 Total fund balances	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
4000 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 127,939</u>	<u>\$ 337,167</u>	<u>\$ 4,207</u>	<u>\$ 6,982</u>

240	244	255	263	266	270	289
National School Breakfast/Lunch Program	Career and Technical Basic Grant	ESSA Title II, A Training and Recruiting	Title III, A English Lang. Acquisition	Elementary and Secondary School Emergency Relief Fund	ESSA, Title VI Part B, Rural & Low Income School Program	Federally Funded Special Revenue Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,918
107,798	68,736	8,567	-	-	122	4,093
11,225	581	-	10,270	51,411	-	-
-	-	-	-	-	198	-
30,261	-	-	-	-	-	-
-	-	-	-	104,500	-	-
<u>\$ 149,284</u>	<u>\$ 69,317</u>	<u>\$ 8,567</u>	<u>\$ 10,270</u>	<u>\$ 155,911</u>	<u>\$ 320</u>	<u>\$ 28,011</u>
\$ 21,998	\$ -	\$ -	\$ -	\$ 26,460	\$ -	\$ -
20,508	-	-	-	-	-	-
2	-	-	-	-	-	-
57,377	69,317	8,567	10,270	129,451	320	254
-	-	-	-	-	-	23,918
99,885	69,317	8,567	10,270	155,911	320	24,172
49,399	-	-	-	-	-	3,839
-	-	-	-	-	-	-
<u>49,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,839</u>
<u>\$ 149,284</u>	<u>\$ 69,317</u>	<u>\$ 8,567</u>	<u>\$ 10,270</u>	<u>\$ 155,911</u>	<u>\$ 320</u>	<u>\$ 28,011</u>

# Shepherd Independent School District

Combining Balance Sheet

Nonmajor Governmental Funds

Special Revenue Funds - Continued

August 31, 2020

Data Control Codes	385	392	397	410	
	Supplemental Visually Impaired	Non Educational Community Based Support Services	Texas Advanced Placement Initiative	State Textbook Fund	
<b>ASSETS</b>					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1120	Investments	-	-	2	61,994
1240	Due from other governments	2,000	200	-	183
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	<b>TOTAL ASSETS</b>	<u>\$ 2,000</u>	<u>\$ 200</u>	<u>\$ 2</u>	<u>\$ 62,177</u>
<b>LIABILITIES</b>					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2160	Accrued liabilities	-	-	-	-
2170	Due to other funds	2,000	200	-	-
2300	Unearned revenue	-	-	-	-
2000	Total liabilities	2,000	200	-	-
<b>FUND BALANCES</b>					
3450	Restricted - grant funds	-	-	2	62,177
3545	Committed - campus activity	-	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>2</u>	<u>62,177</u>
4000	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,000</u>	<u>\$ 200</u>	<u>\$ 2</u>	<u>\$ 62,177</u>

427	429	437	461	481	
No Kid Hungry Fund	School Safety and Security Fund	SSA Special Education	Campus Activity Fund	Local Scholarship Fund	Total Nonmajor Funds (See Exhibit C-1)
\$ -	\$ 40	\$ -	\$ 195,970	\$ 4,507	\$ 224,435
10,082	890	-	-	20,636	657,589
-	17,500	-	-	22	194,062
-	-	-	-	-	1,154
-	-	-	-	-	30,261
-	-	-	-	-	104,500
<u>\$ 10,082</u>	<u>\$ 18,430</u>	<u>\$ -</u>	<u>\$ 195,970</u>	<u>\$ 25,165</u>	<u>\$ 1,212,001</u>
\$ -	\$ 17,500	\$ -	\$ 29,301	\$ -	\$ 95,259
-	-	-	-	-	43,588
-	-	-	-	-	5
10,000	-	-	-	-	740,968
-	-	-	-	-	23,918
10,000	17,500	-	29,301	-	903,738
82	930	-	-	25,165	141,594
-	-	-	166,669	-	166,669
82	930	-	166,669	25,165	308,263
<u>\$ 10,082</u>	<u>\$ 18,430</u>	<u>\$ -</u>	<u>\$ 195,970</u>	<u>\$ 25,165</u>	<u>\$ 1,212,001</u>

**Shepherd 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, 2020

		211	224	225	226
<u>Data Control Codes</u>		<u>ESSA Title I, A Improving Basic Programs</u>	<u>IDEA, Part B Formula</u>	<u>IDEA, Part B Preschool</u>	<u>Evaluation Capacity Grant</u>
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	706,807	336,925	3,214	-
5020	Total revenues	706,807	336,925	3,214	-
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	242,048	96,784	3,214	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	357,422	-	-	-
0021	Instructional leadership	101,892	-	-	-
0031	Guidance, counseling, and evaluation services	-	199,335	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	40,806	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0061	Community services	5,445	-	-	-
Intergovernmental:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total expenditures	706,807	336,925	3,214	-
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>					
8911	Transfers out	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balances	-	-	-	-
0100	Fund balances - beginning	-	-	-	-
	Cumulative effect of implementation of GASB 84	-	-	-	-
	Fund balance - beginning, as restated	-	-	-	-
3000	<b>FUND BALANCES - ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

240	244	255	263	266	270	289
National School Breakfast/Lunch Program	Career and Technical Basic Grant	ESSA Title II, A Training and Recruiting	Title III, A English Lang. Acquisition	Elementary and Secondary School Emergency Relief Fund	ESSA, Title VI Part B, Rural & Low Income School Program	Federally Funded Special Revenue Fund
\$ 77,433	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,713	-	-	-	-	-	-
1,047,422	24,121	75,166	13,525	51,411	5,980	148,600
1,131,568	24,121	75,166	13,525	51,411	5,980	148,600
-	20,982	-	10,525	26,460	5,980	11,522
-	-	-	-	-	-	9,000
-	3,139	75,166	3,000	-	-	-
-	-	-	-	-	-	5,160
-	-	-	-	-	-	1,583
-	-	-	-	-	-	-
-	-	-	-	24,951	-	-
-	-	-	-	-	-	-
1,143,820	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	119,999
1,143,820	24,121	75,166	13,525	51,411	5,980	147,264
(12,252)	-	-	-	-	-	1,336
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(12,252)	-	-	-	-	-	1,336
61,651	-	-	-	-	-	2,503
-	-	-	-	-	-	-
61,651	-	-	-	-	-	2,503
\$ 49,399	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,839

# Shepherd 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, 2020

<u>Data Control Codes</u>	385	392	397	410
	<u>Supplemental Visually Impaired</u>	<u>Non Educational Community Based Support Services</u>	<u>Texas Advanced Placement Initiative</u>	<u>State Textbook Fund</u>
<b>REVENUES</b>				
5700 Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800 State program revenues	1,155	200	2	243,531
5900 Federal program revenues	-	-	-	-
5020 Total revenues	<u>1,155</u>	<u>200</u>	<u>2</u>	<u>243,531</u>
<b>EXPENDITURES</b>				
Current:				
0011 Instruction	1,155	-	-	202,644
0012 Instructional resources and media services	-	-	-	-
0013 Curriculum and instructional staff development	-	-	-	-
0021 Instructional leadership	-	-	-	-
0031 Guidance, counseling, and evaluation services	-	-	-	-
0032 Social work services	-	200	-	-
0033 Health services	-	-	-	-
0034 Student transportation	-	-	-	-
0035 Food services	-	-	-	-
0036 Extracurricular activities	-	-	-	-
0052 Security and monitoring services	-	-	-	-
0061 Community services	-	-	-	-
Intergovernmental:				
0081 Facilities acquisition and construction	-	-	-	-
6030 Total expenditures	<u>1,155</u>	<u>200</u>	<u>-</u>	<u>202,644</u>
1100 Excess (deficiency) of revenues over (under) expenditures	-	-	2	40,887
<b>OTHER FINANCING SOURCES (USES)</b>				
8911 Transfers out	-	-	-	-
7080 Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net change in fund balances	-	-	2	40,887
0100 Fund balances - beginning	-	-	-	21,290
Cumulative effect of implementation of GASB 84				
	-	-	-	-
Fund balance - beginning, as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,290</u>
3000 <b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 62,177</u>

427	429	437	461	481	
No Kid Hungry Fund	School Safety and Security Fund	SSA Special Education	Campus Activity Fund	Local Scholarship Fund	Total Nonmajor Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ 192,929	\$ 349	\$ 270,711
17,000	17,551	-	-	-	286,152
-	-	-	-	-	2,413,171
17,000	17,551	-	192,929	349	2,970,034
-	750	-	-	-	622,064
-	-	-	1,208	-	10,208
-	-	-	-	-	438,727
-	-	-	-	-	107,052
-	93	-	-	-	201,011
-	-	-	-	-	200
-	-	-	-	-	24,951
7,906	-	-	-	-	48,712
8,359	-	-	-	-	1,152,179
-	-	-	170,973	600	171,573
653	17,500	-	-	-	18,153
-	-	-	700	-	6,145
-	-	-	-	-	119,999
16,918	18,343	-	172,881	600	2,920,974
82	(792)	-	20,048	(251)	49,060
-	-	(3,200)	-	-	(3,200)
-	-	(3,200)	-	-	(3,200)
82	(792)	(3,200)	20,048	(251)	45,860
-	1,722	3,200	-	-	90,366
-	-	-	146,621	25,416	172,037
-	1,722	3,200	146,621	25,416	262,403
\$ 82	\$ 930	\$ -	\$ 166,669	\$ 25,165	\$ 308,263

**Shepherd Independent School District**  
 Schedule of Delinquent Taxes Receivable  
 For the Fiscal Year Ended August 31, 2020

<u>Year Ended August 31,</u>	1		2	3
	Tax Rates		Assessed/Appraised Value For School Tax Purposes	
	<u>Maintenance</u>	<u>Debt Service</u>		
2011 and prior years	Various	Various	Various	Various
2012	1.04000	0.32000		280,805,588
2013	1.04000	0.32000		300,730,000
2014	1.04000	0.32000		287,121,990
2015	1.04000	0.28000		303,689,697
2016	1.17000	0.15000		308,381,818
2017	1.14000	0.18000		322,346,136
2018	1.17000	0.15000		353,929,318
2019	1.17000	0.15000		378,846,427
2020	1.06835	0.22500		462,430,587
<b>1000 TOTALS</b>				

9000 - Portion of row 1000 for taxes paid into tax increment zone under chapter 311, tax code

<b>10</b>	<b>20</b>	<b>31</b>	<b>32</b>	<b>40</b>	<b>50</b>
<b>Beginning</b>	<b>Current</b>	<b>Maintenance</b>	<b>Debt Service</b>	<b>Entire</b>	<b>Ending</b>
<b>Balance</b>	<b>Year's</b>	<b>Collections</b>	<b>Collections</b>	<b>Year's</b>	<b>Balance</b>
<b>9/1/19</b>	<b>Total Levy</b>			<b>Adjustments</b>	<b>8/31/20</b>
\$ 138,274	\$ -	\$ 8,075	\$ 1,425	\$ (62,166)	\$ 66,608
29,300	-	3,190	982	-	25,128
41,107	-	4,063	1,250	-	35,794
56,173	-	7,723	2,374	-	46,076
122,035	-	47,336	12,744	13,798	75,753
142,055	-	63,029	8,081	18,462	89,407
202,494	-	88,258	13,936	25,379	125,679
255,404	-	110,471	14,163	26,325	157,095
496,842	-	233,567	29,945	28,022	261,352
-	5,980,846	4,528,914	953,813	-	498,119
<u>\$ 1,483,684</u>	<u>\$ 5,980,846</u>	<u>\$ 5,094,626</u>	<u>\$ 1,038,713</u>	<u>\$ 49,820</u>	<u>\$ 1,381,011</u>
		\$ -	\$ -		

**Shepherd Independent School District**  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance – Budget and Actual  
 National School Breakfast/Lunch Program  
 For the Fiscal Year Ended August 31, 2020

**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	\$ 164,403	\$ 164,403	\$ 77,433	\$ (86,970)
5800	State program revenues	12,500	12,500	6,713	(5,787)
5900	Federal program revenues	1,083,593	1,083,593	1,047,422	(36,171)
5020	Total revenues	1,260,496	1,260,496	1,131,568	(128,928)
<b>EXPENDITURES</b>					
Current:					
0035	Food services	1,260,496	1,228,496	1,143,820	84,676
6030	Total expenditures	1,260,496	1,228,496	1,143,820	84,676
1200	Net change in fund balance	-	32,000	(12,252)	(44,252)
0100	Fund balance - beginning	61,651	61,651	61,651	-
3000	<b>FUND BALANCE - ENDING</b>	<u>\$ 61,651</u>	<u>\$ 93,651</u>	<u>\$ 49,399</u>	<u>\$ (44,252)</u>

**Shepherd Independent School District**  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance – Budget and Actual  
 Debt Service Fund  
 For the Fiscal Year Ended August 31, 2020

**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	\$ 998,557	\$ 998,557	\$ 1,081,568	\$ 83,011
5800	State program revenues	466,043	466,043	425,936	(40,107)
5020	Total revenues	1,464,600	1,464,600	1,507,504	42,904
<b>EXPENDITURES</b>					
Debt service:					
0071	Principal on long-term debt	338,743	338,742	229,353	109,389
0072	Interest on long-term debt	1,123,357	1,123,358	1,195,915	(72,557)
0073	Issuance costs and fees	2,500	2,500	2,251	249
6030	Total expenditures	1,464,600	1,464,600	1,427,519	37,081
1200	Net change in fund balance	-	-	79,985	79,985
0100	Fund balance - beginning	451,849	451,849	451,849	-
3000	<b>FUND BALANCE - ENDING</b>	<u>\$ 451,849</u>	<u>\$ 451,849</u>	<u>\$ 531,834</u>	<u>\$ 79,985</u>

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# **Overall Compliance, Internal Control Section and Federal Awards**

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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 Managers of  
Shepherd Independent School District  
Shepherd, 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, each major fund, and the aggregate remaining fund information of Shepherd Independent School District (the District) as of and for the fiscal year ended August 31, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2020.

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

***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*.

The Board of Managers of  
Shepherd Independent School District

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Conroe, Texas  
December 14, 2020



**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 Managers of  
Shepherd Independent School District  
Shepherd, Texas

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

We have audited Shepherd 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 fiscal year ended August 31, 2020. 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 the 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 fiscal year ended August 31, 2020.

The Board of Managers of  
Shepherd 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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.

Conroe, Texas  
December 14, 2020

**Shepherd Independent School District**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended August 31, 2020

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

**Financial Statements**

- |   |               |
|---|---------------|
| 1. Type of auditor's report issued  | Unmodified    |
| 2. Internal control over financial reporting:   |               |
| <i>a.</i> Material weakness(es) identified?   | No            |
| <i>b.</i> Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to the financial statements noted?  | No            |

**Federal Awards**

- |   |  |
|---|--|
| 4. Internal control over major programs:  |  |
| <i>a.</i> Material weakness(es) identified?   | No   |
| <i>b.</i> Significant deficiency(ies) identified that are not considered to be material weaknesses?   | None reported  |
| 5. Type of auditor's report issued on compliance with major programs                                  | Unmodified   |
| 6. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | No   |
| 7. Identification of major programs   | Child Nutrition Cluster – 10.553 & 10.555<br>Title I – 84.010A |
| 8. Dollar threshold used to distinguish between Type A and Type B federal programs                    | \$750,000  |
| 9. Auditee qualified as a low-risk auditee?   | No   |

**Section 2. Financial Statement Findings**

None reported

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

None reported

## Shepherd Independent School District

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended August 31, 2020

### Summary Schedule of Prior Audit Findings

#### 2019-001: Financial Statement Misstatements

**Type of Finding: Material Weakness in Internal Control over Financial Reporting**

##### Corrective Action Plan

Shepherd Independent School District will monitor and enhance its monthly and annual reconciliations of interfund balances. In addition, the District will add a verification of these balances to its month end close process. This process will consist of a review of all interfund balances to verify their correctness and accuracy as well as reclassification if appropriate. These reconciliations and reviews will be provided upon request to the external auditor for review each year.

The process will ensure that all interfund balances are valid, accurate and properly recorded throughout the fiscal year and before the end of the year files are transferred to the external audit firm.

##### Contact Person

DeAnna Clavell, Chief Financial Officer

##### Current Status

Resolved.

**Shepherd Independent School District**  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended August 31, 2020

**Exhibit K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity ID	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Child Nutrition Cluster:			
Passed Through State Department of Education- Cash Assistance:			
School Breakfast Program	10.553	71402001	\$ 210,357
COVID-19 - School Breakfast Program	10.553	71402001	<u>1,597</u>
Total School Breakfast Program			211,954
National School Lunch Program	10.555	71302001	577,281
COVID-19 - National School Lunch Program	10.555	71302001	148,876
Passed Through State Department of Agriculture - Non Cash Assistance:			
National School Lunch Program	10.555	806780706	<u>109,311</u>
Total National School Lunch Program			835,468
Total Child Nutrition Cluster			1,047,422
NSLP School Food Equipment	10.579	806780706	119,999
Forest Service Schools and Roads Cluster:			
Passed Through San Jacinto County, Texas:			
Schools and Roads - Grants to States (Forest)	10.665	N/A*	<u>18,135</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>1,185,556</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
Passed Through San Jacinto County, Texas:			
National Forest Acquired Lands (ONRR Funds)	15.438	N/A*	<u>2,738</u>
<b>TOTAL U.S. DEPARTMENT OF THE INTERIOR</b>			<u>2,738</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
ESEA Title I, Part A-Improving Basic Programs	84.010A	20610101204904	605,362
TTL I 1003 School Improvement	84.010A	20610141204904	<u>101,444</u>
Total 84.010A			706,806
Special Education Cluster (IDEA):			
IDEA - Part B Formula	84.027A	206600012049046600	336,925
IDEA - Part B Preschool	84.173A	206610012049046610	<u>3,215</u>
Total Special Education Cluster (IDEA)			340,140
Carl D. Perkins Basic Formula Grant	84.048A	20420006204904	24,121
ESEA Title V, Part B, Subpart 2 - Rural and Low-Income Program	84.358B	20696001204904	5,980
ESEA Title II, Part A - Supporting Effective Instruction	84.367A	20694501204904	75,166
LEP Summer School	84.369A	69551902	1,336
Title IV, Part A, Subpart 1	84.424A	20680101204904	21,183
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	20521001204904	51,411
<b>Passed Through Region VI Education Service Center:</b>			
Title III, LEP SSA	84.365A	19671001236950	13,525
<b>Passed Through Region 20 Education Service Center:</b>			
Special Education Fiscal Support - Round 2	84.324A	190361017110001	<u>6,082</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>1,245,750</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 2,434,044</u>

\* N/A - No pass-through entity ID provided to District

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

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

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

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Shepherd Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation.

**Note 2. De Minimis Cost Rate**

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

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

Presented below is a reconciliation of federal revenues:

Total expenditures of federal awards per Exhibit K-1	\$ 2,434,044
General fund - federal revenue:	
School health and related services (SHARS)	156,064
E-Rate	<u>2,546</u>
<b>Total federal revenues per Exhibit C-2</b>	<b><u>\$ 2,592,654</u></b>

**Shepherd Independent School District**  
 Schedule of Required Responses to Selected  
 School FIRST Indicators (Unaudited)  
 For the Fiscal Year Ended August 31, 2020

**Exhibit L-1**

<u>Data Codes</u>		<u>Responses</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.)	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ -