



SHARYLAND
INDEPENDENT SCHOOL DISTRICT
Excellence is our Tradition

*Audited Annual Financial Report
For the Year Ended August 31, 2016*

**SHARYLAND
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

LONG CHILTON, LLP
Certified Public Accountants
4100 North Twenty-third Street
McAllen, Texas 78504
(956) 686-3701

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SHARYLAND INDEPENDENT SCHOOL DISTRICT
August 31, 2016

BOARD OF TRUSTEES

Dr. Noe Oliveira	President
Julio Cerda, P.E.	Vice President
Melissa M. Smith	Secretary
Jose "Pepe" Garcia	Assistant Secretary
Dr. Noel O. Garza, D.D.S.	Board Member
Ricky Longoria, C.P.A	Board Member
Keith A. Padilla	Board Member

ADMINISTRATION

Dr. Robert O'Connor	Superintendent of Schools
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CERTIFICATE OF THE BOARD

SHARYLAND HIGH SCHOOL DISTRICT,
HIDALGO COUNTY

County Number 108, District Number 911, Region Number 1

We the undersigned, do hereby certify that the attached annual financial report for the above named school district was reviewed and ✓ approved disapproved for the year ended August 31, 2016 at the meeting of the board of trustees of such school district on the 20th day of December , 2016.

N/E/C. Olmstead
President, Board of Trustees

Melissa M. Smith
Secretary, Board of Trustees

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the board of Trustees
Sharyland Independent School District
Mission, Texas 78572

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sharyland Independent School District (the District), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the General Fund – Budgetary Comparison Schedule, Schedule of the District's Proportionate Share of the Net Pension Liability-Teacher Retirement System (TRS) and Schedule of the District Contributions- Teacher Retirement System (TRS) 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.

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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Other Information as required by the Texas Education Agency 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 Other Information as required by the Texas Education Agency 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 introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, 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 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 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.

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

LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 20, 2016

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**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2016**

As management of the Sharyland Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2016. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent period by \$62,754,774 (*net position*). Of this amount \$16,907,572 (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, The District's governmental funds reported combined ending fund balances of \$26,282,012. Approximately 86 percent of this total amount, \$22,625,040 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$22,625,040 or 26 percent of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are 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 financial statements. This report also contains other supplementary 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 business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has one *business-type activity* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 19-20 of this report.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2016**

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 requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of 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 government'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 government'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*. 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 capital projects fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 22-25 of this report.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the government-wide definition, the District has one *business-type activity* or *enterprise fund*. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its self-funded insurance program and print shop. The basic proprietary fund financial statements can be found on pages 26-28 of this report.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2016**

- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position that can be found on pages 29-30.

The Governmental Accounting Standard Board (GASB) Statement 54 – “Fund Balance Reporting and Governmental Fund Type Definitions” is intended to improve the usefulness of the amount reported in fund balance by providing more structured classification.

Previously, fund balance was classified as ‘reserved’ or ‘unreserved’. GASB 54 will change how fund balance is reported. The hierarchy of five possible classifications is as follows:

- Nonspendable Fund Balance
- Restricted Fund Balance
- Committed Fund Balance
- Assigned Fund Balance
- Unassigned Fund Balance

The five classifications of fund balance of the governmental types are defined as follows:

1. Nonspendable fund balance shall mean the portion of the gross fund balance that is not expendable (such as inventories) or is legally earmarked for a specific use (such as the self-funded reserves program).

Examples of nonspendable fund balance reserves for which fund balance shall not be available for financial general operating expenditures include:

- Inventories
- Prepaid items
- Deferred expenditures
- Long-term receivables
- Outstanding encumbrances

2. Restricted fund balance shall include amounts constrained to a specific purpose by the provider, such as a grantor.

Examples of restricted fund balances include:

- Child nutrition programs
- Technology programs
- Construction programs
- Resources from other granting agencies

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2016**

3. Committed fund balance shall mean that portion of the fund balance that is constrained to a specific purpose by the Board.

Examples include:

- Potential litigation, claims and judgments
- Campus activity funds

4. Assigned fund balance shall mean that portion of the fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Board.

In current practice such plans or intent may change and may never be budgeted, or may result in expenditures in future periods of time.

Examples include:

- Insurance deductibles
- Program start-up costs
- Other legal uses

5. Unassigned fund balance shall include amounts available for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures.

The unassigned fund balance shall be the difference between the total fund balance and the total of the nonspendable fund balance, restricted fund balance, committed fund balance and assigned fund balance.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-66 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 67-73 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$62,754,774 as of

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2016**

August 31, 2016 and by \$62,941,485 as of August 31, 2015.

	The District's Net Assets					
	Governmental Activities		Business- Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 37,814,783	\$ 40,380,587	\$ 104,406	\$ 191,632	\$ 37,919,189	\$ 40,572,219
Noncurrent assets	164,792,378	169,423,118	224,247	169,692	165,016,625	\$ 169,592,810
Total Assets	202,607,161	209,803,705	328,653	361,324	202,935,814	210,165,029
Current liabilities	6,922,559	10,254,030	3,267	3,132	6,925,826	10,257,162
Long-term liabilities:	145,470,217	139,247,966	-	-	145,470,217	139,247,966
Total Liabilities	152,392,776	149,501,996	3,267	3,132	152,396,043	149,505,128
Net Assets:						
Invested in capital assets	44,529,383	44,121,432	224,247	169,692	44,753,630	44,291,124
Restricted	1,093,572	1,431,539	-	-	1,093,572	1,431,539
Unrestricted	16,806,434	17,030,322	101,138	188,500	16,907,572	17,218,822
Total Net Assets	\$ 62,429,389	\$ 62,583,293	\$ 325,385	\$ 358,192	\$ 62,754,774	\$ 62,941,485

Investment in capital assets (e.g., land, buildings, furniture, and equipment) less any related debt used to acquire those assets that is still outstanding is \$44,753,630 as of August 31, 2016 and \$44,291,124 as of August 31, 2015. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$16,907,572 in 2016) and (\$17,218,822 in 2015) may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

Governmental activities. The District's total net position decreased by \$153K in 2016 and decreased by \$1.7M in 2015. The total cost of all *governmental activities* these years was \$109,961,334 in 2016 and \$100,277,021 in 2015. The amount that our taxpayers paid for these activities through property taxes was \$36,756,808 or 33% in 2016 and \$35,164,276 or 35% in 2015.

Business activities. The District's total net position decreased \$32,807 in 2016 and increased \$41,083 in 2015. The total cost of all *business activities* these years was \$255,327 in 2016 and \$194,465 in 2015.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2016**

	Changes in the District's Net Assets					
	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues						
Charges for services	\$ 2,493,433	\$ 2,834,092	\$ 252,020	\$ 235,548	\$ 2,745,453	\$ 3,069,640
Op.grants and contributions	14,873,707	13,078,423	-	-	14,873,707	13,078,423
General revenues						
Property Taxes	36,756,808	35,164,276	-	-	36,756,808	35,164,276
State grants	52,322,506	50,439,700	-	-	52,322,506	50,439,700
Other	2,497,952	4,159,295	-	-	2,497,952	4,159,295
Transfers in (out), net	-	-	-	-	-	-
Total Revenues	108,944,406	105,675,786	252,020	235,548	109,196,426	105,911,334
EXPENSES						
Instruction	58,438,621	53,733,941	-	-	58,438,621	53,733,941
Instr.Resources & Media Svcs.	1,292,811	1,163,171	-	-	1,292,811	1,163,171
Curriculum and Staff Dev.	896,603	633,249	-	-	896,603	633,249
Instructional Leadership	2,179,915	1,777,853	-	-	2,179,915	1,777,853
School Leadership	5,402,029	4,922,442	-	-	5,402,029	4,922,442
Guidance, Counseling & Eval.Svcs.	4,726,322	3,832,406	-	-	4,726,322	3,832,406
Social Work Services	40,918	38,377	-	-	40,918	38,377
Health Services	831,698	(457,887)	-	-	831,698	(457,887)
Student Transportation	3,908,211	3,294,686	-	-	3,908,211	3,294,686
Food Services	5,864,547	5,472,837	-	-	5,864,547	5,472,837
Extracurricular Activities	6,881,526	6,244,885	-	-	6,881,526	6,244,885
General Administration	2,820,725	2,506,891	-	-	2,820,725	2,506,891
Plant Maintenance and Operations	9,892,370	9,242,683	-	-	9,892,370	9,242,683
Security and Monitoring Services	1,033,551	991,179	-	-	1,033,551	991,179
Data Processing Services	742,130	733,891	-	-	742,130	733,891
Community Services	141,658	88,549	255,327	194,465	396,985	283,014
Debt Service-Interest on Long Term De	4,387,306	4,634,500	-	-	4,387,306	4,634,500
Debt Service-Bond Issuance Cost and F	4,300	320,396	-	-	4,300	320,396
Capital Outlay	-	667,723	-	-	-	667,723
Payments to JJAEP	33,834	11,665	-	-	33,834	11,665
Other Governmental Charges	442,258	423,585	-	-	442,258	423,585
Total Expenses	109,961,332	100,277,022	255,327	194,465	110,216,660	100,471,487
Total Increase in Net Assets	(1,016,926)	5,398,764	(3,307)	41,083	(1,020,234)	5,439,847
Beginning, Net Assets	62,583,294	64,607,287	358,192	317,109	62,941,486	64,924,396
Transfers In (Out)	-	-	(29,500)	-	(29,500)	-
Prior period adjustments	863,025	(7,422,758)	-	-	863,025	(7,422,758)
Ending, Net Assets	\$ 62,429,390	\$ 62,583,294	\$ 325,386	\$ 358,192	\$ 62,754,776	\$ 62,941,486

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$26,282,012 an increase of \$540,306. Approximately 86 percent of this total amount (\$22,625,040) constitutes *unassigned fund balance*. The remainder of fund balance is *reserved* or *committed* to indicate that it is not available for new spending because it has already been committed 1) for inventory (\$361,454) 2)to pay debt service (\$498,075), 3) for

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2016**

other miscellaneous restrictions and other committed (\$797,443), and 4) construction (\$2,000,000).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$22,668,137 while the total fund balance was \$25,404,373. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 26 percent of the total general fund expenditures, while total fund balance represents 29 percent of that same amount.

The fund balance of the District's general fund increased by \$478,930 during the current fiscal year.

Proprietary funds. As mentioned earlier, the District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at August 31, 2016, amounted to \$101,138. During the year the funds had an decrease in net position of \$87,362.

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved budget revisions on an operating basis. The major amendments fall into the following categories:

- Amendments to revise estimates for local and state revenue based on the latest information on student attendance numbers and favorable current and delinquent tax collection rates.
- Amendments during the year for unexpected occurrences.
- Amendments throughout the year for renovation/construction projects.

The District made the following amendments to increase budgeted revenue:

Revenues from Local and Intermediate Sources	\$	210,492
State Program Revenues		800,000
Federal Progeam Revenues		-

Following is a summary of amendments made to increase (decrease) appropriations:

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2016**

Instructional and School Leadership	271,282
Support Services -Student (Pupil)	888,615
Administrative Support Services	(23,428)
Support Services - Non Student Based	576,900
Ancillary Services	800
Debt Services	-
Capital Outlay	831,813
Other	11,000

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2016, amounts to \$164,792,376 (net of accumulated depreciation), a decrease of 2.73% over prior year. This investment in capital assets includes land, buildings, etc. as listed below.

District's Capital Assets (net of depreciation)		
	2016	2015
Land	\$ 12,496,717	\$ 12,496,717
Buildings and improvements	142,745,400	92,281,915
Furniture and equipment	8,264,809	7,798,115
Capital Lease-Furniture and equipment	84,683	93,756
Infrastructure Assets-Roads	484,931	306,170
Infrastructure Assets-Networks and Subsystems	593,720	138,600
Construction in Progress	122,116	56,307,843
Total capital assets	\$ 164,792,376	\$ 169,423,116

Additional information on the District's capital assets can be found in Note 7 on page 47 of this report.

Long-term debt. At the end of August 31, 2016, the District had total bonded debt outstanding of \$109,259,999 a net decrease of \$3,715,000 from the prior year.

The District's bonds have received a rating of "Aaa" by Moody's by virtue of the guarantee of the Permanent School fund of the State of Texas. The presently outstanding tax supported debt of the District is rated "A2" by Moody's and "A" by Fitch Ratings. The District also has issues outstanding which are rated "Aaa" by Moody's and "A" by Fitch Ratings by virtue of the guarantee of the Permanent School Fund of the State of Texas.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$271,184,674, which is significantly in excess of the District's outstanding general obligation debt.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2016**

Additional information on the District's long-term debt can be found in Note 10 on page 49 of this report.

Economic Factors and Next Year's Budgets and Rates

- Previously very rapid enrollment growth has subsided to a more sustainable pace, and anticipated future enrollment gains should position the district for additional state funding growth. The District's budget was prepared using prior year's ADA.
- Taxable assessed valuation continues to register gains due to primarily to ongoing residential and commercial development. Although taxable assessed valuation growth has slowed since the pre-recession double-digit rates, the community's existing infrastructure, attractive master planned communities, and strength of our school system position the District for continued growth. The District taxable value for 2016 experienced modest 6.8% growth when compared to 2015.
- The District has estimated revenues and appropriated expenditures in the 2015-16. General Fund officially adopted budget of \$86,392,826.

Independent Audit

The Texas Education Code, as well as our District policy, requires an annual audit of the District's financial statements by independent certified public accountants selected by the Board of Trustees. In addition to meeting the requirements set forth in state statutes, the financial audit was designed to also meet the requirements of the federal Single Audit Act Amendments of 1996 and the provisions of OMB Circular A-133, Audits of State, Local governments and Non-Profit Organizations. The independent auditors' report on the basic financial statements, required supplementary information, and other schedules are included in the financial sections of this report.

Awards

The Financial Integrity Rating System of Texas (FIRST) program, a financial accountability system for Texas school districts was developed by the Texas Education Agency in response to Senate bill 875 of the 76th Texas Legislature in 1999. The primary goal of FIRST is to achieve quality performance in the management of school district financial resources, a goal made more significant due to the complexity of accounting associated with the Texas school financial system. The District has been awarded the "Superior Achievement" rating under FIRST since the inception of the ratings. The "Superior Achievement" rating is the state's highest financial rating, demonstrating the quality of Sharyland ISD sound fiscal management.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Sharyland Independent School District's finances as well as

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2016**

demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Jaime Ortega
Director of Finance
Sharyland ISD
1106 N. Shary Road
Mission, Texas 78572

BASIC FINANCIAL STATEMENTS

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SHARYLAND ISD
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	1	2 Primary Government		3
		Governmental Activities	Business Type Activities	
ASSETS				
1110	Cash and Cash Equivalents	\$ 26,530,168	\$ 104,406	\$ 26,634,574
1120	Current Investments	4,820,383	-	4,820,383
1220	Property Taxes Receivable (Delinquent)	2,964,974	-	2,964,974
1230	Allowance for Uncollectible Taxes	(1,923,233)	-	(1,923,233)
1240	Due from Other Governments	5,058,207	-	5,058,207
1250	Accrued Interest	2,584	-	2,584
1290	Other Receivables, net	246	-	246
1300	Inventories	361,454	-	361,454
	Capital Assets:			
1510	Land	12,496,717	-	12,496,717
1520	Buildings, Net	142,745,400	62,750	142,808,150
1530	Furniture and Equipment, Net	8,264,811	161,497	8,426,308
1550	Leased Property Under Capital Leases, Net	84,683	-	84,683
1580	Construction in Progress	122,116	-	122,116
1590	Infrastructure, Net	1,078,652	-	1,078,652
1000	Total Assets	202,607,161	328,653	202,935,814
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	2,228,671	-	2,228,671
1705	Deferred Outflow Related to TRS	11,441,707	-	11,441,707
1700	Total Deferred Outflows of Resources	13,670,378	-	13,670,378
LIABILITIES				
2110	Accounts Payable	1,164,871	280	1,165,151
2140	Interest Payable	165,088	-	165,088
2150	Payroll Deductions & Withholdings	47,572	-	47,572
2160	Accrued Wages Payable	3,714,134	2,987	3,717,121
2200	Accrued Expenses	1,022,541	-	1,022,541
2300	Unearned Revenue	808,353	-	808,353
	Noncurrent Liabilities			
2501	Due Within One Year	4,843,388	-	4,843,388
2502	Due in More Than One Year	121,063,921	-	121,063,921
2540	Net Pension Liability (District's Share)	19,562,908	-	19,562,908
2000	Total Liabilities	152,392,776	3,267	152,396,043
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Inflow Related to TRS	1,455,374	-	1,455,374
2600	Total Deferred Inflows of Resources	1,455,374	-	1,455,374
NET POSITION				
3200	Net Investment in Capital Assets	44,529,383	224,247	44,753,630
	Restricted:			
3820	Restricted for Federal and State Programs	592,291	-	592,291
3850	Restricted for Debt Service	498,075	-	498,075
3890	Restricted for Other Purposes	3,206	-	3,206
3900	Unrestricted	16,806,434	101,138	16,907,572
3000	Total Net Position	\$ 62,429,389	\$ 325,385	\$ 62,754,774

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

SHARYLAND ISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 58,438,621	\$ 565,439	\$ 6,971,555
12 Instructional Resources and Media Services	1,292,811	67,540	113,464
13 Curriculum and Staff Development	896,603	-	131,778
21 Instructional Leadership	2,179,915	-	206,885
23 School Leadership	5,402,029	20,321	405,928
31 Guidance, Counseling and Evaluation Services	4,726,322	17,749	1,629,952
32 Social Work Services	40,918	-	2,284
33 Health Services	831,698	-	55,124
34 Student (Pupil) Transportation	3,908,211	-	232,468
35 Food Services	5,864,547	1,436,442	3,989,232
36 Extracurricular Activities	6,881,526	379,400	233,951
41 General Administration	2,820,725	6,542	157,314
51 Facilities Maintenance and Operations	9,892,370	-	550,031
52 Security and Monitoring Services	1,033,551	-	3,202
53 Data Processing Services	742,130	-	55,548
61 Community Services	141,658	-	134,989
72 Debt Service - Interest on Long Term Debt	4,387,306	-	-
73 Debt Service - Bond Issuance Cost and Fees	4,300	-	-
81 Capital Outlay	-	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	33,834	-	-
99 Other Intergovernmental Charges	442,258	-	-
[TG] Total Governmental Activities:	<u>109,961,334</u>	<u>2,493,433</u>	<u>14,873,707</u>
BUSINESS-TYPE ACTIVITIES:			
01 Enterprise Funds	255,327	252,020	-
[TB] Total Business-Type Activities:	<u>255,327</u>	<u>252,020</u>	<u>-</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 110,216,661</u>	<u>\$ 2,745,453</u>	<u>\$ 14,873,707</u>

Data	General Revenues:
Control	Taxes:
Codes	Property Taxes, Levied for General Purposes
MT	Property Taxes, Levied for Debt Service
DT	State Aid - Formula Grants
SF	Grants and Contributions not Restricted
GC	Investment Earnings
IE	Miscellaneous Local and Intermediate Revenue
MI	Transfers In (Out)
FR	Total General Revenues & Transfers
TR	
CN	Change in Net Position
NB	Net Position - Beginning
PA	Prior Period Adjustment
NE	Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
	Primary Government	
Governmental Activities	Business Type Activities	Total
\$ (50,901,628)	\$ -	\$ (50,901,628)
(1,111,807)	-	(1,111,807)
(764,825)	-	(764,825)
(1,973,030)	-	(1,973,030)
(4,975,780)	-	(4,975,780)
(3,078,621)	-	(3,078,621)
(38,634)	-	(38,634)
(776,574)	-	(776,574)
(3,675,743)	-	(3,675,743)
(438,873)	-	(438,873)
(6,268,174)	-	(6,268,174)
(2,656,869)	-	(2,656,869)
(9,342,339)	-	(9,342,339)
(1,030,349)	-	(1,030,349)
(686,582)	-	(686,582)
(6,669)	-	(6,669)
(4,387,306)	-	(4,387,306)
(4,300)	-	(4,300)
-	-	-
(33,834)	-	(33,834)
(442,258)	-	(442,258)
(92,594,194)	-	(92,594,194)
-	(3,307)	(3,307)
-	(3,307)	(3,307)
(92,594,194)	(3,307)	(92,597,501)
32,207,769	-	32,207,769
4,549,039	-	4,549,039
48,202,125	-	48,202,125
4,067,365	-	4,067,365
53,016	-	53,016
2,468,452	-	2,468,452
29,500	(29,500)	-
91,577,266	(29,500)	91,547,766
(1,016,928)	(32,807)	(1,049,735)
62,583,293	358,193	62,941,486
863,025	-	863,025
\$ 62,429,390	\$ 325,386	\$ 62,754,776

SHARYLAND ISD
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 21,957,880	\$ 801,393	\$ 22,759,273
1120 Investments - Current	4,409,085	411,298	4,820,383
1220 Property Taxes - Delinquent	2,599,820	365,154	2,964,974
1230 Allowance for Uncollectible Taxes (Credit)	(1,684,899)	(238,334)	(1,923,233)
1240 Receivables from Other Governments	4,157,168	901,039	5,058,207
1250 Accrued Interest	1,942	134	2,076
1260 Due from Other Funds	308,800	347,122	655,922
1290 Other Receivables	-	246	246
1300 Inventories	143,945	217,509	361,454
1000 Total Assets	<u>\$ 31,893,741</u>	<u>\$ 2,805,561</u>	<u>\$ 34,699,302</u>
LIABILITIES			
2110 Accounts Payable	\$ 797,018	\$ 270,056	\$ 1,067,074
2150 Payroll Deductions and Withholdings Payable	47,572	-	47,572
2160 Accrued Wages Payable	3,384,033	330,101	3,714,134
2170 Due to Other Funds	347,122	308,800	655,922
2200 Accrued Expenditures	2,062	355,343	357,405
2300 Unearned Revenues	244,744	563,609	808,353
2000 Total Liabilities	<u>4,822,551</u>	<u>1,827,909</u>	<u>6,650,460</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	723,283	100,013	823,296
2602 Deferred Inflow of Resources	943,534	-	943,534
2600 Total Deferred Inflows of Resources	<u>1,666,817</u>	<u>100,013</u>	<u>1,766,830</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	143,945	217,509	361,454
3425 Endowment Principal	-	110,000	110,000
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	592,291	-	592,291
3480 Retirement of Long-Term Debt	-	498,075	498,075
3490 Other Restricted Fund Balance	-	3,206	3,206
Committed Fund Balance:			
3510 Construction	2,000,000	-	2,000,000
3545 Other Committed Fund Balance	-	91,946	91,946
3600 Unassigned Fund Balance	22,668,137	(43,097)	22,625,040
3000 Total Fund Balances	<u>25,404,373</u>	<u>877,639</u>	<u>26,282,012</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 31,893,741</u>	<u>\$ 2,805,561</u>	<u>\$ 34,699,302</u>

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

SHARYLAND ISD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2016

Total Fund Balances - Governmental Funds	\$ 26,282,012
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	3,008,470
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$220,252,170 and the accumulated depreciation was (\$50,829,054). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	39,942,448
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase net position.	7,176,341
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of 19,562,908, a Deferred Resource Inflow related to TRS in the amount of \$1,455,374 and a Deferred Resource Outflow related to TRS in the amount of \$11,441,707. This amounted to a decrease in Net Position in the amount of \$9,576,575.	(9,576,575)
5 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(6,170,137)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	1,766,830
19 Net Position of Governmental Activities	<u>\$ 62,429,389</u>

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

SHARYLAND ISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT C-3

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 34,918,532	\$ 6,476,565	\$ 41,395,097
5800 State Program Revenues	53,598,111	1,969,441	55,567,552
5900 Federal Program Revenues	1,006,273	8,644,591	9,650,864
5020 Total Revenues	<u>89,522,916</u>	<u>17,090,597</u>	<u>106,613,513</u>
EXPENDITURES:			
Current:			
0011 Instruction	48,843,600	3,466,534	52,310,134
0012 Instructional Resources and Media Services	1,147,174	46,431	1,193,605
0013 Curriculum and Instructional Staff Development	757,820	124,733	882,553
0021 Instructional Leadership	2,004,848	81,038	2,085,886
0023 School Leadership	5,036,756	60,965	5,097,721
0031 Guidance, Counseling and Evaluation Services	3,072,439	1,409,304	4,481,743
0032 Social Work Services	39,110	-	39,110
0033 Health Services	655,920	-	655,920
0034 Student (Pupil) Transportation	3,811,578	-	3,811,578
0035 Food Services	-	5,615,883	5,615,883
0036 Extracurricular Activities	5,940,957	101,379	6,042,336
0041 General Administration	2,661,194	8,936	2,670,130
0051 Facilities Maintenance and Operations	9,603,839	256,327	9,860,166
0052 Security and Monitoring Services	1,017,426	3,202	1,020,628
0053 Data Processing Services	756,416	-	756,416
0061 Community Services	2,032	125,503	127,535
Debt Service:			
0071 Principal on Long Term Debt	973,248	3,715,000	4,688,248
0072 Interest on Long Term Debt	114,852	4,659,650	4,774,502
0073 Bond Issuance Cost and Fees	300	4,000	4,300
Capital Outlay:			
0081 Facilities Acquisition and Construction	290,756	79,329	370,085
Intergovernmental:			
0095 Payments to Juvenile Justice Alternative Ed. Prg.	33,834	-	33,834
0099 Other Intergovernmental Charges	442,258	-	442,258
6030 Total Expenditures	<u>87,206,357</u>	<u>19,758,214</u>	<u>106,964,571</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,316,559</u>	<u>(2,667,617)</u>	<u>(351,058)</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	6,737	-	6,737
7915 Transfers In	4,812,111	2,639,784	7,451,895
8911 Transfers Out (Use)	(7,414,256)	(8,139)	(7,422,395)
8949 Other (Uses)	-	(7,900)	(7,900)
7080 Total Other Financing Sources (Uses)	<u>(2,595,408)</u>	<u>2,623,745</u>	<u>28,337</u>
1200 Net Change in Fund Balances	(278,849)	(43,872)	(322,721)
0100 Fund Balance - September 1 (Beginning)	24,925,443	816,265	25,741,708
1300 Prior period adjustment	757,779	105,246	863,025
3000 Fund Balance - August 31 (Ending)	<u>\$ 25,404,373</u>	<u>\$ 877,639</u>	<u>\$ 26,282,012</u>

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

SHARYLAND ISD
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	(322,721)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.		(144,964)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase net position.		11,271,762
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(6,170,137)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(3,725,099)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$1,692,763. Contributions made before the measurement and during the previous fiscal year were also expended and recorded as a reduction in net pension liability for the District. This caused a decrease in the change in net position totaling \$1,638,720. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$1,979,813. The net result is to increase (decrease) the change in net position by (\$1,925,770).		(1,925,770)
Change in Net Position of Governmental Activities	\$	(1,016,929)

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

SHARYLAND ISD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2016

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 104,406	\$ 3,770,895
Accrued Interest	-	508
Total Current Assets	104,406	3,771,403
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements	62,750	-
Furniture and Equipment	239,231	-
Depreciation on Furniture and Equipment	(77,734)	-
Total Noncurrent Assets	224,247	-
Total Assets	328,653	3,771,403
LIABILITIES		
Current Liabilities:		
Accounts Payable	280	97,797
Accrued Wages Payable	2,987	-
Accrued Expenses	-	365,084
Total Liabilities	3,267	462,881
NET POSITION		
Net Investment in Capital Assets	224,247	-
Unrestricted Net Position	101,138	3,308,522
Total Net Position	\$ 325,385	\$ 3,308,522

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

SHARYLAND ISD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 238,940	\$ 7,538,590
State Program Revenues	13,080	-
Total Operating Revenues	<u>252,020</u>	<u>7,538,590</u>
OPERATING EXPENSES:		
Payroll Costs	200,199	-
Professional and Contracted Services	-	1,597,181
Supplies and Materials	34,038	-
Other Operating Costs	6,835	5,792,012
Depreciation Expense	14,255	-
Total Operating Expenses	<u>255,327</u>	<u>7,389,193</u>
Operating Income (Loss)	<u>(3,307)</u>	<u>149,397</u>
NONOPERATING REVENUES (EXPENSES):		
Earnings from Temporary Deposits & Investments	-	5,691
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>5,691</u>
Income (Loss) Before Transfers	(3,307)	155,088
Transfers Out	<u>(29,500)</u>	<u>-</u>
Change in Net Position	(32,807)	155,088
Total Net Position - September 1 (Beginning)	<u>358,193</u>	<u>3,153,434</u>
Total Net Position - August 31 (Ending)	<u>\$ 325,386</u>	<u>\$ 3,308,522</u>

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

SHARYLAND ISD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 252,020	\$ 7,538,590
Cash Received from Assessments - Other Funds	-	46
Cash Payments to Employees for Services	(200,344)	(1,545,600)
Cash Payments for Suppliers	(33,758)	-
Cash Payments for Other Operating Expenses	(6,835)	(6,142,198)
Net Cash Provided by (Used for) Operating Activities	<u>11,083</u>	<u>(149,162)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Operating Transfer Out	(29,500)	-
Earnings from Temporary Deposits and Investments	-	5,691
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(29,500)</u>	<u>5,691</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Acquisition of Capital Assets	(68,810)	-
Net Decrease in Cash and Cash Equivalents	(87,227)	(143,470)
Cash and Cash Equivalents at Beginning of Year	191,632	3,914,366
Cash and Cash Equivalents at End of Year	<u>\$ 104,405</u>	<u>\$ 3,770,896</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss):	\$ (3,307)	\$ 149,397
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	14,255	-
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Accrued Interest	-	46
Increase (decrease) in Accounts Payable	280	51,582
Increase (decrease) in Accrued Wages Payable	(145)	-
Increase (decrease) in Accrued Expenses	-	(350,186)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 11,083</u>	<u>\$ (149,161)</u>

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

SHARYLAND ISD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2016

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 76,452	\$ 478,672
Investments - Current	-	255,568
Accrued Interest	11	59
Total Assets	<u>76,463</u>	<u>\$ 734,299</u>
LIABILITIES		
Accounts Payable	2,750	\$ -
Due to Student Groups	-	734,299
Total Liabilities	<u>2,750</u>	<u>\$ 734,299</u>
NET POSITION		
Restricted for Scholarships	<u>73,713</u>	
Total Net Position	<u>\$ 73,713</u>	

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

SHARYLAND ISD
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 20,123
Total Additions	<u>20,123</u>
DEDUCTIONS:	
Other Operating Costs	23,750
Total Deductions	<u>23,750</u>
Change in Net Position	(3,627)
Total Net Position - September 1 (Beginning)	<u>77,340</u>
Total Net Position - August 31 (Ending)	<u>\$ 73,713</u>

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

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 1 – REPORTING ENTITY

The Sharyland Independent School District's (District) is a public educational agency operating under the applicable laws and regulation of the State of Texas. A seven-member Board of Trustees governs the District that is elected by registered voters of the District. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Educational Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Trustees ("Board"), a seven-member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Sharyland Independent School District. The governing Board derives its powers from the statutes of the State of Texas and the rules and regulations of the Texas State Department of Education. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No.14 as amended by GASB 61. "*The Reporting Entity.*" The District has no component units.

A. Government-Wide and Fund Financial Statements

The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated by type and reported as non-major funds.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified 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 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 current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to longevity pay, claims and judgments are recorded only when payment is due.

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

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Unearned revenue is reported in the governmental funds when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Major revenue sources include local property taxes; state funding under the Foundation School Program and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, and debt service.

Additionally, the District reports the following fund types:

Internal Service Fund. The District's self-funded medical and workers' compensation insurance plans provided for the benefit of eligible employees. The plans are intended to be self-supporting and contributions for premiums are increased periodically to cover the cost of claims, insurance premiums and administrative fees.

Enterprise Fund. The Enterprise Fund accounts for After-School Day Care Programs.

Private-Purpose Trust Fund. These are used to account for donations for scholarship funds that are received by the District that are to be awarded to current and former students for post-secondary education purposes.

The Agency Funds. These are used to account for resources held in a custodial capacity by the District, and consist of funds that are the property of student groups or others.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund and after school care funds is charges for services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are reported in the fiduciary fund financial statements. However because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

C. Assets, Liabilities, and Net Position/Fund Balance

1. Investment Accounting Policy

The District is required by government Code Chapter 2256, The Public Funds Investment Act (the “Act”), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rate of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirement of the Act. Additionally, investment practices of the District were in accordance with local policies.

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The District’s general policy is to report money market investment and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost basis measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factor, it is reported at fair value. All other investment are reported at fair value unless a legal contract exists which guarantees a high value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The Act determines the type of investments, which are allowable for the District. These include, with certain restrictions, (1) obligation of, or guaranteed by, governmental entities, (2) certificates of deposit and share certificates, (3) fully collateralized repurchase agreements, (4) a securities lending program, (5) banker’s acceptances, (6) commercial paper, (7) no-load money market mutual funds and no-load mutual funds, (8) guaranteed investment contracts, and (9) public funds investment pools. The district policy authorizes all the State allowable investments.

2. Receivable and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds.”

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectible. Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in the District in conformity with Subtitle E, Texas Property Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Delinquent taxes are prorated between general and debt service funds based on rates adopted for the year of the levy. Allowance for uncollectible tax receivables within the general and debt service funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Accrued liabilities include amounts accrued for salaries and for self-insurance claims.

3. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost and they include consumable custodial, maintenance, transportation supplies. Inventories of governmental funds are recorded as expenditures when they are consumed rather than when purchased. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and deferred revenue when received in the governmental funds. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Prepaid items are payments made for services that benefit periods beyond the current year.

4. Capital Assets

Capital assets, which include land, building, furniture and equipment, are reported in the applicable governmental or business type activity columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of the assets are not capitalized. A capitalization threshold of \$5,000 is used.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Assets Class</u>	<u>Estimated Useful Lives</u>
Land and Road Improvements	20
Buildings	50
Building improvements	7-25
Vehicles	8
Furniture and Equipment	5-20
Capital Lease Equipment	12
Computer equipment	5

5. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has two items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the first item, unavailable revenue from property taxes, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Second is the deferred inflow of unavailable SHARS revenues. Third is a deferred inflow or resources related to pensions.

6. Fair Value Measurements

The District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

- Level 3 are unobservable inputs that reflect the entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the Service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Implementation of GASB Statement No. 72 did not have a significant impact on the District’s financial statements for the year ended August 31, 2016.

7. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Similarly, interfund receivables and payables are netted and presented as a single “Internal Balances” line of the government-wide statement of net assets.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activity or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using effective interest methods. Bond issuance costs are expensed in the year of issuance.

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

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service. Longevity pay is accrued in the government-wide financial statements and reported in the fund financial statements when matured.

9. Fund Balance

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.

There are two major categories of fund balances, which are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has inventories and prepaid items that are considered nonspendable. The District does not have any nonspendable funds related to endowments.

In addition to the nonspendable fund balance, there is a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that can be used only for the specific purposes imposed by formal action through the adoption of a resolution by the Board of Trustees, which is the highest level of decision making authority in the District. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process.

Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered legally enforceable. Committed fund balance also incorporates contract obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The Board has by Local Policy CE authorized the Superintendent, or his designee, to assign fund balance. The Board, Superintendent or designee 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 only exist temporarily. An additional action does not have to be taken for the removal of an assignment.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

10. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

11. Internal Service Fund Activity

Because the principal users of the internal service activities are the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. Only the net profit or loss before investment income is allocated to the operating programs benefited. The investment income is combined with other unrestricted income as general revenue in the statement of activities.

12. Accounting System

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure prescribed by TEA in the Resource Guide. Mandatory codes are recorded in the order provided in that section.

13. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statement filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

14. Pension

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

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

15. New Accounting Standards Adopted

In fiscal year 2016, the District adopted six new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 72, Fair Value Measurement and Application
- Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to certain provisions of GASB Statements 67 and 68
- Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Government
- Statement No. 79, Certain External Investment Pools and Pool Participants

Statement No. 72 requires that investments be measured as fair value using a consistent definition and valuation techniques. It also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes.

The hierarchy of Generally Accepted Accounting Principles (GAAP) prioritizes guidance that governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.

Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. There was no impact on the District's financial statements as a result of the implementation of Statement No. 73.

Statement No. 76 was issued to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Accepted Accounting Principles for State and Local Governments. It also amends Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements, paragraph 64, 74, and 82. There was no impact on the District's financial statements as a result of the implementation of Statement No. 76.

Statement No. 79 establishes criteria for external investment pools to qualify for making the election to measure all of their investments at amortized cost for financial reporting purposes. If an external investment pool meets all of the criteria for reporting at amortized cost, pool participants also should measure their investments in that external pool at amortized cost. If an external pool does not meet all the criteria in this statement, pool participants should measure their investments in that pool at fair value, as provided in paragraph 11 of GASB Statement 31. The District's external pool investments all have met the requirements to be measured at amortized cost.

NOTE 3 – COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provision

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Debt Service Fund ;

The Debt Service Fund expenditures were funded through its reserves.

B. Deficit Fund Balance or Net Position, of Individual Funds

None reported for the year ending August 31, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Disclosures Related to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is that risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Public Funds Investment Act, the District's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonable possible, stabilize at a \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holding shall be sold as necessary to maintain the ratio between 0.995 and 1.005.

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities and letters of credit 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.

B. Cash Deposits

At August 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$27,189,697 and the bank balance was \$28,097,507. The District's cash deposits at August 31, 2016 and for the year then ended August 31, 2016, were entirely covered by FDIC insurance or letters of credit and by pledged collateral held by the District's agent bank in the District's name.

A reconciliation of cash and investments as shown on the Statement of Net Position for the primary government follows:

Cash on hand	\$	8,495
Carrying amount deposit		27,181,202
Investments		5,075,952
Less: Statement of Fiduciary Net Assets		<u>(810,692)</u>
Cash and Investments Statement of Net Position	\$	<u>31,454,957</u>
Exhibit A-1		
Cash and cash equivalents	\$	26,634,574
Investments		<u>4,820,383</u>
Cash and Investments Statement of Net Position	\$	<u>31,454,957</u>

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS *(Continued)*

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depositories: BBVA Compass Bank
- b. The market value of securities and letters of credit as of the date of the highest combined balance on deposit was \$58,537,304.
- c. The highest combined balance of cash, saving and time deposits accounts amounted to \$49,705,712 occurred during the month of January 2016.
- d. Total amount of FDIC coverage at the time of the largest combined balances was \$250,000.

C. Investments

Statutes authorize the District to invest in obligations of the U.S. Treasury or the State of Texas allowed by Chapter 2256 Public Funds Investment and Chapter 2257 Collateral for Public Funds of the Government Code.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The District's management believes that it complied in all material respects with the requirements of the Public Funds Investment Act and the District's investment policies.

During the fiscal year the District maintained investments in various pools. Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investment in Pools were maintained and reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All of the investment pools that the District is invested in qualify as 2a7-like pools which have met the criteria established under GASB statement No.79 to report their value at amortized cost. Additionally, all of the investment pools strive to maintain a \$1 per share net asset value.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

At August 31, 2016, the District’s investments reported at fair value summarized below:

Description	Weighted Average Maturity	Reported Amount
<u>Governmental Funds</u>		
Logic Investment Pool	56 days average	\$ 2,194,447
Compass Bank-Money Market	30 days average	1,321
Texpool Investments	44 days average	1,022,022
TexPool Prime Investments	38 days average	1,858,162
		<u>\$ 5,075,952</u>

D. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the district’s investment policy and the Texas Public Funds Investment Act and actual rating as of year-end for each investment.

<u>Investment or Investment Type</u>	<u>Amount</u>	<u>Rating</u>	<u>Exposure</u>
Logic Investment Pool	\$ 2,194,447	AAA-m	43.23%
Compass Bank-Money Market	1,321	BBB	0.03%
Texpool Investments	1,022,022	AAA-m	20.13%
TexPool Prime Investments	1,858,162	AAA-m	36.61%
	<u>\$ 5,075,952</u>		

E. Concentration of Credit Risk

Concentration of credit risk is the risk of loss to the magnitude of the District’s investment in a single issuer. Portfolio diversification is employed in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer, as a way to control risk. Investments issued or explicitly guaranteed by the U.S. government, mutual funds and investment pool are excluded from this requirement.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 5 – RECEIVABLES

Significant receivables for the government’s individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows.

A. Property taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 60 day period after the close of the school fiscal year.

The 2015 assessed valuation was \$2,899,657,284.

Delinquent taxes are prorated between the general fund and debt service fund based on the tax rate approved by the Board. For the year ended August 31, 2016, the rates were \$1.1700 and \$.1655, respectively, per \$100 of assessed value.

	General Fund	Debt Service Fund	Total
Total Taxes Receivable	\$ 2,599,820	\$ 365,154	\$2,964,974
Less: Allowance for Uncollectible	(1,684,899)	(238,334)	(1,923,233)
Net Receivable	\$ 914,921	\$ 126,820	\$1,041,741

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 5 – RECEIVABLES (Continued)

Due From Other Governments

Amounts due from other governments and agencies are as follows:

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Due from other governments			
Texas Education Agency	\$2,604,321	\$ 851,200	\$3,455,521
Medicaid Program (SHARS)	1,477,013	-	1,477,013
Other	75,834	49,840	125,674
Total	<u>\$4,157,168</u>	<u>\$ 901,040</u>	<u>\$5,058,208</u>

Unearned revenues

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities on the current period. Governmental funds also defer revenues recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of unearned and unavailable revenues were:

	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Funds</u>	<u>Governmental</u>
			<u>Funds</u>
Foundation Revenue	\$ 244,744	\$ -	\$ 244,744
State and Local Grants	-	563,609	563,609
	<u>\$ 244,744</u>	<u>\$ 563,609</u>	<u>\$ 808,353</u>

NOTE 6 – DISAGGREGATION OF OTHER RECEIVABLE/ACCRUED LIABILITIES

Other receivables and accrued liabilities as of August 31, 2016 for the District's individual major, nonmajor, and internal service funds in the aggregate are as follows:

	<u>General</u>	<u>Nonmajor</u>	<u>Proprietary</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Fund</u>	
		<u>Funds</u>		<u>Total</u>
Other Receivables				
Misc.	-	246	-	246
Total	<u>\$ -</u>	<u>\$ 246</u>	<u>\$ -</u>	<u>\$ 246</u>
Accrued Expenses				
Wages and Deductions Payable	\$ 3,384,033	\$ 330,101	\$ 2,987	\$ 3,717,121
Claims Payable	-	-	365,084	365,084
Total	<u>\$ 3,384,033</u>	<u>\$ 330,101</u>	<u>\$ 368,071</u>	<u>\$ 4,082,205</u>

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 7 – CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2016, was as follows:

	Beginning Balance	Increases	Reclassify	Decreases	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 12,496,717	\$ -	\$ -	\$ -	\$ 12,496,717
Construction in Progress	56,307,843	243,571	(56,429,298)	-	122,116
Total capital assets, not being depreciated	<u>\$ 68,804,560</u>	<u>\$ 243,571</u>	<u>\$ (56,429,298)</u>	<u>\$ -</u>	<u>\$ 12,618,833</u>
Capital Assets, being depreciated:					
Buildings and Improvements	\$ 131,891,175	\$ 125,644	\$ 55,707,922	\$ (1,727,896)	\$ 185,996,845
Furniture and Equipment	18,938,779	2,010,798	-	-	20,949,577
Capital Lease-Furniture and Equipment	108,878	-	-	-	108,878
Infrastructure Asset-Roads	335,528	-	205,829	-	541,357
Infrastructure Asset-Networks and subsystems	173,250	-	515,547	-	688,797
Total capital assets, being depreciated	<u>\$ 151,447,610</u>	<u>\$ 2,136,442</u>	<u>\$ 56,429,298</u>	<u>\$ (1,727,896)</u>	<u>\$ 208,285,454</u>
Less accumulated depreciation for:					
Buildings and Improvements	\$ (39,609,260)	\$ (4,529,465)	\$ -	\$ 887,280	\$ (43,251,445)
Furniture and Equipment	(11,140,664)	(1,544,104)	-	-	(12,684,768)
Capital Lease-Furniture and Equipment	(15,122)	(9,073)	-	-	(24,195)
Infrastructure Asset-Roads	(29,358)	(27,068)	-	-	(56,426)
Infrastructure Asset-Networks and subsystems	(34,650)	(60,427)	-	-	(95,077)
Total accumulated depreciation	<u>\$ (50,829,054)</u>	<u>\$ (6,170,137)</u>	<u>\$ -</u>	<u>\$ 887,280</u>	<u>\$ (56,111,911)</u>
Total capital assets, being depreciated, net	<u>\$ 100,618,556</u>	<u>\$ (4,033,695)</u>	<u>\$ 56,429,298</u>	<u>\$ (840,616)</u>	<u>\$ 152,173,543</u>
Governmental Activities Capital Assets, Net	<u>\$ 169,423,116</u>	<u>\$ (3,790,124)</u>	<u>\$ -</u>	<u>\$ (840,616)</u>	<u>\$ 164,792,376</u>
Business-type Activities:					
Capital Assets, being depreciated:					
Furniture and Equipment	\$ 233,171	\$ 68,810	\$ -	\$ -	\$ 301,981
Total capital assets, being depreciated	<u>\$ 233,171</u>	<u>\$ 68,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301,981</u>
Less accumulated depreciation for:					
Furniture and Equipment	\$ (63,479)	\$ (14,255)	\$ -	\$ -	\$ (77,734)
Total accumulated depreciation	<u>\$ (63,479)</u>	<u>\$ (14,255)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (77,734)</u>
Total capital assets, being depreciated, net	<u>169,692</u>	<u>54,555</u>	<u>-</u>	<u>-</u>	<u>224,247</u>
Business-type Activities Capital Assets, Net	<u>\$ 169,692</u>	<u>\$ 54,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,247</u>

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation was charged to functions as follows:

Instruction	\$ 4,577,470
Instructional resources and media services	48,591
Staff Development	5,542
Instructional Leadership	1,468
School Leadership	58,831
Student transportation	528,315
Food Services	126,511
Co-curricular/extracurricular activities	697,054
General administration	50,900
Plant Maintenance and operations	52,492
Security and monitoring services	12,923
Data processing services	10,040
Total depreciation expenses - governmental activities	<u>\$ 6,170,137</u>

Business-type Activities:

Instruction	\$ 14,255
Total depreciation expenses - Business-type activities	<u>\$ 14,255</u>

NOTE 8 – INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

The composition of interfund balances as of August 31, 2016 is as follows:

<u>Due To</u>		<u>Due From</u>	
General Fund	\$ 308,800	General Fund	\$ 347,122
Capital Projects Fund	<u>347,122</u>	Special Revenue Funds	<u>308,800</u>
Totals	<u>\$ 655,922</u>	Totals	<u>\$ 655,922</u>

The outstanding balances between funds resulted mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between the funds are made. Amounts payable are scheduled to be repaid within one year.

Interfund transfers are defined as “flows of assets without equivalent flows of assets in return and without a requirement for repayment”. Interfund transfers during the year ended August 31, 2016 were as follows:

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 8 – INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS (Continued)

Funds;	Transfers In	Transfers Out
General Fund	\$ 4,813,269	\$ 7,422,395
Debt Service Fund	1,963,738	-
Enterprise Fund	-	29,500
Capital Projects	674,888	-
Totals	<u>\$ 7,451,895</u>	<u>\$ 7,451,895</u>

The transfer in to the general fund from the enterprise fund was for the purpose of funding elementary playground projects. The general fund also transferred funds to the debt service fund and to the athletic and music funds. The general fund transferred funds to the capital projects fund to continue with renovation costs.

NOTE 9 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of August 31, 2016, the governmental funds reported deferred inflows of resources for unavailable property taxes in the amount of \$823,296 and unavailable SHARS revenues in the amount of 943,534.

Deferred outflows of resources reported at the government-wide financial statement level included deferred charges on refunding of bonds and deferred outflows related to pensions. As of August 31, 2016, the amount of deferred charges on refunding of bonds reported as deferred outflows of resources was \$2,228,671, net of cumulative amortization of \$123,134. Deferred outflows of resources and deferred inflows of resources related to pensions is \$11,441,707 and \$1,455,374, respectively.

NOTE 10 – LONG TERM OBLIGATIONS

A. General Obligations Bonds

The District issues general obligation bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligation and pledge the full faith and credit of the District. Current principal and interest requirements are payable solely from future revenues of the Debt Service Fund which consists principally of property taxes collected by the District and interest earnings.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 10 – LONG TERM OBLIGATIONS (Continued)

Certain outstanding bonds may be redeemed at the par value prior to their normal maturity dates in accordance with the terms of the bond indentures. The District has never defaulted on any principal or interest payment. There are a number of limitations and restrictions contained in the general obligation bond indenture. Management of the District has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2016.

General obligation and capital appreciation bonds payable at August 31, 2016 are summarized as follows:

Date of Issue	Original Issue	Final Maturity	Interest Rate	Outstanding Balance
2010	9,985,000	2040	2.0-4.0%	\$ 8,720,000
2011 Ref	8,819,999	2033	2.0-4.0%	8,454,999
2012	51,185,000	2041	2.0%-7.0%	47,915,000
2012 Ref	7,790,000	2031	2.0% -4.0%	6,045,000
2013 Ref	3,990,000	2022	2.0% -4.0%	3,050,000
2014 Ref	6,180,000	2030	2.0% -4.0%	5,730,000
2015 Ref	29,745,000	2036	2.0% -4.0%	29,345,000
			Total	<u>\$ 109,259,999</u>

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

Year Ending August 31	Principal	Interest	Total
2017	\$ 3,770,000	\$ 4,544,794	\$ 8,314,794
2018	3,875,000	4,436,025	8,311,025
2019	3,334,999	4,959,410	8,294,409
2020	4,085,000	4,225,138	8,310,138
2021	4,210,000	4,091,713	8,301,713
2022-2026	21,565,000	17,816,631	39,381,631
2027-2031	25,745,000	12,606,725	38,351,725
2032-2036	26,125,000	6,655,538	32,780,538
2037-2041	16,550,000	1,722,725	18,272,725
Total	<u>\$ 109,259,999</u>	<u>\$ 61,058,699</u>	<u>\$ 170,318,698</u>

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 10 – LONG TERM OBLIGATIONS (Continued)

B. Tax Notes

Tax notes outstanding at August 31, 2016 are as follows:

Series 2010A Maintenance Tax Note, authorized by Education Code Section 45.108, for renovation and remodeling of an existing facility into a transportation complex; February 15, 2011 through February 15, 2019; interest at 3.55%	\$ 375,000
Series 2012 Maintenance Tax Note, authorized by Education Code Section 45.108, for the purchase of school buses; February 15, 2013 through February 15, 2017; interest at 1.280%	417,000
Series 2013 Maintenance Tax Note, authorized by Education Code Section 45.108, for the construction of a new Aquatic Center February 15, 2014 through February 15, 2028; interest at 2.720%	<u>2,930,000</u>
	<u>\$3,722,000</u>

The tax note debt service requirements to maturity, including interest are as follows:

Fiscal Year Ending August 31	Principal	Interest	Total
2017	\$ 747,000	\$ 90,691	\$ 837,691
2018	340,000	77,894	417,894
2019	350,000	67,452	417,452
2020	225,000	59,092	284,092
2021	235,000	52,836	287,836
2022-2026	1,270,000	163,880	1,433,880
2027-2028	555,000	15,164	570,164
Totals	<u>\$ 3,722,000</u>	<u>\$ 527,009</u>	<u>\$ 4,249,009</u>

The notes are payable both principal and interest from available funds of the District which include the maintenance tax. The District has pledged to levy a tax from the District's maintenance and operation taxing authority.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 10 – LONG TERM OBLIGATIONS (Continued)

C. Advance Refunding in Prior Years

In a prior year, the District defeased the remaining balance of one bond issue. U.S. government, state and local government securities were purchased and placed in an escrow account to provide for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide statement of net position. During the current year the District paid off the defeased bond. At August 31, 2016 there was no outstanding balance.

Long-term debt liabilities activity for the governmental activities for the year ended August 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 112,974,999	\$ -	\$ 3,715,000	\$ 109,259,999	\$ 3,770,000
Unamortized Bond Premium	9,761,835	-	528,133	9,233,702	-
Accretion On Bonds	620,403	17,803	-	638,206	-
Capital Lease Payable	72,967	-	21,248	51,719	22,888
Tax Notes	4,674,000	-	952,000	3,722,000	747,000
Total	\$ 128,104,204	\$ 17,803	\$ 5,216,381	\$ 122,905,626	\$ 4,539,888

D. Employee Longevity Pay

The District instituted a local policy which allows certain employees to earn incentive pay for continuous employment every fifth year. Employee longevity pay is generally liquidated by the General Fund. The liability related to longevity pay was estimated based on all qualifying employees at year-end and discounted using a comparable market borrowing rate. The following is the change that occurred during the year:

	Beginning Balance	Additions	Reduction	Ending Balance	Due within One Year
Employee Longevity Pay	\$3,563,183	\$ -	\$561,500	\$3,001,683	\$303,500

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 10 – LONG TERM OBLIGATIONS (Continued)

Reconciliation of long term obligations as reported on Exhibit A-1:

Debt long-term obligation	\$	122,905,626
Employee Longevity Pay		<u>3,001,683</u>
Total	\$	<u>125,907,309</u>

Noncurrent Liabilities:		
Due within one year	\$	4,843,388
Due in more than one year		<u>121,063,921</u>
Total Exhibit A-1	\$	<u>125,907,309</u>

NOTE 11 – GENERAL FUND FEDERAL SOURCE REVENUES

School Health & Relation Services		\$ 852,087
R.O.T.C.	12.998	69,676
Indirect Costs:		
ESEA Title I Part A	84.010A	31,822
ESEA Title I Part C-Migrant	84.011A	5,036
IDEA-Part B, Formula	84.027A	30,000
IDEA-Part B, Preschool	84.173A	280
Career and Technical Basic Grant	84.048A	2,802
Title II, Part A	84.367A	6,106
Title III, Part A-LEP	84.365A	6,092
Project Start	84.215E	<u>2,372</u>
		<u>\$ 1,006,273</u>

NOTE 12 – RISK MANAGEMENT

A. General

The District is exposed to various risks of loss related to torts; theft of; damage to; and destructions of assets; errors and omissions; and natural disasters for which the district carries commercial insurance. The District purchases insurance to cover these risks, the more significant of which are general liability insurance in the amount of approximately \$1,000,000 and \$287,427,612 for property insurance. Such insurance is consistent with the prior year, and at August 31, 2016 the District did not have any insurance claims pending.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 12 – RISK MANAGEMENT (Continued)

B. Workmen’s Compensation

Employees of the District were covered by a self-funded workmen’s compensation program sponsored by the district. All premiums were paid to licensed third party administrator with excess reinsurance. The Plan was documented by contractual agreement.

C. Health Care

The District sponsors a self-insurance plan to provide health care benefits to staff members and their dependents. This plan was authorized by section 21.922 of the Texas Education Code and article 3.51-2 of the Texas Insurance Code and was documented by contractual agreement. Transactions related to the plan are accounted for in the internal service fund of the District. The District was protected against unanticipated, catastrophic individual or aggregate loss by stop-loss coverage carried through American Fidelity for the period of May 1, 2015 through April 2016 and American Fidelity for the period of May 2016 through December 31, 2016. American Fidelity for the period of January 2017 through December 2017 for \$6,313,956. Stop-loss coverage will be in effect for annual individual claims exceeding \$100,000 annual aggregate losses exceeding approximately \$6,669,582 and \$3,933,897 respectively for the contract years.

The following is summary of the changes in the balance of claims liabilities for health care for the year ended August 31, 2016.

Liability, Beginning of year	\$ 580,729
Claims incurred during the period	4,056,624
Payments on claims	<u>(4,356,676)</u>
Liability, end of year	<u>\$ 280,677</u>

D. Medicare Part D – On Behalf Payments for Reporting Entities

Funding Policy The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries, also known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants.

The amount of subsidy reimbursement received by TRS on behalf of the District for the period ending August 31, 2016, 2015 and 2014, were estimated at \$ 250,577, \$ 267,970, and \$ 163,443, respectively.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 13 - CONTINGENT LIABILITIES

The District participates in a number of grant programs funded by State and Federal Agencies. These programs are subject to compliance audits by the grantor agencies or their representative.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Audits of all of these programs for the year ended August 31, 2016 have not been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the grantor agency cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

The District is involved in a legal proceedings arising from its operations. Management in consultation with its attorneys believes the outcome will have no material effect on the District's financial position.

NOTE 14 – SHARED SERVICE ARRANGEMENT

The District is a member district of various Shared Service Arrangements (“SSA”) that improves educational needs of the member districts. The fiscal agent is Sharyland ISD which also provides services to other school districts within the Region One service area. The fiscal agent receives the program fund from the granting agent and retains a portion of the monies for the administrative services provided by the fiscal agent for the shared arrangement. The fiscal agent records the receipt of the monies and the related disbursement activity in the appropriate shared services arrangement special revenue fund. The member districts record all of the activity in the appropriate special revenue fund. The fiscal agent files the necessary federal reports. According to the guidance provided in TEA’s FASRG, the District has accounted for the activities in accordance with Model 1 in the SSA section of the Resource Guide.

NOTE 15 – PENSION PLAN OBLIGATIONS

A. Plan Description

The Sharyland Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the

Teacher Retirement System of Texas (TRS). TRS’s defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 15 – PENSION PLAN OBLIGATIONS (*Continued*)

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.

B. Pension Plan Fiduciary Net Position

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

C. Benefits Provided

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

D. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016**

NOTE 15 – PENSION PLAN OBLIGATIONS (Continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016.

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2016 District Contributions	\$ 1,692,763	
2016 Member Contributions	\$ 4,230,241	
2015 NECE On-behalf Contributions	\$ 2,904,207	

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 15 – PENSION PLAN OBLIGATIONS (Continued)

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

E. Actuarial Assumptions

The total pension liability in the August 31, 2015 (the measurement date) actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

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

F. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 15 – PENSION PLAN OBLIGATIONS (Continued)

ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.60%	1.0%
Non-U.S. Developed	13%	5.10%	0.8%
Emerging Markets	9%	5.90%	0.7%
Directional Hedge Funds	4%	3.20%	0.1%
Private Equity	13%	7.00%	1.1%
Stable Value			
U.S. Treasuries	11%	0.70%	0.1%
Absolute Return	0%	1.80%	0.0%
Stable Value Hedge Funds	4%	3.00%	0.1%
Cash	1%	-0.20%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	90.00%	0.0%
Real Assets	16%	5.10%	1.1%
Energy and Natural Resources	3%	6.60%	0.2%
Commodities	0%	1.20%	0.0%
Risk Parity			
Risk Parity	5%	6.70%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 15 – PENSION PLAN OBLIGATION *(Continued)*

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 30,651,389	\$ 19,562,908	\$ 10,326,892

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

At August 31, 2016, the District reported a liability of \$ 19,562,908 for its proportionate share of the TRS's net pension liability at August 31, 2015, the measurement date. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 19,562,908
State's proportionate share that is associated with District	<u>34,659,893</u>
Total	<u>\$ 54,222,801</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015, the measurement date, the District's proportion of the collective net pension liability was 0.0553427% which was an increase of 0.0269631% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation – The following are changes to the actuarial assumptions of other inputs that affected measurement of the total pension liability since the prior measurement period:

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 15 – PENSION PLAN OBLIGATION *(Continued)*

Economic Assumptions

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- In accordance with the observed experience, there were small adjustments in the service based promotional/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

- The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

- Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 15 – PENSION PLAN OBLIGATION *(Continued)*

- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended August 31, 2015, the District recognized pension expense of \$4,938,477 and revenue of \$4,938,477 for support provided by the state.

At August 31, 2015, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience, net	\$ 97,501	\$ 751,820
Changes in actuarial assumptions, net	409,801	697,919
Difference between projected and actual investment earnings, net	3,080,207	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	6,161,435	5,635
Total as of August 31, 2015 measurement date	\$ 9,748,944	\$ 1,455,374
Contributions paid to TRS subsequent to the measurement date	1,692,763	-
Total	\$ 11,441,707	\$ 1,455,374

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016**

NOTE 15 – PENSION PLAN OBLIGATION (Continued)

\$1,692,763 of contributions paid to TRS subsequent to the measurement date are classified as deferred outflows of resources and will reduce pension liability in the next fiscal year. The remaining deferred inflows of resources and deferred outflows of resources related to pensions noted above will be amortized and recognized in pension expense in the government-wide financial statements as follows:

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2017	\$1,525,114
2018	1,525,114
2019	1,525,114
2020	2,104,349
2021	893,790
Thereafter	720,089

NOTE 16 – RETIREE HEALTH CARE PLAN

Plan Description. The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provide health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 16 – RETIREE HEALTH CARE PLAN (Continued)

The State of Texas and active public school employee contribution rates were 1% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2016, 2015, and 2014, the State’s contributions to TRS-Care were \$587,531, \$563,281, and \$529,518, respectively, the active member contributions were \$381,895, \$366,133, and \$344,187, respectively, and the District’s contributions were \$323,142, \$309,805, and \$291,235 respectively, which equaled the required contributions each year.

NOTE 17 – CONSTRUCTION COMMITMENTS

At August 31, 2016, the District had the following construction commitments.

Project Name	Contract Amount	Amount Expended	Warranteed Expended	Remaining Commitment
New Sharyland Pioneer High School	\$ 41,101,671	\$ 40,662,424	\$ 90,804	\$ 348,443
Pioneer High School Coach's Office	41,250	39,187	-	2,063
Sharyland High School Gym Annex	68,995	62,095	-	6,900
	<u>\$ 41,211,916</u>	<u>\$ 40,763,706</u>	<u>\$ 90,804</u>	<u>\$ 357,406</u>

NOTE 18 – PRIOR PERIOD ADJUSTMENT

A prior period entry was made for deferred revenue in the amount of \$863,026.

The net effect of this adjustment was a decrease in deferred revenue and an increase in fund balance.

NOTE 19 – OPERATING LEASE COMMITMENTS

Rental expenditures during the year totaled \$594,222.42 for governmental activities. The District has operating leases for computer and office equipment. Commitments under lease agreements as of August 31, 2016 provide for future minimum lease obligations as follows:

Year Ending June 30,	Governmental Activities
2017	\$ 311,919
2018	130,847
2019	10,143
	<u>\$ 452,909</u>

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2016

NOTE 20 – CONTINGENT LIABILITIES

- A. The District participates in a number of state and federally assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be finally determined at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.
- B. The District is independently self-insured for health and dental and worker's compensation insurance. Claims paid are reported in the Internal Service Fund. Claims incurred but not reported have been considered in determining the accrual for claims and the District management believes adequate accruals have been provided at June 30, 2016.
- C. The District participates in a public entity risk pool for various governmental functions. The District believes any adjustments to premiums for claims would be immaterial.
- D. The District is involved in various legal proceedings arising from its operations. Management in consultation with its attorneys believes the outcomes will have no material effect on the District's financial position.

NOTE 21 – SUBSEQUENT EVENTS

The District has considered all subsequent events through the date of this report, December 20, 2016.

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REQUIRED SUPPLEMENTAL INFORMATION

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SHARYLAND ISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 34,712,219	\$ 34,922,711	\$ 34,918,532	\$ (4,179)
5800	State Program Revenues	51,902,791	52,702,791	53,598,111	895,320
5900	Federal Program Revenues	655,000	655,000	1,006,273	351,273
5020	Total Revenues	87,270,010	88,280,502	89,522,916	1,242,414
EXPENDITURES:					
Current:					
0011	Instruction	48,811,996	49,639,942	48,843,600	796,342
0012	Instructional Resources and Media Services	1,141,555	1,164,579	1,147,174	17,405
0013	Curriculum and Instructional Staff Development	629,220	839,760	757,820	81,940
0021	Instructional Leadership	1,998,613	2,111,865	2,004,848	107,017
0023	School Leadership	4,994,898	5,152,928	5,036,756	116,172
0031	Guidance, Counseling and Evaluation Services	3,059,450	3,136,661	3,072,439	64,222
0032	Social Work Services	39,408	43,908	39,110	4,798
0033	Health Services	632,017	687,999	655,920	32,079
0034	Student (Pupil) Transportation	3,339,783	4,055,433	3,811,578	243,855
0036	Extracurricular Activities	6,311,160	6,346,432	5,940,957	405,475
0041	General Administration	2,859,608	2,836,180	2,661,194	174,986
0051	Facilities Maintenance and Operations	9,323,164	9,818,993	9,603,839	215,154
0052	Security and Monitoring Services	994,885	1,068,056	1,017,426	50,630
0053	Data Processing Services	756,027	763,927	756,416	7,511
0061	Community Services	2,125	2,925	2,032	893
Debt Service:					
0071	Principal on Long Term Debt	973,452	973,452	973,248	204
0072	Interest on Long Term Debt	114,465	114,465	114,852	(387)
0073	Bond Issuance Cost and Fees	1,000	1,000	300	700
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	831,813	290,756	541,057
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	10,000	45,000	33,834	11,166
0099	Other Intergovernmental Charges	400,000	475,000	442,258	32,742
6030	Total Expenditures	86,392,826	90,110,318	87,206,357	2,903,961
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	877,184	(1,829,816)	2,316,559	4,146,375
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	6,737	6,737
7915	Transfers In	-	5,247,083	4,812,111	(434,972)
8911	Transfers Out (Use)	(1,963,738)	(7,527,433)	(7,414,256)	113,177
7080	Total Other Financing Sources (Uses)	(1,963,738)	(2,280,350)	(2,595,408)	(315,058)
1200	Net Change in Fund Balances	(1,086,554)	(4,110,166)	(278,849)	3,831,317
0100	Fund Balance - September 1 (Beginning)	24,925,443	24,925,443	24,925,443	-
1300	Prior period adjustment	-	-	757,779	757,779
3000	Fund Balance - August 31 (Ending)	\$ 23,838,889	\$ 20,815,277	\$ 25,404,373	\$ 4,589,096

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2016

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0553427%	0.0283796%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 19,562,908	\$ 7,580,584
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	34,659,893	30,726,532
Total	<u>\$ 54,222,801</u>	<u>\$ 38,307,116</u>
District's Covered-Employee Payroll	\$ 56,328,129	\$ 52,936,190
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	34.73%	14.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

SHARYLAND ISD
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2016

EXHIBIT G-3

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,692,763	\$ 1,638,720
Contribution in Relation to the Contractually Required Contribution	(1,692,763)	(1,638,720)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 58,753,125	\$ 56,328,129
Contributions as a Percentage of Covered-Employee Payroll	2.88%	2.91%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

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SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2016

A. *Budgets*

The official school original budget was prepared for adoption for required Governmental Fund Types by August 20. The budget was formally adopted by the Board of School Trustees at a duly advertised public meeting prior to the expenditure of funds. The Board also approved amendments throughout the year and the final amended budget by August 31. Expenditures may not legally exceed budgeted appropriations at the function level. Annual budgets were adopted for the General Fund and the Debt Service Fund on a basis consistent with generally accepted accounting principles. The Debt Service Fund budget comparison schedule is presented in the Other Supplementary Information section of the financial statements.

B. *Encumbrances*

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget.

C. *Pension*

Changes Since the Prior Actuarial Valuation – The following are changes to the actuarial assumptions of other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- In accordance with the observed experience, there were small adjustments in the service based promotional/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

- The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The pre-retirement mortality tables for active employees were updated to use 90% of

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (*Continued*)

the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

- Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

OTHER INFORMATION

SHARYLAND ISD
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.145000	2,062,752,544
2009	1.040000	0.145000	2,190,032,687
2010	1.040000	0.160000	2,369,979,571
2011	1.040000	0.160000	2,465,389,109
2012	1.040000	0.160000	2,498,024,884
2013	1.040000	0.245500	2,571,598,518
2014	1.170000	0.115500	2,709,775,536
2015	1.170000	0.165500	2,711,846,739
2016 (School year under audit)	1.170000	0.165500	2,899,657,284
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 377,957	\$ -	\$ 26,912	\$ 3,631	\$ (7,971)	\$ 339,443
56,785	-	9,443	1,317	(2,078)	43,947
91,088	-	4,059	566	(2,207)	84,256
170,355	-	8,548	1,315	(2,235)	158,257
190,954	-	26,103	4,016	13,560	174,395
138,453	-	45,108	6,940	10,442	96,847
232,224	-	85,262	20,127	13,689	140,524
431,458	-	189,591	18,716	10,573	233,724
1,171,140	-	533,373	75,446	(50,444)	511,877
-	38,023,078	32,307,688	4,570,020	36,332	1,181,702
<u>\$ 2,860,414</u>	<u>\$ 38,023,078</u>	<u>\$ 33,236,087</u>	<u>\$ 4,702,094</u>	<u>\$ 19,661</u>	<u>\$ 2,964,972</u>

SHARYLAND ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,564,901	\$ 1,914,901	\$ 1,436,889	\$ (478,012)
5800 State Program Revenues	32,000	32,000	31,537	(463)
5900 Federal Program Revenues	3,669,279	4,107,279	4,117,534	10,255
5020 Total Revenues	5,266,180	6,054,180	5,585,960	(468,220)
EXPENDITURES:				
0035 Food Services	5,004,080	5,788,080	5,615,883	172,197
0051 Facilities Maintenance and Operations	261,000	261,000	214,542	46,458
0052 Security and Monitoring Services	1,100	5,100	3,202	1,898
6030 Total Expenditures	5,266,180	6,054,180	5,833,627	220,553
1200 Net Change in Fund Balances	-	-	(247,667)	(247,667)
0100 Fund Balance - September 1 (Beginning)	409,685	409,685	409,685	-
3000 Fund Balance - August 31 (Ending)	\$ 409,685	\$ 409,685	\$ 162,018	\$ (247,667)

SHARYLAND ISD
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 4,739,028	\$ 4,739,028	\$ 4,802,663	\$ 63,635
5800	State Program Revenues	1,176,885	1,178,885	1,187,707	8,822
5020	Total Revenues	5,915,913	5,917,913	5,990,370	72,457
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	3,715,000	3,715,000	3,715,000	-
0072	Interest on Long Term Debt	4,659,651	4,659,651	4,659,650	1
0073	Bond Issuance Cost and Fees	5,000	7,000	4,000	3,000
6030	Total Expenditures	8,379,651	8,381,651	8,378,650	3,001
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,463,738)	(2,463,738)	(2,388,280)	75,458
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	1,963,738	1,963,738	1,963,738	-
1200	Net Change in Fund Balances	(500,000)	(500,000)	(424,542)	75,458
0100	Fund Balance - September 1 (Beginning)	817,371	817,371	817,371	-
1300	Prior period adjustment	-	-	105,246	105,246
3000	Fund Balance - August 31 (Ending)	\$ 317,371	\$ 317,371	\$ 498,075	\$ 180,704

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**OVERALL COMPLIANCE, INTERNAL CONTROLS, AND FEDERAL AWARDS
SECTION**

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

To the Board of Trustees
Sharyland Independent School District
Mission, Texas 78572

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sharyland Independent School District, as of and for the year ended August 31, 2016, 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 20, 2016.

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*.

We noted certain matters that we reported to management of Sharyland Independent School District in a separate letter dated December 20, 2016.

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.


LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 20, 2016

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

To the Board of Trustees of
Sharyland Independent School District
Mission, Texas 78572

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Sharyland Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. Sharyland Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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* 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, Sharyland Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

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 have not been 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.



LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
December 20, 2016

SHARYLAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended August 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___ yes X no

Type of auditor's report issued on compliance for major programs: Unmodified

Identification of major programs:

<u>CFDA number (s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I, Part A Cluster
84.027A/84.173A	Title I, Part A-Improving Basic Programs IDEA-B Formula/Preschool (cluster)

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

Auditee qualified as low-risk auditee? X yes _____ no

SHARYLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
For the Year Ended August 31, 2016

Section II – Financial Statement Findings

None.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
For the Year Ended August 31, 2016

Section III - Federal Award Findings and Questioned Costs

<u>PROGRAM</u>	<u>DESCRIPTION</u>
None.	

SHARYLAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
 CORRECTIVE ACTION
 For the Year Ended August 31, 2016

Section II - Financial Statement Findings

<u>PROGRAM</u>	<u>STATUS OF PRIOR YEAR FINDING/ NONCOMPLIANCE</u>
None.	

Section III - Federal Award Findings and Questioned Costs

<u>PROGRAM</u>	<u>STATUS OF PRIOR YEAR FINDING/ NONCOMPLIANCE</u>
None.	

SHARYLAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
 STATUS OF PRIOR YEAR FINDINGS
 For the Year Ended August 31, 2016

Financial Statements

	<u>DESCRIPTION</u>
None.	

Federal Award Findings

<u>PROGRAM</u>	<u>STATUS OF PRIOR YEAR FINDING/ NONCOMPLIANCE</u>
None.	

SHARYLAND ISD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
Junior Reserve Officer Training Corp.	12.998	108-911	\$ 69,676
Total Direct Programs			\$ 69,676
TOTAL U.S. DEPARTMENT OF DEFENSE			\$ 69,676
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Project Start	84.215E	108-911	\$ 250,664
Project Start	84.215E	108-911	110,803
Total CFDA Number 84.215E			361,467
Total Direct Programs			\$ 361,467
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101108911	\$ 1,890,980
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101108911	70,874
Total CFDA Number 84.010A			1,961,854
ESEA, Title I, Part C - Migratory Children	84.011A	16615001108911	183,491
ESEA, Title I, Part C - Migratory Children	84.011A	17615001108911	3,163
Total CFDA Number 84.011A			186,654
*IDEA - Part B, Formula	84.027A	166600011089116600	1,248,033
*IDEA - Part B, Formula	84.027A	176600011089116600	188,982
Total CFDA Number 84.027A			1,437,015
*IDEA - Part B, Preschool	84.173A	166610011089116610	10,468
Total Special Education Cluster (IDEA)			1,447,483
Career and Technical - Basic Grant	84.048A	16420006108911	103,824
Career and Technical - Basic Grant	84.048A	17420006108911	4,793
Total CFDA Number 84.048A			108,617
Title III, Part A - English Language Acquisition	84.365A	16671001108911	271,709
Title III, Part A - English Language Acquisition	84.365A	17671001108911	36,621
Total CFDA Number 84.365A			308,330
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501108911	214,399
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501108911	12,759
Total CFDA Number 84.367A			227,158
Summer School LEP	84.369A	69551502	10,005
Total Passed Through State Department of Education			\$ 4,250,101
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 4,611,568
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	00573	\$ 739,658
*National School Lunch Program - Cash Assistance	10.555	00573	2,872,550
*National School Lunch Prog. - Non-Cash Assistance	10.555	00573	134,254
Total CFDA Number 10.555			3,006,804
*Child & Adult Care Food Program	10.558	00573	371,072
Total Child Nutrition Cluster			4,117,534

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

SHARYLAND ISD
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Total Passed Through the State Department of Agriculture			\$ 4,117,534
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 4,117,534
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 8,798,778

*Clustered Programs

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2016

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sharyland 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 Title 2 U.S. Code of Federal Regulations 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.

Reconciliation of Schedule of Expenditures of Federal Awards (Schedule K-1) to Statement of Revenues, Expenditures, and Changes in Fund Balance (Exhibit C-3):

Total Federal Awards Expended	\$ 8,798,778
SHARS	<u>852,086</u>
Exhibit C-3	<u>\$ 9,650,864</u>

Indirect Cost Rate:

Sharyland Independent School District has elected not to use the 10% of the minimis indirect cost rate allowed under the Uniform Guidance for the Child Nutrition Program.

SCHOOLS FIRST QUESTIONNAIRE

Sharyland ISD

Fiscal Year 2016

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 638,206
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 19,562,908
SF13	Pension Expense (6147) at fiscal year-end.	\$ 1,925,770

December 20, 2016

To The Board of Trustees
Sharyland Independent School District
Mission, TX

Re: Communication with those Charged with Governance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sharyland Independent School District for the year ended August 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 12, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. As described in Note 2 to the financial statements, the District changed accounting policies related to *Fair Value Measurement and Application-GASB Statement No. 72; Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to certain provisions of GASB Statements 67 and 68-GASB 73; The Hierarchy of Generally Accepted Accounting Principles for State and Local Government-GASB 76; and Certain External Investment Pools and Pool Participations-GASB 79*, during 2016. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the District's financial statements were depreciation of capital assets, the provision for doubtful accounts for property taxes, and the accrual of claims incurred but not reported in the worker's compensation and health insurance self-insurance funds.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The following paragraphs explain management's estimates in more detail.

Management's estimate of the allowance for doubtful accounts for property taxes is based on the historical collection of prior tax levies.

Depreciation of capital assets is based on the District's established methods and useful lives of various classes of capital assets.

Management's estimate of claims for health insurance is based on historical trends of the claims paid during an established runoff period, considering stop loss coverage. For worker's compensation, management uses estimates made by the actuary who uses claims paid, adjusters' estimates for incurred but not reported claims, stop loss coverage, etc...

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: A prior period entry was made for deferred revenue, the net effect of this adjustment was a decrease in deferred revenue and an increase in fund balance.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, the General Fund – Budgetary Comparison Schedule, the Schedule of the District's Proportionate Share of the Net Pension Liability-Teacher Retirement System (TRS) and the Schedule of the District Contributions-Teacher Retirement System (TRS), which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Trustees and management of Sharyland Independent School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Long Chilton, LLP".

LONG CHILTON, LLP
Certified Public Accountants