



SHARYLAND
INDEPENDENT SCHOOL DISTRICT
Excellence is our Tradition

**Audited Annual Financial
Report for the Year Ended
June 30, 2018**

**SHARYLAND INDEPENDENT
SCHOOL DISTRICT**

FINANCIAL STATEMENTS

For the Ten Months Ended June 30, 2018



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INTRODUCTORY SECTION

**Sharyland Independent School District
Principal Officials
June 30, 2018**

Board of Trustees

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

Administration

Superintendent	Dr. Maria Vidaurri
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**Sharyland Independent School District
Certificate of the Board
For the Ten Months Ended June 30, 2018**

CERTIFICATE OF THE BOARD

SHARYLAND INDEPENDENT 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 ten months ended June 30, 2018 at the meeting of the board of trustees of such school district on the 14th day of November _____, 2018.



President, Board of Trustees



Secretary, Board of Trustees



REPORT





INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sharyland Independent School District

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 the Sharyland Independent School District (the "District") as of and for the ten months ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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's as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the ten months then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2018, the District implemented the provisions of, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This resulted in a prior period adjustment as described in Note 19 to the financial statements. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 22 to the financial statements, the District has changed its fiscal year end for financial reporting purposes from August 31st to June 30th. As a result, the 2018 financial statements are presented for the ten months ended June 30, 2018. The financial information for the previous fiscal years have not been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund, Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas, Schedule of District's Contributions - Teacher Retirement System of Texas, Schedule of the District's Proportionate Share of the Net OPEB Liability- Teacher Retirement System of Texas, Schedule of District's OPEB Contributions - Teacher Retirement System of Texas and the related notes to required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 not a required part of the basic financial statements. The schedule of delinquent taxes receivable and debt service fund-budgetary comparison schedule s identified in the Table of Contents as Exhibits J-1 and J-3 are presented for purposes of additional analysis as required by the Texas Education Agency, and are also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and exhibits J-1 and J-3 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 schedule of expenditures of federal awards and exhibits J-1 and J-3 are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

McAllen, Texas
November 14, 2018



FINANCIAL SECTION

Sharyland Independent School District Management's Discussion and Analysis

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 ten months ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Board of Trustees approved a change in the District's fiscal year end from August 31st to June 30th. Therefore, fiscal year 2017-2018 reflects a 10-month period from September 1, 2017 to June 30, 2018. Prior year information was not restated and presents financials information for the 12 months ended August 31st.
- The assets of the District exceeded its liabilities at the close of the most recent period by \$25,739,185 (*net position*). Of this amount \$-27,551,836 (*unrestricted net position deficit*) was due to the new accounting standards adopted regarding the accounting for OPEB (TRS-Care retiree health insurance program) promulgated by the Governmental Accounting Standards Board.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$32,780,347. Approximately 85 percent of this total amount, \$27,832,566 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal period, unreserved fund balance for the general fund was \$28,191,776 or 34 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.

Sharyland Independent School District Management's Discussion and Analysis

The *statement of activities* presents information for all of the current period'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 14-16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related 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 period. 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 a fiscal period 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 17-20 of this report.

Sharyland Independent School District Management's Discussion and Analysis

- **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 21-23 of this report.
- **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 24-25.

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 changed 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

Sharyland Independent School District Management's Discussion and Analysis

- 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
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 26-69 of this report.

Sharyland Independent School District Management's Discussion and Analysis

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 70-76 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 \$25,739,185 as of June 30, 2018 and by \$63,466,252 as of August 31, 2017.

	The District's Net Assets					
	Governmental Activities		Business- Type Activities		Total	
	June 2018	August 2017	June 2018	August 2017	June 2018	August 2017
Current assets	\$ 48,011,953	\$ 36,766,472	\$ 88,478	\$ 73,765	\$ 48,100,431	\$ 36,840,237
Noncurrent assets	162,460,302	163,446,277	189,440	208,075	162,649,742	163,654,352
Total Assets	<u>210,472,255</u>	<u>200,212,749</u>	<u>277,918</u>	<u>281,840</u>	<u>210,750,173</u>	<u>200,494,589</u>
Current liabilities	12,738,953	7,089,559	1	1,638	12,738,954	7,091,197
Long-term liabilities:	167,172,484	141,864,138	-	-	167,172,484	141,864,138
Total Liabilities	<u>179,911,437</u>	<u>148,953,697</u>	<u>1</u>	<u>1,638</u>	<u>179,911,438</u>	<u>148,955,335</u>
Net Position:						
Invested in capital assets	51,226,745	48,052,572	208,076	208,076	51,434,821	48,260,648
Restricted	1,856,200	758,854	-	-	1,856,200	758,854
Unrestricted	<u>(27,621,677)</u>	<u>14,374,624</u>	<u>69,841</u>	<u>72,126</u>	<u>(27,551,836)</u>	<u>14,446,750</u>
Total Net Position	<u>\$ 25,461,268</u>	<u>\$ 63,186,050</u>	<u>\$ 277,917</u>	<u>\$ 280,202</u>	<u>\$ 25,739,185</u>	<u>\$ 63,466,252</u>

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 \$51,434,821 as of June 30, 2018 and \$48,260,648 as of August 31, 2017. 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 (deficit)* (\$-27,551,836 in 2018) and (\$14,446,750 in 2017) 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 \$37,724,782 in 2018 and increased by \$711,478 in 2017. The total cost of all *governmental activities* these periods was \$71,811,483 in 2018 and \$107,303,064 in 2017. The amount that our taxpayers paid for these activities through property taxes was \$42,575,312 or 59% in 2018 and \$40,080,673 or 37% in 2017.

Sharyland Independent School District Management's Discussion and Analysis

Business activities. The District's total net position decreased \$2,286 in 2018 and decreased \$45,183 in 2017. The total cost of all *business activities* these periods was \$248,588 in 2018 and \$247,835 in 2017.

Table A-3 represents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the charges for services and operating grants and contributions). The net cost reflects the financial burden that was placed on the District's taxpayers for each of these functions. Refer to Note 20 for effects on the Statement of Activities as a result of GASB 75.

	Changes in the District's Net Position					
	Governmental Activities		Business Activities		Total	
	June 2018	August 2017	June 2018	August 2017	June 2018	August 2017
REVENUES						
Program revenues						
Charges for services	\$ 1,950,028	\$ 2,716,212	\$ 246,302	\$ 228,452	\$ 2,196,330	\$ 2,944,664
Op.grants and contributions	(3,458,736)	13,796,630	-	-	(3,458,736)	13,796,630
General revenues						
Property Taxes	42,575,312	40,080,673	-	-	42,575,312	40,080,673
State grants	47,706,988	49,363,202	-	-	47,706,988	49,363,202
Investment Earnings	234,941	106,121	-	-	234,941	106,121
Other	45,680	1,996,886	-	(25,800)	45,680	1,971,086
Transfers in (out), net	-	-	-	-	-	-
Total Revenues	89,054,213	108,059,724	246,302	202,652	89,300,515	108,262,376
EXPENSES						
Instruction	35,955,039	54,915,686	-	-	35,955,039	54,915,686
Instr.Resources & Media Svcs.	787,378	1,228,225	-	-	787,378	1,228,225
Curriculum and Staff Dev.	765,325	989,906	-	-	765,325	989,906
Instructional Leadership	1,246,094	2,262,566	-	-	1,246,094	2,262,566
School Leadership	3,059,348	5,178,783	-	-	3,059,348	5,178,783
Guidance, Counseling & Eval.Svcs.	2,860,899	4,650,721	-	-	2,860,899	4,650,721
Social Work Services	60,012	68,940	-	-	60,012	68,940
Health Services	916,592	1,151,812	-	-	916,592	1,151,812
Student Transportation	2,130,436	3,773,414	-	-	2,130,436	3,773,414
Food Services	4,525,593	6,055,656	-	-	4,525,593	6,055,656
Extracurricular Activities	5,377,880	6,709,387	-	-	5,377,880	6,709,387
General Administration	1,780,914	2,766,501	-	-	1,780,914	2,766,501
Plant Maintenance and Operations	6,970,707	9,384,197	-	-	6,970,707	9,384,197
Security and Monitoring Services	962,041	982,776	-	-	962,041	982,776
Data Processing Services	507,502	802,901	-	-	507,502	802,901
Community Services	117,464	222,696	248,588	247,835	366,052	470,531
Debt Service-Interest on Long Term Del	3,242,738	4,154,788	-	-	3,242,738	4,154,788
Debt Service-Bond Issuance Cost and Fe	69,250	132,716	-	-	69,250	132,716
Capital Outlay	-	1,402,235	-	-	-	1,402,235
Payments to JJAEP	12,000	11,285	-	-	12,000	11,285
Other Governmental Charges	464,271	457,873	-	-	464,271	457,873
Total Expenses	71,811,483	107,303,064	248,588	247,835	72,060,071	107,550,899
Total Increase in Net Assets	17,242,730	756,660	(2,286)	(45,183)	17,240,444	711,477
Beginning, Net Position	63,186,050	62,429,390	280,203	325,386	63,466,253	62,754,776
Transfers In (Out)	-	-	-	-	-	(25,800)
Prior period adjustments	(54,967,512)	-	-	-	(54,967,512)	-
Ending, Net Position	\$ 25,461,268	\$ 63,186,050	\$ 277,917	\$ 280,203	\$ 25,739,185	\$ 63,440,453

Prior year information has not been restated and comparability of current period financial information to prior years should be viewed with this understanding.

Sharyland Independent School District Management's Discussion and Analysis

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 period, the District's governmental funds reported combined ending fund balances of \$32,780,347 an increase of \$7,415,246. Approximately 85 percent of this total amount (\$27,832,566) 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 (\$387,390) 2) to pay debt service (\$1,343,110), 3) for other miscellaneous restrictions and other committed (\$623,090), and 4) construction (\$2,594,191).

The general fund is the primary operating fund of the District. At the end of the current fiscal period, unassigned fund balance of the general fund was \$28,191,776 while the total fund balance was \$31,211,293. 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 34 percent of the total general fund expenditures, while total fund balance represents 34 percent of that same amount.

The fund balance of the District's general fund decreased by \$39,462,057 during the current fiscal period. Due to the implementation of GASB 75.

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 June 30, 2018, amounted to \$69,841. During the period the funds had a decrease in net position of \$2,286.

General Fund Budgetary Highlights

Over the course of the period, 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 period for unexpected occurrences.
- Amendments throughout the period for renovation/construction projects.

Sharyland Independent School District Management's Discussion and Analysis

The District made the following amendments to increase budgeted revenue:

Revenues from Local and Intermediate Sources	\$ 460,051
Federal Program Revenues	\$ 305,000

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

Instructional and Instructional Related Services	\$ (235,070)
Instructional and School Leadership	\$ 496,378
Support Services-Student (Pupil)	\$ 1,687,677
Administrative Support Services	\$ (10,018)
Support Services-Non Student Based	\$ 44,869
Ancillary Services	\$ (692)
Debt Services	\$ 50,000
Capital Outlay	\$ 2,152,914
Other	\$ (15,500)

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$162,460,302 (net of accumulated depreciation), a decrease of .99% over prior year. This investment in capital assets includes land, buildings, etc. as listed below.

District's Capital Assets (net of depreciation)

	June 2018	August 2017
Land	\$ 12,496,717	\$ 12,496,717
Buildings and improvements	137,936,448	141,473,862
Furniture and equipment	8,118,840	8,408,932
Capital Lease-Furniture and equipment	68,049	75,610
Infrastructure Assets-Roads	435,306	457,863
Infrastructure Assets-Networks and Subsystems	482,937	533,293
Construction in Progress	2,922,006	-
Total capital assets, net	\$ 162,460,303	\$ 163,446,277

Additional information on the District's capital assets can be found in Note 7 on page 44 of this report.

Sharyland Independent School District Management's Discussion and Analysis

Long-term debt. At the end of June 30, 2018, the District had total bonded debt outstanding of \$101,334,999 a net decrease of \$3,875,000 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 \$316,066,225, which is significantly in excess of the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 10 on page 47 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 2018 experienced modest 2.2% growth when compared to 2017.
- The District has estimated revenues and appropriated expenditures in the 2017-18. General Fund officially adopted budget of \$88,860,867.

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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The independent auditors' report on the basic financial statements, required supplementary information, and other schedules are included in the financial sections of this report.



Sharyland Independent School District Management's Discussion and Analysis

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 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
Executive Director of Finance
Sharyland ISD
1200 N. Shary Road
Mission, Texas 78572

SHARYLAND ISD
STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT A-1

Data	1	2	3
Control	Primary Government		
Codes	Governmental	Business	Total
	Activities	Type Activities	
ASSETS			
1110 Cash and Cash Equivalents	\$ 22,536,540	\$ 88,478	\$ 22,625,018
1120 Current Investments	7,972,124	-	7,972,124
1220 Property Taxes Receivable	3,802,562	-	3,802,562
1230 Allowance for Uncollectible Taxes	(2,589,770)	-	(2,589,770)
1240 Due from Other Governments	15,165,563	-	15,165,563
1250 Accrued Interest	10,823	-	10,823
1290 Other Receivables, net	726,721	-	726,721
1300 Inventories	387,390	-	387,390
Capital Assets:			
1510 Land	12,496,717	-	12,496,717
1520 Buildings, Net	137,936,448	176,233	138,112,681
1530 Furniture and Equipment, Net	8,118,840	13,207	8,132,047
1550 Leased Property Under Capital Leases, Net	68,049	-	68,049
1580 Construction in Progress	2,922,006	-	2,922,006
1590 Infrastructure, Net	918,242	-	918,242
1000 Total Assets	<u>210,472,255</u>	<u>277,918</u>	<u>210,750,173</u>
DEFERRED OUTFLOWS OF RESOURCES			
1701 Deferred Charge for Refunding	3,006,350	-	3,006,350
1705 Deferred Outflow Related to TRS Pension	7,190,499	-	7,190,499
1706 Deferred Outflow Related to TRS OPEB	448,851	-	448,851
1700 Total Deferred Outflows of Resources	<u>10,645,700</u>	<u>-</u>	<u>10,645,700</u>
LIABILITIES			
2110 Accounts Payable	1,328,781	1	1,328,782
2140 Interest Payable	1,520,552	-	1,520,552
2150 Payroll Deductions & Withholdings	757,411	-	757,411
2160 Accrued Wages Payable	7,245,363	-	7,245,363
2200 Accrued Expenses	1,782,433	-	1,782,433
2300 Unearned Revenue	104,413	-	104,413
Noncurrent Liabilities:			
2501 Due Within One Year	3,837,364	-	3,837,364
2502 Due in More Than One Year	114,774,754	-	114,774,754
2540 Net Pension Liability	17,212,946	-	17,212,946
2545 Net OPEB Liability	31,347,420	-	31,347,420
2000 Total Liabilities	<u>179,911,437</u>	<u>1</u>	<u>179,911,438</u>
DEFERRED INFLOWS OF RESOURCES			
2605 Deferred Inflow Related to TRS Pension	2,632,565	-	2,632,565
2606 Deferred Inflow Related to TRS OPEB	13,112,685	-	13,112,685
2600 Total Deferred Inflows of Resources	<u>15,745,250</u>	<u>-</u>	<u>15,745,250</u>
NET POSITION			
3200 Net Investment in Capital Assets	51,226,745	208,076	51,434,821
Restricted:			
3820 Restricted for Federal and State Programs	356,118	-	356,118
3850 Restricted for Debt Service	1,343,110	-	1,343,110
3860 Restricted for Capital Projects	156,972	-	156,972
3900 Unrestricted	(27,621,677)	69,841	(27,551,836)
3000 Total Net Position	<u>\$ 25,461,268</u>	<u>\$ 277,917</u>	<u>\$ 25,739,185</u>

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

SHARYLAND ISD
STATEMENT OF ACTIVITIES
FOR THE TEN MONTHS ENDED JUNE 30, 2018

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 35,955,039	\$ 184,363	\$ (5,434,657)
12 Instructional Resources and Media Services	787,378	67,630	(115,543)
13 Curriculum and Staff Development	765,325	-	93,991
21 Instructional Leadership	1,246,094	-	(208,935)
23 School Leadership	3,059,348	90,724	(907,798)
31 Guidance, Counseling and Evaluation Services	2,860,899	18,934	580,163
32 Social Work Services	60,012	-	29,763
33 Health Services	916,592	-	(123,572)
34 Student (Pupil) Transportation	2,130,436	-	(663,112)
35 Food Services	4,525,593	1,213,696	4,346,078
36 Extracurricular Activities	5,377,880	371,976	(572,813)
41 General Administration	1,780,914	2,705	(244,066)
51 Facilities Maintenance and Operations	6,970,707	-	(303,319)
52 Security and Monitoring Services	962,041	-	2,433
53 Data Processing Services	507,502	-	(138,759)
61 Community Services	117,464	-	201,410
72 Debt Service - Interest on Long Term Debt	3,242,738	-	-
73 Debt Service - Bond Issuance Cost and Fees	69,250	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	12,000	-	-
99 Other Intergovernmental Charges	464,271	-	-
[TG] Total Governmental Activities:	<u>71,811,483</u>	<u>1,950,028</u>	<u>(3,458,736)</u>
BUSINESS-TYPE ACTIVITIES:			
01 Enterprise Funds	<u>248,588</u>	<u>246,302</u>	<u>-</u>
[TB] Total Business-Type Activities:	<u>248,588</u>	<u>246,302</u>	<u>-</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 72,060,071</u>	<u>\$ 2,196,330</u>	<u>\$ (3,458,736)</u>
Data Control Codes	General Revenues:		
MT	Taxes:		
DT	Property Taxes, Levied for General Purposes		
GC	Property Taxes, Levied for Debt Service		
IE	Grants and Contributions not Restricted		
MI	Investment Earnings		
TR	Miscellaneous Local and Intermediate Revenue		
CN	Total General Revenues		
NB	Change in Net Position		
PA	Net Position - Beginning		
NE	Prior Period Adjustment		
	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
\$ (41,205,333)	\$ -	\$ (41,205,333)
(835,291)	-	(835,291)
(671,334)	-	(671,334)
(1,455,029)	-	(1,455,029)
(3,876,422)	-	(3,876,422)
(2,261,802)	-	(2,261,802)
(30,249)	-	(30,249)
(1,040,164)	-	(1,040,164)
(2,793,548)	-	(2,793,548)
1,034,181	-	1,034,181
(5,578,717)	-	(5,578,717)
(2,022,275)	-	(2,022,275)
(7,274,026)	-	(7,274,026)
(959,608)	-	(959,608)
(646,261)	-	(646,261)
83,946	-	83,946
(3,242,738)	-	(3,242,738)
(69,250)	-	(69,250)
(12,000)	-	(12,000)
(464,271)	-	(464,271)
<u>(73,320,191)</u>	<u>-</u>	<u>(73,320,191)</u>
-	(2,286)	(2,286)
-	(2,286)	(2,286)
<u>(73,320,191)</u>	<u>(2,286)</u>	<u>(73,322,477)</u>
35,592,701	-	35,592,701
6,982,611	-	6,982,611
47,706,988	-	47,706,988
234,941	-	234,941
45,680	-	45,680
<u>90,562,921</u>	<u>-</u>	<u>90,562,921</u>
17,242,730	(2,286)	17,240,444
63,186,050	280,203	63,466,253
(54,967,512)	-	(54,967,512)
<u>\$ 25,461,268</u>	<u>\$ 277,917</u>	<u>\$ 25,739,185</u>

SHARYLAND ISD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 18,282,986	\$ 1,287,778	\$ 19,570,764
1120 Investments - Current	7,551,119	421,005	7,972,124
1220 Property Taxes - Delinquent	3,276,407	526,155	3,802,562
1230 Allowance for Uncollectible Taxes (Credit)	(2,202,858)	(386,912)	(2,589,770)
1240 Receivables from Other Governments	14,285,767	879,796	15,165,563
1250 Accrued Interest	8,568	693	9,261
1260 Due from Other Funds	669,704	347,122	1,016,826
1290 Other Receivables	7,249	-	7,249
1300 Inventories	191,563	195,827	387,390
1000 Total Assets	<u>\$ 42,070,505</u>	<u>\$ 3,271,464</u>	<u>\$ 45,341,969</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,193,278	\$ 39,066	\$ 1,232,344
2150 Payroll Deductions and Withholdings Payable	707,344	50,067	757,411
2160 Accrued Wages Payable	6,845,023	400,340	7,245,363
2170 Due to Other Funds	347,122	669,704	1,016,826
2200 Accrued Expenditures	153,442	348,443	501,885
2300 Unearned Revenues	8,679	95,734	104,413
2000 Total Liabilities	<u>9,254,888</u>	<u>1,603,354</u>	<u>10,858,242</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	823,579	99,056	922,635
2602 Deferred Inflow of Resources	780,745	-	780,745
2600 Total Deferred Inflows of Resources	<u>1,604,324</u>	<u>99,056</u>	<u>1,703,380</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	191,563	195,827	387,390
3425 Endowment Principal	-	110,000	110,000
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	233,763	122,355	356,118
3480 Retirement of Long-Term Debt	-	1,343,110	1,343,110
Committed Fund Balance:			
3510 Construction	2,594,191	-	2,594,191
3545 Other Committed Fund Balance	-	156,972	156,972
3600 Unassigned Fund Balance	28,191,776	(359,210)	27,832,566
3000 Total Fund Balances	<u>31,211,293</u>	<u>1,569,054</u>	<u>32,780,347</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 42,070,505</u>	<u>\$ 3,271,464</u>	<u>\$ 45,341,969</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
JUNE 30, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	32,780,347
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.		2,309,825
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the period, the cost of these assets was \$225,447,043 and the accumulated depreciation was (\$62,000,765). 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. Note: Beginning Balances related to TRS are NOT included in this amount.		44,685,724
3 Current period 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 2018 capital outlays and debt principal payments is to increase net position.		8,460,209
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. The net position related to TRS included a deferred resource outflow in the amount of \$7,190,499, a deferred resource inflow in the amount of (\$2,632,565), and a net pension liability in the amount of (\$17,212,946). This resulted in a decrease in net position.		(12,655,012)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$448,851, a deferred resource inflow in the amount of (\$13,112,685), and a net OPEB liability in the amount of (\$31,347,420). This resulted in a decrease in net position.		(44,011,254)
6 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current period's depreciation is to decrease net position.		(5,213,116)
7 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 tax notes as an increase in tax notes payable, amortization of refunding debt, bond premiums and accretion on bonds, recording change in interest payable and employee longevity pay 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.		(895,455)
19 Net Position of Governmental Activities	\$	25,461,268

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 TEN MONTHS ENDED JUNE 30, 2018

EXHIBIT C-3

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 37,169,765	\$ 7,858,059	\$ 45,027,824
5800	State Program Revenues	49,136,719	729,573	49,866,292
5900	Federal Program Revenues	1,901,718	8,641,211	10,542,929
5020	Total Revenues	<u>88,208,202</u>	<u>17,228,843</u>	<u>105,437,045</u>
EXPENDITURES:				
Current:				
0011	Instruction	46,327,691	2,680,912	49,008,603
0012	Instructional Resources and Media Services	955,859	108,995	1,064,854
0013	Curriculum and Instructional Staff Development	672,295	100,986	773,281
0021	Instructional Leadership	1,790,994	112,339	1,903,333
0023	School Leadership	4,660,305	45,754	4,706,059
0031	Guidance, Counseling and Evaluation Services	3,170,865	1,155,167	4,326,032
0032	Social Work Services	52,793	40,348	93,141
0033	Health Services	600,547	-	600,547
0034	Student (Pupil) Transportation	2,772,349	-	2,772,349
0035	Food Services	83,368	5,111,248	5,194,616
0036	Extracurricular Activities	6,066,079	159,619	6,225,698
0041	General Administration	2,487,137	25,288	2,512,425
0051	Facilities Maintenance and Operations	7,948,331	497,966	8,446,297
0052	Security and Monitoring Services	948,838	2,433	951,271
0053	Data Processing Services	728,593	-	728,593
0061	Community Services	2,865	236,717	239,582
Debt Service:				
0071	Principal on Long Term Debt	358,068	3,875,000	4,233,068
0072	Interest on Long Term Debt	42,723	2,212,681	2,255,404
0073	Bond Issuance Cost and Fees	50,000	19,250	69,250
Capital Outlay:				
0081	Facilities Acquisition and Construction	3,300,078	-	3,300,078
Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	12,000	-	12,000
0099	Other Intergovernmental Charges	464,271	-	464,271
6030	Total Expenditures	<u>83,496,049</u>	<u>16,384,703</u>	<u>99,880,752</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,712,153</u>	<u>844,140</u>	<u>5,556,293</u>
OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	11,975	-	11,975
7914	Non-Current Loans	1,850,000	-	1,850,000
7915	Transfers In	7,174,768	40,767	7,215,535
8911	Transfers Out (Use)	(7,215,535)	-	(7,215,535)
8949	Other (Uses)	-	(3,000)	(3,000)
7080	Total Other Financing Sources (Uses)	<u>1,821,208</u>	<u>37,767</u>	<u>1,858,975</u>
1200	Net Change in Fund Balances	6,533,361	881,907	7,415,268
0100	Fund Balance - September 1 (Beginning)	<u>24,677,932</u>	<u>687,147</u>	<u>25,365,079</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ 31,211,293</u>	<u>\$ 1,569,054</u>	<u>\$ 32,780,347</u>

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE TEN MONTHS ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	7,415,268
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.		(512,692)
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 2018 capital outlays and debt principal payments is to increase net position.		8,460,209
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.		(5,213,116)
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 tax notes, amortization of refunding debt, bond premiums and accretion on bonds, recording change in interest payable and employee longevity pay 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.		(2,572,620)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,580,557. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling (\$1,764,337). Finally, the 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 (\$1,106,797). The net result is a decrease in the change in net position.		(1,290,577)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$443,946. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net OPEB totaling (\$374,775). Finally, the proportionate share of the TRS pension expense (de-expense) on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$10,887,087. The net result is an increase in the change in net position.		10,956,258
Change in Net Position of Governmental Activities	\$	17,242,730

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

SHARYLAND ISD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 88,478	\$ 2,965,776
Accrued Interest	-	1,562
Other Receivables	-	719,472
Total Current Assets	88,478	3,686,810
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements	176,233	-
Furniture and Equipment	131,378	-
Depreciation on Furniture and Equipment	(118,171)	-
Total Noncurrent Assets	189,440	-
Total Assets	277,918	3,686,810
LIABILITIES		
Current Liabilities:		
Accounts Payable	1	96,438
Accrued Expenses	-	1,280,548
Total Liabilities	1	1,376,986
NET POSITION		
Net Investment in Capital Assets	208,076	-
Unrestricted Net Position	69,841	2,309,824
Total Net Position	\$ 277,917	\$ 2,309,824

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 TEN MONTHS ENDED JUNE 30, 2018

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 235,147	\$ 8,402,974
State Program Revenues	11,155	-
Total Operating Revenues	<u>246,302</u>	<u>8,402,974</u>
OPERATING EXPENSES:		
Payroll Costs	202,460	-
Professional and Contracted Services	414	1,298,362
Supplies and Materials	24,923	-
Other Operating Costs	2,155	7,632,831
Depreciation Expense	18,636	-
Total Operating Expenses	<u>248,588</u>	<u>8,931,193</u>
Operating Income (Loss)	<u>(2,286)</u>	<u>(528,219)</u>
NONOPERATING REVENUES (EXPENSES):		
Earnings from Temporary Deposits & Investments	-	15,526
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>15,526</u>
Change in Net Position	(2,286)	(512,693)
Total Net Position - September 1 (Beginning)	<u>280,203</u>	<u>2,822,517</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 277,917</u></u>	<u><u>\$ 2,309,824</u></u>

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

SHARYLAND ISD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

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	\$ 246,302	\$ 7,683,502
Cash Received from Assessments - Other Funds	-	(636)
Cash Payments to Employees for Services	(203,946)	(1,223,617)
Cash Payments for Suppliers	(24,923)	-
Cash Payments for Other Operating Expenses	(2,155)	(6,725,408)
Cash From Trust and Agency Fund	(565)	(159,922)
Net Cash Provided by (Used for) Operating Activities	<u>14,713</u>	<u>(426,081)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Earning from Temporary Deposits and Investments	-	15,525
Net Increase (Decrease) in Cash and Cash Equivalents	14,713	(410,556)
Cash and Cash Equivalents at Beginning of the Period:	73,765	3,376,332
Cash and Cash Equivalents at the End of the Period:	<u>\$ 88,478</u>	<u>\$ 2,965,776</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss):	\$ (2,286)	\$ (528,219)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	18,636	-
Increase in Accrued Interest	-	(636)
Increase in Other Receivables	-	(719,471)
Effect of Increases and Decreases in Current Assets and Liabilities:		
Increase in Accounts Payable	-	74,744
(Decrease) due to other funds	(565)	(159,922)
(Decrease) in Accrued Wages Payable	(1,072)	-
Increase in Accrued Expenses	-	907,423
Net Cash Provided by (Used for) Operating Activities	<u>\$ 14,713</u>	<u>\$ (426,081)</u>

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

SHARYLAND ISD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 196,011	\$ 521,720
Investments - Current	-	261,562
Accrued Interest	78	296
Total Assets	<u>196,089</u>	<u>\$ 783,578</u>
LIABILITIES		
Accounts Payable	5,100	\$ -
Due to Student Groups	-	783,578
Total Liabilities	<u>5,100</u>	<u>\$ 783,578</u>
NET POSITION		
Restricted for Scholarships	<u>190,989</u>	
Total Net Position	<u>\$ 190,989</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 TEN MONTHS ENDED JUNE 30, 2018

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 131,443
Total Additions	<u>131,443</u>
DEDUCTIONS:	
Other Operating Costs	<u>6,800</u>
Total Deductions	<u>6,800</u>
Change in Net Position	124,643
Total Net Position September 1 (Beginning)	<u>66,346</u>
Total Net Position June 30 (Ending)	<u><u>\$ 190,989</u></u>

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



**NOTES TO FINANCIAL
STATEMENTS**

Sharyland Independent School District Notes to Financial Statements

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

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 Districts 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

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:

Debt Service. The District accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in the debt service fund.

Special Revenue Funds. The District accounts for resources restricted to, or committed for, a specific purpose by the District or a grantor in a special revenue fund. Most federal and some state financial award programs are accounted for in these funds and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds. 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.

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

Fiduciary Funds. 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. The effect of interfund activity has been eliminated from the government-wide financial statements.

Sharyland Independent School District Notes to Financial Statements

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

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.

The effect of interfund activity has been eliminated from the government-wide financial statements.

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

1. Cash, Cash Equivalent and Investments

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.

Investments are reported at fair value, with the exception of external investment pools, which comply with criteria set forth in Section 150: *Investments* of the GASB Codification and have elected to measure their investments at amortized cost. Accordingly, the fair value of the District’s position in the external investment pools having met these criteria is equal to the net asset value of pooled shares. All other investments 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.

Sharyland Independent School District Notes to Financial Statements

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

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 period are referred to as either "due to/from other funds."

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 period.

**Sharyland Independent School District
Notes to Financial Statements**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Asset class	Estimated useful lives
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 deferred amount for advance refunding of debt is a result of the difference in the carrying value of refunded debt and its reacquisition price is reported as a deferred outflow of resources. 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. Advances of revenue from imposed nonexchange transactions such as property taxes or transactions recorded as a receivable prior to the period when resources are required to be used or are available, are reported as deferred inflows of resources at the fund level. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The deferred outflows and deferred inflows related to pensions and other postemployment benefits (OPEB) are an aggregate of items related to pensions and OPEB calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria* and Section P50: *Postemployment Benefits Other Than Pensions – Reporting for Benefits Provided Through Trusts That Meet Specified Criteria*.

Sharyland Independent School District Notes to Financial Statements

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

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
- 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.

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.

Sharyland Independent School District Notes to Financial Statements

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

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 period 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.

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.

Sharyland Independent School District Notes to Financial Statements

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

- 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 – Annual Operating Budget 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.
- 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. Actual results could vary from the estimates assumed in preparing the financial statements.

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.

Sharyland Independent School District Notes to Financial Statements

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

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 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.

15. Other Post-Employment Benefits

The District is a member employer of the TRS Care Plan and therefore, records its proportionate share of the net OPEB liability and related deferred inflows/outflows in these financial statements. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Sharyland Independent School District Notes to Financial Statements

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

16. New Accounting Standards Adopted

In fiscal period 2018, the District implemented GASB Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other Than Pension* and GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 replaces the requirement of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Future accounting standards possibly applicable to the District that have been issued by the Governmental Accounting Standards Board are:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87 improves the accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**Sharyland Independent School District
Notes to Financial Statements**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement No. 88 improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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:

Violations reported	Actions taken
None	Not applicable

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

Following are funds having deficit fund balances or net position at period end, if any, along with remarks which address such deficits:

Fund name	Deficit amount	Remarks
None reported	Not applicable	Not applicable

Sharyland Independent School District Notes to Financial Statements

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.

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 June 30, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$21,991,420 and the bank balance was \$24,136,365. The District's cash deposits at June 30, 2018 and for the ten months ended June 30, 2018, 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.

**Sharyland Independent School District
Notes to Financial Statements**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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

Cash on hand	\$	1,700
Carrying amount deposit		23,341,048
Investments		8,233,685
Less: statement of fiduciary net assets		(979,291)
Cash and investments statement of net position	\$	30,597,142
Exhibit A-1		
Cash and cash equivalents	\$	22,625,018
Investments		7,972,124
Cash and investments statement of net position	\$	30,597,142

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 \$63,420,389.
- c. The highest combined balance of cash, saving and time deposits accounts amounted to \$51,801,023 occurred during the month of January 2018.
- 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.

Sharyland Independent School District Notes to Financial Statements

NOTE 4 – DEPOSITS AND INVESTMENTS *(Continued)*

During the fiscal period 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 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

All of the investment pools that the District is invested in have met the criteria established under GASB statement No. 79 to report their value at amortized cost. All of the investment pools strive to maintain a \$1 per share net asset value. Additionally, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

At June 30, 2018, the District’s investments reported at fair value summarized below:

	Weighted average maturity	Reported amount	Net asset value
<u>Governmental funds</u>			
Logic Investment Pool	71 days average	\$ 2,246,348	\$ 2,246,348
Compass Bank - Money Market	30 days average	1,331	1,331
TexPool Investments	27 days average	1,040,282	1,040,282
TexPool Prime Investments	28 days average	4,945,724	4,945,724
		\$ 8,233,685	\$ 8,233,685

**Sharyland Independent School District
Notes to Financial Statements**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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 period-end for each investment.

Investment or Investment Type	Amount	Rating	Exposure
Logic Investment Pool	\$ 2,246,348	AAA-m	27.28%
Compass Bank - Money Market	1,331	BBB	0.02%
TexPool Investments	1,040,282	AAA-m	12.63%
TexPool Prime Investments	4,945,724	AAA-m	60.07%
Total	\$ 8,233,685		

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.

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 period

The 2017 assessed valuation was \$3,160,662,252.

Sharyland Independent School District
Notes to Financial Statements

NOTE 5 – RECEIVABLES (Continued)

Delinquent taxes are prorated between the general fund and debt service fund based on the tax rate approved by the Board. For the ten months ended June 30, 2018, the rates were \$1.1700 and \$.2055, respectively, per \$100 of assessed value.

	General fund	Debt service fund	Total
Total taxes receivable	\$ 3,276,407	\$ 526,155	\$ 3,802,562
Less: allowance for uncollectible	(2,202,858)	(386,912)	(2,589,770)
Net receivable	\$ 1,073,549	\$ 139,243	\$ 1,212,793

Due From Other Governments

Amounts due from other governments and agencies are as follows:

	General	Other funds	Total
Due from other governments			
Texas Education Agency	\$ 12,448,010	\$ 838,793	\$ 13,286,803
Medicaid program (SHARS)	1,592,099	-	1,592,099
Other	245,659	41,002	286,661
Total	\$ 14,285,767	\$ 879,795	\$ 15,165,562

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 period, the various components of unearned revenues were:

	General	Other funds	Total
Foundation revenue	\$ 8,679	\$ -	\$ 8,679
State and local grants	-	95,734	95,734
	\$ 8,679	\$ 95,734	\$ 104,413

Sharyland Independent School District Notes to Financial Statements

NOTE 6 – DISAGGREGATION OF OTHER RECEIVABLE/ACCRUED LIABILITIES

Other receivables and accrued liabilities as of June 30, 2018 for the District’s individual major, nonmajor, and internal service funds in the aggregate are as follows:

	General fund	Nonmajor governmental funds	Internal service fund	Total
Other receivables				
Miscellaneous	\$ 7,249	\$ -	\$ 719,472	\$ 726,721
Total	\$ 7,249	\$ -	\$ 719,472	\$ 726,721
Accrued expenses				
Wages and deductions payable	\$ 6,845,023	\$ 400,340	\$ -	\$ 7,245,363
Claims payable	-	-	1,280,548	\$ 1,280,548
Total	\$ 6,845,023	\$ 400,340	\$ 1,280,548	\$ 8,525,911

Sharyland Independent School District Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS

Capital assets activity for the period ended June 30, 2018, was as follows:

	Balance at 9/1/2017	Increases	Reclassify	Decreases	Balance at 6/30/2018
<u>Governmental activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 12,496,717	\$ -	\$ -	\$ -	\$ 12,496,717
Construction in progress	-	2,922,006	-	-	2,922,006
Total capital assets, not being depreciated	12,496,717	2,922,006	-	-	15,418,723
Capital assets, being depreciated:					
Building and improvements	189,325,757	378,072	-	-	189,703,829
Furniture and equipment	22,285,537	927,063	-	-	23,212,600
Capital lease - furniture and equipment	108,878	-	-	-	108,878
Infrastructure asset - roads	541,357	-	-	-	541,357
Infrastructure assets - networks and subsystems	688,797	-	-	-	688,797
Total capital assets, being depreciated	212,950,326	1,305,135	-	-	214,255,461
Less accumulated depreciation for:					
Building and improvements	(47,851,895)	(3,915,486)	-	-	(51,767,381)
Furniture and equipment	(13,876,604)	(1,217,156)	-	-	(15,093,760)
Capital lease - furniture and equipment	(33,268)	(7,561)	-	-	(40,829)
Infrastructure asset - roads	(83,494)	(22,557)	-	-	(106,051)
Infrastructure asset networks and subsystems	(155,504)	(50,356)	-	-	(205,860)
Total accumulated depreciation	(62,000,765)	(5,213,116)	-	-	(67,213,881)
Total capital assets, being depreciated, net	150,949,561	(3,907,981)	-	-	147,041,580
Governmental activities, capital assets, net	\$ 163,446,278	\$ (985,975)	\$ -	\$ -	\$ 162,460,303
<u>Business-type activities:</u>					
Capital assets, being depreciated:					
Furniture and equipment	\$ 307,611	\$ -	\$ -	\$ -	\$ 307,611
Total capital assets, being depreciated	307,611	-	-	-	307,611
Less accumulated depreciation for:					
Furniture and equipment	(99,535)	(18,636)	-	-	(118,171)
Total accumulated depreciation	(99,535)	(18,636)	-	-	(118,171)
Total capital assets, being depreciated, net	208,076	(18,636)	-	-	189,440
Business-type activities capital assets, net	\$ 208,076	\$ (18,636)	\$ -	\$ -	\$ 189,440

Sharyland Independent School District
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation was charged to functions as follows:

Instruction	\$	3,775,699
Instructional resources and media services		44,469
Staff development		4,618
Instructional leadership		1,627
School leadership		45,180
Guidance, counseling, and evaluation services		-
Student transportation		412,372
Food services		118,410
Co-curricular/extracurricular activities		470,975
General administration		42,417
Plant maintenance and operations		231,704
Security and monitoring services		10,770
Data processing services		54,875
Facilities acquisition and construction		-
Total depreciation expenses - governmental activities	\$	5,213,116

Business-type activities:

Instruction	\$	18,636
Total depreciation expenses - business-type activities	\$	18,636

NOTE 8 – INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

Due to		Due from	
General fund	\$ 409,927	General fund	\$ 347,122
Clearing funds (general fund)	-	Special revenue funds	409,927
Capital projects fund	606,899	Capital project fund	259,777
Special revenue funds	-	Debt service fund	-
Totals	\$ 1,016,826	Totals	\$ 1,016,826

Sharyland Independent School District Notes to Financial Statements

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

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 10 months ended June 30, 2018 were as follows:

Funds:	Transfers in	Transfers out
General fund	\$ 7,174,768	\$ 7,215,535
Private purpose trust funds	40,768	-
Totals	\$ 7,215,535	\$ 7,215,535

The transfer in to the general fund from the enterprise fund was for the purpose of CD fund to other fund.

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 June 30, 2018, the governmental funds reported deferred inflows of resources for unavailable property taxes in the amount of \$922,635 and unavailable School Health and Related Services (SHARS) revenues in the amount of \$780,745.

Deferred outflows of resources reported at the government-wide financial statement level included deferred charges on refunding of bonds, deferred outflows related to pensions, and deferred outflows related to OPEB. As of June 30, 2018, the amount of deferred charges on refunding of bonds reported as deferred outflows of resources was \$3,006,350, net of cumulative amortization of \$152,286. Deferred outflows of resources related to pension and OPEB are \$7,190,499 and \$448,851, respectively. Deferred inflows of resources related to pensions and OPEB are \$2,632,565 and \$13,112,685, respectively.

Sharyland Independent School District Notes to Financial Statements

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.

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 June 30, 2018.

General obligation and capital appreciation bonds payable at June 30, 2018 are summarized as follows:

Date of issue	Original issue	Final maturity	Interest rate	Outstanding balance
2010	\$ 9,985,000	2040	2.0%-4.0%	\$ 8,265,000
2011 Ref	8,819,999	2033	2.0%-4.0%	7,699,999
2012	51,185,000	2041	2.0%-7.0%	37,395,000
2012 Ref	7,790,000	2031	2.0%-4.0%	5,455,000
2013 Ref	3,990,000	2022	2.0%-4.0%	2,100,000
2014 Ref	6,180,000	2030	2.0%-4.0%	5,055,000
2015 Ref	29,745,000	2036	2.0%-5.0%	27,435,000
2017 Ref	8,040,000	2034	2.0%-4.5%	7,930,000
			Total	<u>\$ 101,334,999</u>

Sharyland Independent School District
Notes to Financial Statements

NOTE 10 – LONG TERM OBLIGATIONS (Continued)

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

Year ending June 30	Principal	Interest	Total
2019	\$ 3,334,999	\$ 4,946,039	\$ 8,281,038
2020	4,085,000	4,222,288	8,307,288
2021	4,210,000	4,102,338	8,312,338
2022	4,380,000	3,955,438	8,335,438
2023	4,000,000	3,780,413	7,780,413
2024-2028	22,995,000	16,069,225	39,064,225
2029-2033	26,990,000	10,639,625	37,629,625
2034-2038	21,195,000	4,898,198	26,093,198
2039-2041	10,145,000	800,000	10,945,000
Total	<u>\$ 101,334,999</u>	<u>\$ 53,413,562</u>	<u>\$ 154,748,561</u>

B. Tax Notes

Tax notes outstanding at June 30, 2018 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%	\$130,000
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%	2,505,000
Series 2018 Maintenance Tax Note, authorized by Education Code Section 45.108, for renovation and remodeling of existing; Facilities in the District; February 15, 2018 through February 15, 2033; Interest at 3.5%	<u>1,850,000</u>
	<u>\$ 4,485,000</u>

Sharyland Independent School District Notes to Financial Statements

NOTE 10 – LONG TERM OBLIGATIONS (*Continued*)

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

Fiscal year ending June 30	Principal	Interest	Total
2019	\$ 350,000	\$ 123,410	\$ 473,410
2020	330,000	119,502	449,502
2021	345,000	110,127	455,127
2022	355,000	100,325	455,325
2023	365,000	90,232	455,232
2024-2028	1,990,000	289,362	2,279,362
2029-2033	750,000	71,300	821,300
Totals	<u>\$ 4,485,000</u>	<u>\$ 904,258</u>	<u>\$ 5,389,258</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.

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.

Long-term debt liabilities activity for the governmental activities for the ten months ended June 30, 2018, was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
General obligation bonds	\$ 105,209,999	\$ -	\$ 3,875,000	\$ 101,334,999	\$ 3,334,999
Unamortized bond premium	10,123,695	-	507,004	9,616,691	-
Accretion on bonds	656,530	9,350	-	665,880	-
Capital lease payable	28,933	-	18,068	10,865	10,865
Tax note	2,975,000	1,850,000	340,000	4,485,000	350,000
Total long term liabilities	<u>\$ 118,994,157</u>	<u>\$ 1,859,350</u>	<u>\$ 4,740,072</u>	<u>\$ 116,113,435</u>	<u>\$ 3,695,864</u>

**Sharyland Independent School District
Notes to Financial Statements**

NOTE 10 – LONG TERM OBLIGATIONS (Continued)

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 period-end and discounted using a comparable market borrowing rate. The following is the change that occurred during the period:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Employee longevity pay	\$ 2,737,183	\$ -	\$ 238,500	\$ 2,498,683	\$ 141,500

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

Debt long term obligation	\$ 116,113,435
Employee longevity pay	2,498,683
Long term obligations	\$ 118,612,118
Noncurrent liabilities:	
Due within one year	\$ 3,837,364
Due in more than one year	114,774,754
Long term obligations statement of net position	\$ 118,612,118

NOTE 11 – GENERAL FUND FEDERAL SOURCE REVENUES

General Fund Federal Sources Revenues for the ten months ended June 30, 2018 were as follows:

Programs or source	Number	Amount
School Health & Relation Services		\$ 1,204,869
E-Rate Infrastructure		463,069
R.O.T.C.	12.U01	69,647
Indirect Costs:		
Title I Grants to Local Educational Agencies	84.010	82,756
Migrant Education State Grant Program	84.011	769
Special Education Grants to States (IDEA B Formula)	84.027	59,994
Career and Technical Education - Basic Grants to State	84.048	4,427
Special Education Preschool Grants	84.173	645
Fund for the Improvement of Education	84.215	392
Supporting Effective Instruction State Grants (TPTR)	84.367	10,793
English Language Acquisition State Grant	84.365	3,955
Student Support and Academic Enrichment Program	84.424	402
		\$ 1,901,718

Sharyland Independent School District Notes to Financial Statements

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 \$288,417,612 for property insurance. Such insurance is consistent with the prior year, and at June 30, 2018 the District did not have any insurance claims pending.

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 January 1, 2017 through December 31, 2017 and United States Fire Insurance Company for the period of January 1, 2018 to December 31, 2018. Stop-loss coverage will be in effect for annual individual claims exceeding \$100,000 annual aggregate losses exceeding approximately \$6,669,582 and \$7,241,211 respectively for the contract years.

The following is summary of the changes in the balance of claims liabilities for health care for the ten months ended June 30, 2018.

Liability, beginning of period	\$ 273,454
Claims incurred during the period	5,945,511
Payments on claims	(5,057,626)
<u>Liability, end of period</u>	<u>\$ 1,161,339</u>

Sharyland Independent School District Notes to Financial Statements

NOTE 12 – RISK MANAGEMENT (Continued)

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 June 30, 2018, August 31, 2017, and 2016 were estimated at \$186,842, \$203,258, and \$250,577, respectively.

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 ten months ended June 30, 2018 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.

Sharyland Independent School District Notes to Financial Statements

NOTE 14 – SHARED SERVICE ARRANGEMENT (*Continued*)

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. 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.

Sharyland Independent School District Notes to Financial Statements

NOTE 15 – PENSION PLAN OBLIGATIONS *(Continued)*

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.

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 84rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	<u>2017</u>	<u>2018</u>
Member		7.7%	7.7%
Non-Employer Contributing Entity (State)		6.8%	6.8%
Employers		6.8%	6.8%
2018 Employer Contributions		\$	1,580,557
2018 Member Contributions		\$	4,031,474
2017 NECE On-behalf Contributions		\$	3,022,845

Sharyland Independent School District Notes to Financial Statements

NOTE 15 – PENSION PLAN OBLIGATIONS *(Continued)*

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.

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.

Sharyland Independent School District Notes to Financial Statements

NOTE 15 – PENSION PLAN OBLIGATIONS *(Continued)*

E. Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
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 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.

Sharyland Independent School District Notes to Financial Statements

NOTE 15 – PENSION PLAN OBLIGATIONS (Continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 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%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	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**

NOTE 15 – PENSION PLAN OBLIGATIONS (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 2017 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	\$ 29,017,626	\$ 17,212,946	\$ 7,383,634

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

At June 30, 2018, the District reported a liability of \$ 17,212,946 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 17,212,946
State's proportionate share that is associated with District	<u>29,553,002</u>
Total	<u>\$ 46,765,948</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2016 through August 31, 2017.

At August 31, 2017, the measurement date, the employer's proportion of the collective net pension liability was 0.0538331653% which was an increase of .0005556042% from its proportion measured as of August 31, 2016.

Sharyland Independent School District Notes to Financial Statements

NOTE 15 – PENSION PLAN OBLIGATION *(Continued)*

Changes Since the Prior Actuarial Valuation – There were no changes to the actuarial assumptions of other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the ten months ended June 30, 2018, the District recognized pension expense of \$5,125,319 and revenue of \$2,254,185 for support provided by the state.

At June 30, 2018, 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	\$ 251,833	\$ 928,272
Changes in actuarial assumptions	784,077	448,866
Difference between projected and actual investment earnings	-	1,254,442
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,574,032	985
Total as of August 31, 2017 measurement date	5,609,942	2,632,565
Contributions paid to TRS subsequent to the measurement date	1,580,557	-
Total	\$ 7,190,499	\$ 2,632,565

Contributions of \$1,580,557 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:

Year ended June 30,	Pension Expense <u>Amount</u>
2019	\$ 580,089
2020	\$ 1,678,836
2021	\$ 495,660
2022	\$ 133,383
2023	\$ 84,787
Thereafter	\$ 4,622

Sharyland Independent School District Notes to Financial Statements

NOTE 16 – OTHER POST-EMPLOYMENT BENEFIT PLANS

A. Plan Description

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

B. OPEB Plan Fiduciary net Position

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB Liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

C. Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

Sharyland Independent School District Notes to Financial Statements

NOTE 16 – OTHER POST-EMPLOYMENT BENEFIT PLANS *(Continued)*

TRS Care Plan Premium Rates			
Effective Sept. 1, 2016-Dec. 31, 2017			
	TRS Care-1 Basic Plan	TRS Care-2 Optional Plan	TRS Care-3 Optional Plan
Retiree	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82
*or surviving spouse			

D. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates. Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	<u>2017</u>	<u>2018</u>
Member		0.65%	0.65%
Non-Employer Contributing Entity (State)		1.00%	1.25%
Employers		0.55%	0.75%
Federal/Private Funding Remitted by Employers		1.00%	1.25%
2018 Employer Contributions		\$	443,946
2018 Member Contributions		\$	340,186
2017 NECE On-behalf Contributions		\$	548,629

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB

Sharyland Independent School District Notes to Financial Statements

NOTE 16 – OTHER POST-EMPLOYMENT BENEFIT PLANS (*Continued*)

program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal period 2018. The District's proportionate share of the \$212 million received during the district's 2018 fiscal period is reported in the fund level financial statements as an on-behalf contribution as required by GASB 75 and GASB 24.

E. Actuarial Assumptions

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

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

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

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Sharyland Independent School District Notes to Financial Statements

NOTE 16 – OTHER POST-EMPLOYMENT BENEFIT PLANS *(Continued)*

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost
Payroll Growth Rate	2.50%
Salary Increases Including Inflation	3.5% to 9.5%
Healthcare Trend Rates	4.5% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

Other Information: There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

F. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with

**Sharyland Independent School District
Notes to Financial Statements**

NOTE 16 – OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

G. Sensitivity of Net OPEB Liability

Discount Rate Sensitivity Analysis:

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

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the net OPEB liability	\$ 36,997,738	\$ 31,347,420	\$ 26,805,839

Healthcare Cost Trend Rates Sensitivity Analysis:

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate 4.5 to 12.0 %	1% Increase
District's proportionate share of the net OPEB liability	\$ 26,099,859	\$ 31,347,420	\$ 38,232,882

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBS

At June 30, 2018, the District reported a liability of \$31,347,420 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

Sharyland Independent School District
Notes to Financial Statements

NOTE 16 – OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

District's Proportionate share of the collective net OPEB liability	\$ 31,347,420
State's proportionate share that is associated with District	<u>45,889,160</u>
Total	<u><u>\$ 77,236,580</u></u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0720858232%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The notes to the financial statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

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

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

Significant plan changes were adopted during fiscal period ending June 30, 2018. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.

The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.

Sharyland Independent School District Notes to Financial Statements

NOTE 16 – OTHER POST-EMPLOYMENT BENEFIT PLANS *(Continued)*

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

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

For the period ended June 30, 2018, the District recognized OPEB expense of \$25,868,045 and revenue of \$15,355,733 for support provided by the State.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 654,401
Changes in actuarial assumptions	-	12,458,284
Difference between projected and actual investment earnings	4,762	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	143	-
Total as of August 31, 2017 measurement date	\$ 4,905	\$ 13,112,685
Contributions paid to TRS subsequent to the measurement date	443,946	-
Total	\$ 448,851	\$ 13,112,685

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Sharyland Independent School District
Notes to Financial Statements

NOTE 16 – OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Year ended June 30,		
2019	\$	(1,729,586)
2020	\$	(1,729,586)
2021	\$	(1,729,586)
2022	\$	(1,729,586)
2023	\$	(1,730,776)
Thereafter	\$	(4,458,660)

NOTE 17 – CONSTRUCTION COMMITMENTS

At June 30, 2018, the District had the following construction commitments.

Project name	Contract amount	Amount expended	Warranted expended	Remaining commitment
New Sharyland Pioneer High School	\$ 41,101,671	\$ 40,662,424	\$ 90,804	\$ 348,443
Martinez Elementary AC	916,046	807,422	-	108,624
Martinez Elementary roofing	1,106,000	778,506	-	327,494
Athletic facilities ceramic tile	73,300	22,070	-	51,230
Athletic facilities MEP	389,000	79,001	-	309,999
Athletic pressbox/bleachers	251,130	105,300	-	145,830
Sharyland High School remodel	332,150	109,353	-	222,797
Sharyland High School exterior painting	86,911	51,019	-	35,892
Pioneer High cattle pavillion	1,038,000	555,243	-	482,757
Total	\$ 45,294,208	\$ 43,170,338	\$ 90,804	\$ 2,033,066

Sharyland Independent School District Notes to Financial Statements

NOTE 18 – OPERATING LEASE COMMITMENTS

Rental expenditures during the period totaled \$347,993.87 for governmental activities. The District has operating leases for computer and office equipment. Commitments under lease agreements as of June 30, 2018 provide for future minimum lease obligations as follows:

Year ending June 30	Governmental Activities
2019	\$ 218,405
2020	248,739
2021	245,194
2022	240,486
2023	232,590
2024	38,232
	\$ 1,223,646

Note 19 – PRIOR PERIOD ADJUSTMENT

During fiscal period 2018, the District adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under GASB 75, the District must assume their proportionate share of the net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled (\$54,967,512) which resulted in a restated beginning net position balance of \$8,498,740.

Note 20 – NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS – STATEMENT OF ACTIVITIES

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the period under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

Sharyland Independent School District
Notes to Financial Statements

Note 20 – NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS – STATEMENT OF ACTIVITIES
(Continued)

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (Excluding on-behalf accruals)
11-Instruction	\$ (5,434,657)	\$ (9,589,944)	\$ 4,155,287
12-Instructional Resources and Media Services	(115,543)	(188,536)	72,993
13-Curriculum and Staff Development	93,991	(7,581)	101,572
21-Instructional Leadership	(208,935)	(371,797)	162,862
23-School Leadership	(907,798)	(1,075,875)	168,077
31-Guidance, Counseling and Evaluation Services	580,163	(665,842)	1,246,005
32-Social Works Services	29,763	(12,257)	42,020
33-Health Services	(123,572)	(143,094)	19,522
34-Student Transportation	(663,112)	(767,869)	104,757
35-Food Service	4,346,078	-	4,346,078
36-Cocurricular/Extracurricular Activities	(572,813)	(699,117)	126,304
41-General Administration	(244,066)	(472,686)	228,620
51-Facilities Maintenance and Operations	(303,319)	(1,159,571)	856,252
52-Security and Monitoring Services	2,433	-	2,433
53-Data Processing Services	(138,759)	(160,680)	21,921
61-Community Services	201,410	(40,884)	242,294
	<u>\$ (3,458,736)</u>	<u>\$ (15,355,733)</u>	<u>\$ 11,896,997</u>

NOTE 21 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 14, 2018, which is the date these financial statement were available to be issued, there are no subsequent events that require disclosure.

NOTE 22 – CHANGE IN FISCAL YEAR END

The District has changed its fiscal year end for financial reporting purposes from August 31st to June 30th. As a result, financial statements presented as of and for the period ended June 30, 2018 reflect ten (10) months of transactions rather than a full year. Prior year information has not been restated and comparability of current period financial information to prior years should be viewed with this understanding.



**REQUIRED SUPPLEMENTARY
INFORMATION**

SHARYLAND ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE TEN MONTHS ENDED JUNE 30, 2018

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	\$ 37,481,439	\$ 37,941,490	\$ 37,169,765	\$ (771,725)
5800	State Program Revenues	50,251,928	50,251,928	49,136,719	(1,115,209)
5900	Federal Program Revenues	1,125,000	1,430,000	1,901,718	471,718
5020	Total Revenues	88,858,367	89,623,418	88,208,202	(1,415,216)
EXPENDITURES:					
Current:					
0011	Instruction	51,766,330	51,419,747	46,327,691	5,092,056
0012	Instructional Resources and Media Services	1,015,158	1,033,265	955,859	77,406
0013	Curriculum and Instructional Staff Development	813,368	906,774	672,295	234,479
0021	Instructional Leadership	1,981,959	2,053,394	1,790,994	262,400
0023	School Leadership	4,295,492	4,720,435	4,660,305	60,130
0031	Guidance, Counseling and Evaluation Services	3,179,517	3,503,847	3,170,865	332,982
0032	Social Work Services	39,498	66,001	52,793	13,208
0033	Health Services	664,130	669,012	600,547	68,465
0034	Student (Pupil) Transportation	2,605,660	2,885,660	2,772,349	113,311
0035	Food Services	-	117,928	83,368	34,560
0036	Extracurricular Activities	6,294,840	7,228,874	6,066,079	1,162,795
0041	General Administration	2,576,151	2,566,133	2,487,137	78,996
0051	Facilities Maintenance and Operations	7,915,900	8,169,408	7,948,331	221,077
0052	Security and Monitoring Services	874,574	995,395	948,838	46,557
0053	Data Processing Services	1,152,642	823,182	728,593	94,589
0061	Community Services	5,825	5,133	2,865	2,268
Debt Service:					
0071	Principal on Long Term Debt	403,823	453,823	358,068	95,755
0072	Interest on Long Term Debt	-	-	42,723	(42,723)
0073	Bond Issuance Cost and Fees	-	-	50,000	(50,000)
Capital Outlay:					
0081	Facilities Acquisition and Construction	2,775,000	4,927,914	3,300,078	1,627,836
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	30,000	14,500	12,000	2,500
0099	Other Intergovernmental Charges	471,000	471,000	464,271	6,729
6030	Total Expenditures	88,860,867	93,031,425	83,496,049	9,535,376
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,500)	(3,408,007)	4,712,153	8,120,160
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	2,500	5,100	11,975	6,875
7914	Non-Current Loans	-	1,850,000	1,850,000	-
7915	Transfers In	7,789,052	8,887,168	7,174,768	(1,712,400)
8911	Transfers Out (Use)	(7,789,052)	(8,887,168)	(7,215,535)	1,671,633
7080	Total Other Financing Sources (Uses)	2,500	1,855,100	1,821,208	(33,892)
1200	Net Change in Fund Balances	-	(1,552,907)	6,533,361	8,086,268
0100	Fund Balance - September 1 (Beginning)	24,677,932	24,677,932	24,677,932	-
3000	Fund Balance - June 30 (Ending)	\$ 24,677,932	\$ 23,125,025	\$ 31,211,293	\$ 8,086,268

SHARYLAND ISD
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year	FY 2016 Plan Year	FY 2015 Plan Year
District's Proportion of the Net Pension Liability	0.0538332%	0.0532776%	0.0553427%	0.0283796%
District's Proportionate Share of Net Pension Liability	\$ 17,212,946	\$ 20,132,798	\$ 19,562,908	\$ 7,580,584
State's Proportionate Share of the Net Pension Liability associated with the District	29,553,002	36,360,594	34,659,893	30,726,532
Total	\$ 46,765,948	\$ 56,493,392	\$ 54,222,801	\$ 38,307,116
District's Covered Payroll	\$ 59,733,574	\$ 58,753,125	\$ 56,328,129	\$ 52,936,190
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	28.82%	34.27%	34.73%	14.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	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, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only four 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'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018*	2017	2016	2015
Contractually Required Contribution	\$ 1,580,557	\$ 1,764,337	\$ 1,692,763	\$ 1,638,730
Contribution in Relation to the Contractually Required Contribution	(1,580,557)	(1,764,337)	(1,692,763)	(1,638,730)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 52,342,178	\$ 59,733,574	\$ 58,753,125	\$ 56,328,129
Contributions as a Percentage of Covered Payroll	3.02%	2.95%	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 of the preceding year.

Note: In accordance with GASB 68, Paragraph 138, only four 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."

*During this fiscal period, the District changed its fiscal year end for financial reporting purposes from August 31st to June 30th. The District's covered payroll for this period is for ten (10) month's ended June 30, 2018.

SHARYLAND ISD
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE TEN MONTHS ENDED JUNE 30, 2018

	<u>FY 2018</u> <u>Plan Year 2017</u>
District's Proportion of the Net Liability for Other Post Employment Benefits	0.0720858%
District's Proportionate Share of Net Post Employment Benefit Liability	\$ 31,347,420
State's Proportionate Share of the Net Post Employment Benefit Liability associated with the District	45,889,160
Total	<u>\$ 77,236,580</u>
District's Covered Payroll	\$ 59,733,574
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	52.48%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

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

SHARYLAND ISD
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018*
Contractually Required Contribution	\$ 443,946
Contribution in Relation to the Contractually Required Contribution	(443,946)
Contribution Deficiency (Excess)	\$ -0-
District's Covered Payroll	\$ 52,342,178
Contributions as a Percentage of Covered Payroll	0.85%

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

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

*During this fiscal period, the District changed its fiscal year end for financial reporting purposes from August 31st to June 30th. The District's covered payroll for this period is for ten (10) month's ended June 30, 2018.

Sharyland Independent School District Notes to Required Supplementary Information

A. Budgets

The official school original budget was prepared for adoption for required Governmental Fund Types by August 28, 2017. 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 June 30. 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 June 30, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget.

C. Pension

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

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

D. Other Post-Employment Benefits:

Changes in benefit: There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

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

- Significant plan changes were adopted during ten months ended June 30, 2018. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
- The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.

Sharyland Independent School District Notes to Required Supplementary Information

- The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.
- In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:
 - 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
 - Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
 - There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.
- Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.
- Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.



OTHER INFORMATION

SHARYLAND ISD
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2018

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.040000	0.16000	2,369,979,571
2011	1.040000	0.16000	2,465,389,109
2012	1.040000	0.16000	2,498,024,884
2013	1.040000	0.24550	2,571,598,518
2014	1.170000	0.11550	2,709,775,536
2015	1.170000	0.16550	2,711,846,739
2016	1.170000	0.16550	2,899,657,284
2017	1.170000	0.20550	3,095,956,202
2018 (School year under audit)	1.170000	0.20550	3,160,662,252
100 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2018
\$ 455,715	\$ -	\$ 18,983	\$ 2,692	\$ (10,419)	\$ 423,621
155,210	-	7,653	1,177	(846)	145,534
165,244	-	5,819	895	(785)	157,745
86,962	-	9,019	1,388	(836)	75,719
117,920	-	32,312	7,628	12,022	90,002
157,756	-	41,075	4,055	23,089	135,715
284,068	-	97,024	13,724	25,579	198,899
505,336	-	125,152	17,703	(33,198)	329,283
1,282,800	-	482,869	84,812	(89,129)	625,990
-	42,654,287	34,847,640	6,120,674	(65,920)	1,620,053
<u>\$ 3,211,011</u>	<u>\$ 42,654,287</u>	<u>\$ 35,667,546</u>	<u>\$ 6,254,748</u>	<u>\$ (140,443)</u>	<u>\$ 3,802,561</u>

SHARYLAND ISD
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE TEN MONTHS ENDED JUNE 30, 2018

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	\$ 1,284,641	\$ 1,312,641	\$ 1,216,890	\$ (95,751)
5800	State Program Revenues	33,000	33,000	28,470	(4,530)
5900	Federal Program Revenues	4,817,290	5,337,290	4,485,382	(851,908)
5020	Total Revenues	6,134,931	6,682,931	5,730,742	(952,189)
EXPENDITURES:					
0035	Food Services	5,940,831	6,422,831	5,111,248	1,311,583
0051	Facilities Maintenance and Operations	191,000	256,000	226,105	29,895
0052	Security and Monitoring Services	3,100	4,100	2,433	1,667
6030	Total Expenditures	6,134,931	6,682,931	5,339,786	1,343,145
1200	Net Change in Fund Balances	-	-	390,956	390,956
0100	Fund Balance - September 1 (Beginning)	(72,774)	(72,774)	(72,774)	-
3000	Fund Balance - June 30 (Ending)	\$ (72,774)	\$ (72,774)	\$ 318,182	\$ 390,956

SHARYLAND ISD
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE TEN MONTHS ENDED JUNE 30, 2018

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	\$ 6,398,764	\$ 6,418,764	\$ 6,338,319	\$ (80,445)
5800	State Program Revenues	675,589	675,589	571,741	(103,848)
5020	Total Revenues	7,074,353	7,094,353	6,910,060	(184,293)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	3,875,000	3,875,000	3,875,000	-
0072	Interest on Long Term Debt	2,212,683	2,212,683	2,212,681	2
0073	Bond Issuance Cost and Fees	5,000	75,000	19,250	55,750
6030	Total Expenditures	6,092,683	6,162,683	6,106,931	55,752
1200	Net Change in Fund Balances	981,670	931,670	803,129	(128,541)
0100	Fund Balance - September 1 (Beginning)	539,981	539,981	539,981	-
3000	Fund Balance - June 30 (Ending)	\$ 1,521,651	\$ 1,471,651	\$ 1,343,110	\$ (128,541)



**OVERALL COMPLIANCE,
INTERNAL CONTROL,
AND FEDERAL AWARDS**



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

To the Board of Trustees
Sharyland Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sharyland Independent School District (the "District") as of and for the ten months ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we

did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Casey Riggs & Ingram, L.L.C.

McAllen, Texas
November 14, 2018



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

To the Board of Trustees
Sharyland Independent School District

Report on Compliance for Each Major Federal Program

We have audited the Sharyland Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the ten months ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' 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 ten months ended June 30, 2018.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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.

Cary, Riggs & Ingram, L.L.C.

McAllen, Texas
November 14, 2018

Sharyland Independent School District Schedule of Findings and Questioned Costs

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency (ies) identified that are not considered to be material weaknesses?

___ yes X no

X yes ___ none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency (ies) identified that are not considered to be material weaknesses?
reported

___ yes X no

___ yes X none

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

___ yes X no

Type of auditors' report issued on compliance for major programs:

Unmodified

Identification of major programs:

CFDA number (s)

Name of Federal Program or Cluster

10.553/10.555
84.367

Child Nutrition Cluster
Supporting Effective Instruction State Grants

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

Section II – Financial Statement Findings

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Reference No.: 2018-001	Foundation School Program (FSP) Allotments
Criteria:	The District should spend 55% of the State Program allotments for Gifted and Talented, 58% for Career and Technology Education (CATE), 52% for Bilingual Education, 52% for Compensatory Education, and 52% for Special Education for direct costs of the programs.
Condition:	The District expended less than the 55% amount for Gifted and Talented, for a shortfall of \$103,676, less than the 58% of Career and Technology Education, for a shortfall of \$505,647.05, and less than 52% for Compensatory education, for a shortfall of \$468,608.
Cause:	The District did not expend the required program allotment
Effect or potential effect:	The District may eventually have to return unspent funds.
Auditor's recommendation:	The District consider optimization of the use of the foundation school program allotments to meet the District's need as required.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

Section III – Federal Award Findings and Questioned Costs

None noted that were required to be reported.

**Sharyland Independent School District
Schedule of Findings and Questioned Costs
Corrective Action Plan**

Financial Statement Findings:

	<u>Corrective Action Plan</u>
Reference No.: 2018-001	Foundation School Program (FSP) Allotments
	The Finance Office will meet with each program director to go over the expectations required to be in compliance. Moving forward, the district will develop quarterly goals which will be monitored daily and reviewed each quarter with the Superintendent of Schools. The district plans on making the necessary adjustments to the current 2018-2019 fiscal year budget in order to meet each special program allotment percentage mandated by the Texas Education Agency through statute.

Federal Award Findings:

None reported.



**Sharyland Independent School District
Schedule of Findings and Questioned Costs
Status of Prior Year Findings**

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

SHARYLAND ISD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TEN MONTHS ENDED JUNE 30, 2018

(1)	(2)	(3)	(4)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
US DEPARTMENT OF AGRICULTURE				
<u>Passed Through State Department of Agriculture</u>				
*School Breakfast Program	10.553	00573	\$ -	\$ 812,573
*National School Lunch Program - Cash Assistance	10.555	00573	-	2,706,250
*National School Lunch Program - Non-Cash Assistance	10.555	00573	-	9,573
Total CFDA Number 10.555			-	2,715,823
Total Child Nutrition Cluster			-	3,528,396
Child & Adult Care Food Program - Cash Assistance	10.558	00573	-	956,987
Total Passed Through State Department of Agriculture			-	4,485,383
TOTAL US DEPARTMENT OF AGRICULTURE			-	4,485,383
US DEPARTMENT OF DEFENSE				
<u>Direct Programs:</u>				
JUNIOR RESERVE OFFICER TRAINING CORPS	12.U01	108-911	-	69,646
TOTAL US DEPARTMENT OF DEFENSE			-	69,646
US DEPARTMENT OF EDUCATION				
<u>Direct Programs:</u>				
Fund for the Improvement of Education	84.215	S215E150023	-	228,820
Total Direct Programs			-	228,820
<u>Passed Through State Department of Education</u>				
Title I Grants to Local Educational Agencies	84.010	18610101108911	-	2,004,709
Migrant Education - State Grant Program	84.011	18615001108911	-	114,305
*Special Education - Grants to States	84.027	186600011089116600	-	1,323,072
*Special Education - Preschool Grants	84.173	176610011089116610	-	12,998
Total Special Education Cluster (IDEA)			-	1,336,070
Career & Technical Education - Basic Grants to States	84.048	18420006108911	-	96,271
English Language Acquisition State Grants	84.365	18671001108911	-	249,893
Supporting Effective Instruction State Grants	84.367	18694501108911	-	269,403
Student Support and Academic Enrichment Program	84.424	18680101108911	-	20,491
Total Passed Through State Department of Education			-	4,091,142
TOTAL US DEPARTMENT OF EDUCATION			-	4,319,962
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 8,874,991

*Clustered Programs

Sharyland Independent School District
Notes to Schedule of Expenditures of Federal Awards

Note 1 - 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. Because this schedule presents only a selected portion of the operations of Sharyland Independent School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Sharyland Independent School District.

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	\$ 8,874,991
SHARS	1,204,869
E-rate infrastructure	463,069
Exhibit C-3	\$ 10,542,929

Note 2 - 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.

Note 3 – Sub-Recipients

During the ten months ended June 30, 2018, the District had no pass-through to sub-recipients.

Note 4 – Federal Loans and Loan Guarantees

During the ten months ended June 30, 2018, the District had no outstanding federal loans payable or loan guarantees.

Note 5 – Federally Funded Insurance

During the ten months ended June 30, 2018, the District had no federally funded insurance.

Note 6 – Noncash Awards

During the ten months ended June 30, 2018, the District received \$9,573 as non-cash assistance under the National School Lunch Program.



Required Communications for the
Board of Trustees of

**Sharyland Independent
School District**

November 14, 2018



Carr, Riggs & Ingram, LLC
4100 N. 23rd St.
McAllen, Texas

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(956) 686-6830 (fax)
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November 14, 2018

Board of Trustees
Sharyland Independent School District

We are pleased to present the results of our audit of the 2018 financial statements of Sharyland Independent School District (the "District").

This communication to the Board of Trustees summarizes our audit, the reports issued and various analyses and observations related to the District's accounting and reporting. The document also contains the communications required by our professional standards.

The audit was designed, primarily, to express an opinion on the District's June 30, 2018 financial statements. We considered the District's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the District, expect. We received the full support and assistance of the District's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Board of Trustees, the District's management, and others within the District and should not be used by anyone other than these specified parties.

We appreciate this opportunity to meet with you. If you have any questions or comments, please call Ruben Moreno at (956) 686-3701 or rmoreno@cricpa.com.

Very truly yours,

Carr, Riggs & Ingram, L.L.C.

As discussed with management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the District. Specifically, we planned and performed our audit to:

- Perform audit services 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 in order to express an opinion on the District's financial statements For The Ten Months ended June 30, 2018;
- Communicate directly with the District and management regarding the results of our procedures;
- Address with the District and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the District and management; and
- Other audit-related projects as they arise and upon request.

Required Communications

We have audited the financial statements of the District For the Ten Months ended June 30, 2018 and have issued our report thereon dated November 14, 2018. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Auditors' responsibility under Generally Accepted Auditing Standards	<p>As stated in our engagement letter dated March 7, 2018 our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP) and Government Auditing Standards issued by the Comptroller General of the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
Client's responsibility	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
Planned scope and timing of the audit	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.</i>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
Potential effect on the financial statements of any significant risks and exposures	<p>The most significant risks and exposures of the District are described in Note 12 "Risk</p>

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><i>Major risks and exposures facing the District and how they are disclosed.</i></p>	<p>Management” to the financial statements</p>
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors’ judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus</i> • <i>The auditor should also discuss the auditors’ judgment about the quality, not just the acceptability, of the District’s accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures.</i> • <i>Critical accounting policies and practices applied by the client in its financial statements and our assessment of management’s disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i> • <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i> 	<p>Please see the following section titled “Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality.”</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	<p>We encountered no significant delays in performing our audit.</p>
<p>Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	<p>We are pleased to report that no such disagreements arose during the course of our audit.</p>
<p>Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	<p>We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p>
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	<p>None Noted.</p>
<p>Corrected and Uncorrected Misstatements <i>All significant audit adjustments arising from the audit, whether or not recorded by the District, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the District management about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	<p>Please see the following section titled "Summary of Adjustments"</p>
<p>Major issues discussed with management prior to retention <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	<p>None Noted.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Consultations with other accountants <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	<p>We are not aware of any consultations with other accountants.</p>
<p>Written representations <i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	<p>We have requested certain representations from management. See "Management Representation Letter" section.</p>
<p>Internal control deficiencies <i>Any significant deficiencies or material weakness in the design or operation of internal control that came to the auditors' attention during the audit.</i></p>	<p>None Noted.</p>
<p>Fraud and illegal acts <i>Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly consequential.</i></p>	<p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p>
<p>Supplementary information in relation to the financial statements as a whole <i>The auditors' responsibility for supplementary information accompanying the financial statements, as a well as any procedures performed and the results.</i></p>	<p>We were engaged to report on the supplementary information, which accompanies the financial statements but is not required supplementary information. 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.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Other information in documents containing audited financial statements</p> <p><i>The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none">• Such information is materially inconsistent with the financial statements; and• We believe such information represents a material misstatement of fact. <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

Accounting Policies, Judgements and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the District’s accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board of Trustees and the District’s management may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Capital Assets – Depreciation	Capital assets are recorded at historical cost or estimated cost if historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation. A capitalization threshold of \$5,000 is used. Depreciation on all capital assets, excluding land and construction in progress, is calculated on the straight-line method over estimated useful lives.	Yes	Management’s estimate of the annual depreciation expense is based on the useful life of the assets and their respective book values. We evaluated the key factors and assumptions used to develop the annual depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.	The District’s policies are in accordance with all applicable accounting guidelines.

Accounting Policies, Judgements and Sensitive Estimates & CRI Comments on Quality

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Claims Liabilities –Self-insured Worker’s Compensation and Health and Dental Insurance	The claims for worker’s compensation insurance and health and dental insurance liability, reported in the Internal Service Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.	Yes	Management’s estimate of claims for health insurance is based on historical trends’ factors 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. We evaluated the key factors and assumptions used to develop the annual accruals in determining that they are reasonable in relation to the financial statements taken as a whole.	The District’s policies are in accordance with applicable accounting guidelines. However, Management should document their evaluation of the actuaries’ competence, capabilities, and objectivity to be able to rely on the actuaries’ work and estimates and ensure a reasonable estimate of claims payable is recorded on the District’s financial statements.

**Accounting Policies, Judgements and Sensitive Estimates
& CRI Comments on Quality**

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Pensions – Net Pension Liability and related Deferred Outflows and Inflows of Resources	The District is a member employer of the Teacher Retirement System of Texas (TRS) and records its proportionate share of the pension liability and related accounts. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.	Yes	The fiduciary net position of the TRS plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. The District records its proportionate share based on an actuarial valuation as of the measurement date.	The District's policies are in accordance with applicable accounting guidelines. However, Management should document their evaluation of the actuary's competence, capabilities, and objectivity to be able to rely on the actuarial reports reflecting determination of net pension liability, assumptions, and discount rates used which have a direct effect on District's financial statements.

**Accounting Policies, Judgements and Sensitive Estimates
& CRI Comments on Quality**

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Accounts Receivable – Allowance for Uncollectible Property Taxes	Management’s estimate for the allowance for uncollectible property tax receivables is based on the historical experience in collecting property taxes.	Yes	Management’s estimate for the allowance of uncollectible property taxes is based on percentages of historical collections of prior years’ tax levies. We evaluated the key factors and assumptions used to develop the allowance for uncollectible accounts in determining that it is reasonable in relation to the financial statements taken as a whole.	The District’s policies are in accordance with applicable accounting guidelines.

Accounting Policies, Judgements and Sensitive Estimates & CRI Comments on Quality

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Other Post-Employment Benefits – Net OPEB Liability and related Deferred Outflows and Inflows of Resources	The District is a member employer of the Teacher Retirement System of Texas (TRS) and records its proportionate share of the OPEB liability and related accounts. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.	Yes	The fiduciary net position of the TRS Care plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care’s fiduciary net position. The District records its proportionate share based on an actuarial valuation as of the measurement date.	The District’s policies are in accordance with applicable accounting guidelines. However, Management should document their evaluation of the actuary’s competence, capabilities, and objectivity to be able to rely on the actuarial reports reflecting determination of net OPEB liability, assumptions, and discount rates used which have a direct effect on District’s financial statements.

**Accounting Policies, Judgements and Sensitive Estimates
& CRI Comments on Quality**

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Long Term Obligations – Employee Longevity Pay	Management’s estimate for the employee longevity pay is estimated based on all qualifying employees at year-end and discounted using a comparable market borrowing rate.	Yes	Management’s estimate for employee longevity pay is estimated based on all qualifying employees at year-end and discounted using a comparable market borrowing rate. We evaluated the key factors and assumptions used to develop the longevity pay in determining that it is reasonable in relation to the financial statements taken as a whole.	The District’s policies are in accordance with applicable accounting guidelines.

During the course of our audit, we accumulate differences between amounts recorded by the District and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by management or passed (uncorrected). See below the Schedule of Adjusting Journal Entries for a summary of those differences at June 30, 2018.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate
- Whether the difference masks a change in earnings or other trends
- Whether the difference changes a loss to income or vice versa
- Whether the difference concerns a segment or other portion of the District's operating environment that has been identified as playing a significant role in the District's operations or viability
- Whether the difference affects the District's compliance with regulatory requirements
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation
- Whether the difference involves concealment of an unlawful transaction.

**Sharyland Independent School District
Schedule of Adjusting Journal Entries
For The Ten Months Ended June 30, 2018**

Adjusting Entry	Debit	Credit
<u>Adjusting Entry Number 1:</u>		
410-00-2311-00-000-8-00-000	1,365,127.86	
410-00-1241-00-000-8-00-000		(1,365,127.86)
	<u>1,365,127.86</u>	<u>(1,365,127.86)</u>
Remove Districts memo entry regarding receivables and unearned revenue		
<u>Adjusting Entry Number 2:</u>		
183-00-2177-00-000-8-00-000	153,024.86	
183-00-2177-00-000-8-00-001		(153,024.86)
183-00-2177-00-000-8-00-002	2,516.32	
183-00-2177-00-000-8-00-003		(2,516.32)
183-00-2177-00-000-8-00-004	518.20	
183-00-2177-00-000-8-00-005		(518.20)
183-00-2177-00-000-8-00-006	9,000.00	
183-00-2177-00-000-8-00-007		(9,000.00)
183-00-2177-00-000-8-00-008	356,906.11	
183-00-2177-00-000-8-00-009		(356,906.11)
183-00-2177-00-000-8-00-010	671,314.46	
183-00-2177-00-000-8-00-011		(671,314.46)
183-00-2177-00-000-8-00-012	75.98	
183-00-2177-00-000-8-00-013		(75.98)
183-00-2177-00-000-8-00-014	13,576.35	
183-00-2177-00-000-8-00-015		(13,576.35)
183-00-2177-00-000-8-00-016	25,221.44	
183-00-2177-00-000-8-00-017		(25,221.44)
183-00-2177-00-000-8-00-018	192.05	
183-00-2177-00-000-8-00-019		(192.05)
183-00-2177-00-000-8-00-020	60,598.70	
183-00-2177-00-000-8-00-021		(60,598.70)
183-00-2177-00-000-8-00-022	5,100.00	
183-00-2177-00-000-8-00-023		(5,100.00)
183-00-2177-00-000-8-00-024	26,598.44	
183-00-2177-00-000-8-00-025		(26,598.44)
	<u>1,324,642.91</u>	<u>(1,324,642.91)</u>
To record Clients FYE 6/30/18 AP entry paid subsequent to year end		
<u>Adjusting Entry Number 3:</u>		
199-00-1220-00-000-8-01-996	21,841.42	
199-00-1220-00-000-8-01-997	5,252.95	
199-00-1220-00-000-8-01-998	6,613.71	
199-00-1220-00-000-8-01-999	2,004.71	
199-00-1220-00-000-8-02-000	5,245.67	
199-00-1220-00-000-8-02-001	5,900.03	
199-00-1220-00-000-8-02-002	8,006.15	

Summary of Adjustments

199-00-1220-00-000-8-02-003	9,034.41	
199-00-1220-00-000-8-02-004	8,532.11	
199-00-1220-00-000-8-02-005	6,892.83	
199-00-1220-00-000-8-02-006	17,989.10	
199-00-1220-00-000-8-02-007	15,043.66	
199-00-1220-00-000-8-02-008	28,581.81	
199-00-1220-00-000-8-02-009	60,033.37	
199-00-1220-00-000-8-02-010	64,307.44	
199-00-1220-00-000-8-02-011	31,635.92	
199-00-1220-00-000-8-02-012	58,479.31	
199-00-1220-00-000-8-02-013	39,562.44	
199-00-1220-00-000-8-02-014	84,948.33	
199-00-1220-00-000-8-02-015	144,744.31	
199-00-1220-00-000-8-02-016	353,079.69	
199-00-1220-00-000-8-02-017	1,321,282.18	
199-00-2311-00-000-8-00-000		(2,299,011.55)
	2,299,011.55	(2,299,011.55)

To correct account and match Hidalgo County Annual Report.

Adjustment Entry Number 4:

199-00-5711-00-000-8-00-000	37,934.76	
199-00-2601-00-000-8-00-000		(37,934.76)
599-00-5711-00-000-8-00-000	18,908.86	
599-00-2601-00-000-8-00-000		(18,908.86)
	56,843.62	(56,843.62)

To record deferred property taxes

Adjustment Entry Number 5:

753-00-5749-00-000-8-00-000	30,858.06	
753-00-5749-00-000-8-00-000	4,841.00	
753-00-5769-00-000-8-00-000		(35,699.06)
	35,699.06	(35,699.06)

To reclassify cash receipt - stop loss

Adjustment Entry Number 6:

199-00-1101-00-000-8-00-000		(328,755.19)
199-00-5749-00-000-8-00-995	328,755.19	
199-00-1101-00-000-8-00-000		(134,314.56)
199-00-5749-00-000-8-00-995	134,314.56	
199-00-1101-00-000-8-00-000	328,755.19	
199-00-5949-00-000-8-00-995		(328,755.19)
199-00-1101-00-000-8-00-000	134,314.56	
199-00-5949-00-000-8-00-995		(134,314.56)
	926,139.50	(926,139.50)

Provided by client FYE 6/30/2018 - Insight public sectorm, smartcom
(erate reimbursement JE Corr J110056 & J110059)

Adjustment Entry Number 7:

Summary of Adjustments

287-00-1101-00-000-8-00-000	4,840.05	
287-00-1242-00-000-8-00-000		(4,840.05)
161-00-1101-00-000-8-00-000	7,652.52	
161-00-5937-00-000-8-00-000		(7,652.52)
	12,492.57	(12,492.57)

To adjust for June 2008 TEA Cash Receipts

Adjustment Entry Number 8:

199-41-6138-00-999-8-99-000		(3,000.00)
199-41-6141-00-999-8-99-000		(42.65)
199-41-6143-00-999-8-99-000		(22.80)
199-41-6144-00-999-8-99-000		(241.50)
199-41-6146-00-999-8-99-000		(67.50)
183-36-6629-T1-001-8-91-000		(138,025.96)
183-36-6629-T1-999-8-91-000		(117,708.12)
183-81-6629-00-001-8-91-000		(70,960.00)
199-41-6138-00-750-8-99-000	3,000.00	
199-41-6141-00-750-8-99-000	42.65	
199-41-6143-00-750-8-99-000	22.80	
199-41-6144-00-750-8-99-000	241.50	
199-41-6146-00-750-8-99-000	67.50	
183-81-6629-T1-001-8-99-000	138,025.96	
183-81-6629-T1-999-8-99-000	117,708.12	
183-81-6629-00-001-8-99-000	70,960.00	
	330,068.53	(330,068.53)

To reclassify to proper account (PEIMS edit Check Report).

Adjustment Entry Number 9:

865-00-2110-00-000-8-00-000	26,598.44	
865-00-2191-00-000-8-00-000		(26,598.44)
	26,598.44	(26,598.44)

Presentation purpose adjustment to Reclassify AP to Due to

Adjustment Entry Number 10:

288-00-5929-00-000-8-00-000	1,971.00	
288-00-2310-00-000-8-00-000		(1,971.00)
	1,971.00	(1,971.00)

To reclassify unspent revenue- TEA payment received for summer school LEP program

Adjustment Entry Number: 11

479-00-3425-00-000-8-00-000		
479-11-6229-00-000-8-00-000	104,905.00	
479-00-5742-03-000-8-00-000		
479-00-8911-00-000-8-00-829		(104,905.36)
829-00-7915-06-000-8-00-479	104,905.36	
829-00-5744-00-000-8-00-000		(104,905.36)
	209,810.36	(209,810.72)

To remove Transfer out from Fund 479 and designate to fund balance in Fund 829

Summary of Adjustments

<u>Adjustment Entry Number 12:</u>		
199-81-6629-T2-001-8-99-000		(16,174.14)
199-36-6639-00-001-8-91-000	16,174.14	
	16,174.14	(16,174.14)

To reclassify flag and wall wrap to proper account

<u>Adjustment Entry Number 13:</u>		
864-00-1101-00-000-8-00-000	1,324,642.91	
864-00-1261-00-000-8-00-000		(1,193,279.95)
864-00-1262-00-000-8-00-000		(39,065.82)
864-00-1266-00-000-8-00-000		(60,598.70)
864-00-1267-00-000-8-00-000		(31,698.44)
	1,324,642.91	(1,324,642.91)

Memo entry to record FYE 6/30/18 Accounts Payable & Biweekly
Payroll paid subsequent to year end.

<u>Adjustment Entry Number 14:</u>		
191-00-3450-00-000-8-00-000		(87,663.00)
191-00-3600-00-000-8-00-000	87,663.00	
240-00-3450-00-000-8-00-000		(60,264.00)
240-00-3600-00-000-8-00-000	60,264.00	
599-00-3480-00-000-8-00-000		(803,129.00)
599-00-3600-00-000-8-00-000	803,129.00	
199-00-3510-00-000-8-00-000		(2,449,080.00)
199-00-3600-00-000-8-00-000	2,449,080.00	
461-00-3545-00-000-8-00-000		(63,187.00)
461-00-3600-00-000-8-00-000	63,187.00	
	3,463,323.00	(3,463,323.00)

Reclass Fund Balance for Financial Statement Software



Dr. Maria M. Vidaurri
BOARD OF TRUSTEES
Melissa Smith – President
Jose Garcia – Vice President
Keith Padilla – Secretary
Dr. Noel Garza – Asst. Secretary
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Ricky Longoria – Member
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1200 N. SHARY ROAD, MISSION, TX 78572 PHONE: 956-580-5200 FAX: 956-580-5229 WWW.SHARYLANDISD.ORG

November 14, 2018

Carr, Riggs & Ingram, LLC
4100 North 23rd Street
McAllen, TX 78504

This representation letter is provided in connection with your audit(s) of the financial statements of Sharyland Independent School District, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows for the ten months then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 14, 2018, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 30, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

SISD does not discriminate on basis of race, color, national origin, gender, religion, age or disability in employment or provision of services, programs or activities.

Trust • Communication • Collective Responsibility • Care • Pride

- 5) Significant assumptions we used in making accounting estimates, for example. SHARS 17 revenue, Instructional Facilities allotment, property tax allowance, depreciation amortization GASB 68 etc. including those measured at fair value, are reasonable.
- 6) There are no events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
- 7) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 8) Guarantees, whether written or oral, under which the school district is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 9) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the school district from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 10) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 11) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 12) We have no knowledge of any fraud or suspected fraud that affects the school district and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 13) We have no knowledge of any allegations of fraud or suspected fraud affecting the school district's financial statements communicated by employees, former employees, regulators, or others.
- 14) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 15) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 16) We have disclosed to you the identity of the school district's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

- 17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 18) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

Management Representation Letter

- 19) The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 20) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 21) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 22) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 23) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 24) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 25) As part of your audit, you assisted with preparation of the financial statements, related notes and schedule of expenditures of federal awards and assisted with the preparation of GASB 34 journal entries. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, Jamie Ortega, Executive Director of Finance, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
- 26) We agree with the findings of specialists in evaluating the net pension obligation for the District's post-employment health care benefits given to retired employees, the net pension liabilities for the District's pension plans, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- 27) We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 28) The school district has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The school district has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) There are no component units or joint ventures with an equity interest that must be included in our financial statements.
- 31) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
- 32) All funds that meet the quantitative criteria in GASB Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.


- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 34) Investments, are properly valued.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 39) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 41) We have appropriately disclosed the school district's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 42) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 44) With respect to the Exhibits identified in the Table of Contents J-1, J-3, and J-4
 - a) We acknowledge our responsibility for presenting the other schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the fund statements and other information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of such information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the schedules of information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 45) With respect to federal award programs:
 - a) We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
 - b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance

with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.


- c) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- d) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- e) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- f) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- g) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- h) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- i) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- j) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- k) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- l) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- m) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- n) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- o) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

Management Representation Letter

- i) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- j) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- k) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- l) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- m) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- n) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- o) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- p) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- q) We have charged costs to federal awards in accordance with applicable cost principles.
- r) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- s) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- t) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signature: 

Title: Assistant Superintendent for Business-Finance & Support Services

Signature: 

Title: Executive Director of Finance

November 14, 2018

To the Board of Trustees of
Sharyland Independent School District
McAllen, Texas

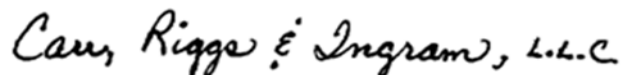
In planning and performing our audit of the financial statements of Sharyland Independent School District's as of and For the Ten Months Ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Sharyland Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

During our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. We included the accompanying chart of internal control recommendations for management's consideration. This letter does not affect our report, dated November 12, 2018, on the financial statements of Sharyland Independent School District.

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



Carr Riggs and Ingram, LLC
McAllen, Texas

Management Communication Letter

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness
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CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION
1	IP	State Compliance	District did not meet the state mandated program percentages for three of their programs.	The District needs to ensure that expenditures are made to the levels required by the State. Future campus and budget plans should be consider expenditures use of these funds so they are not requested back to the state.
2	IP	Inventory	Difference between inventory report and inventory on hand during inventory observation.	When counting inventory the District needs to verify the amount of items in each box to avoid miscounting the actual amount of items on hand.