



**SHARYLAND**  
**INDEPENDENT SCHOOL DISTRICT**  
**Excellence is our Tradition**

*Audited Annual Financial Report  
For the Year Ended August 31, 2017*

**SHARYLAND INDEPENDENT  
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**August 31, 2017**



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

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**INTRODUCTORY SECTION**

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**Sharyland Independent School District  
Principal Officials  
August 31, 2017**

**Board of Trustees**

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

**Administration**

Superintendent	Dr. Robert O'Connor
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Sharyland Independent School District  
Certificate of the Board  
August 31, 2017

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 year ended August 31, 2017 at the meeting of the board of trustees of such school district on the 25<sup>th</sup> day of January 2018.



\_\_\_\_\_  
President, Board of Trustees



\_\_\_\_\_  
Secretary, Board of Trustees

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**REPORT**



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## **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 year ended August 31, 2017, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the budgetary comparison information for the General Fund and the defined benefit pension plan 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, schedule of revenue, expenditures, and changes in fund balance-budget and actual-child nutrition program, and schedule of revenue, expenditures, and changes in fund balance-budget and actual-debt service fund identified in the Table of Contents as Exhibits J-1, J-3, and J-4 are presented for purposes of additional analysis as required by the Texas Education Agency in conformity with laws and regulations of the State of Texas, and are also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and Exhibits J-1, J-3, and J-4 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, J-3, and J-4 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 January 25, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

McAllen, Texas  
January 25, 2018



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**FINANCIAL SECTION**

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## Sharyland Independent School District Management Discussion and Analysis August 31, 2017

As management of the Sharyland Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2017. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent period by \$63,466,252 (*net position*). Of this amount \$14,446,750 (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, The District's governmental funds reported combined ending fund balances of \$25,365,101. Approximately 94 percent of this total amount, \$23,919,260 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$23,919,260 or 27 percent of the total general fund expenditures.

### Overview of the Financial Statements

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

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

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

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

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of

## Sharyland Independent School District Management Discussion and Analysis August 31, 2017

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 16-18 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 year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 19-22 of this report.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the

**Sharyland Independent School District  
Management Discussion and Analysis  
August 31, 2017**

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 23-25 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 26-27.

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

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

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

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

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

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

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

**Sharyland Independent School District**  
**Management Discussion and Analysis**  
**August 31, 2017**

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 29-63 of this report.

## Sharyland Independent School District Management Discussion and Analysis August 31, 2017

**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 64-70 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 \$63,466,252 as of August 31, 2017 and by \$62,754,774 as of August 31, 2016.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 36,766,469	\$ 37,814,783	\$ 73,765	\$ 104,406	\$ 36,840,234	\$ 37,919,189
Noncurrent assets	163,446,277	164,792,378	208,075	224,247	163,654,352	\$ 165,016,625
<b>Total Assets</b>	<b>200,212,746</b>	<b>202,607,161</b>	<b>281,840</b>	<b>328,653</b>	<b>200,494,586</b>	<b>202,935,814</b>
Current liabilities	7,089,560	6,922,559	1,638	3,267	7,091,198	6,925,826
Long-term liabilities:	141,864,138	145,470,217	-	-	141,864,138	145,470,217
<b>Total Liabilities</b>	<b>148,953,698</b>	<b>152,392,776</b>	<b>1,638</b>	<b>3,267</b>	<b>148,955,336</b>	<b>152,396,043</b>
<b>Net Assets:</b>						
Invested in capital assets	48,052,572	44,529,383	208,076	224,247	48,260,648	44,753,630
Restricted	758,854	1,093,572	-	-	758,854	1,093,572
Unrestricted	14,374,624	16,806,434	72,126	101,138	14,446,750	16,907,572
<b>Total Net Assets</b>	<b>\$ 63,186,050</b>	<b>\$ 62,429,389</b>	<b>\$ 280,202</b>	<b>\$ 325,385</b>	<b>\$ 63,466,252</b>	<b>\$ 62,754,774</b>

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 \$48,260,648 as of August 31, 2017 and \$44,753,630 as of August 31, 2016. 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* (\$14,446,750 in 2017) and (\$16,907,572 in 2016) 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 increased by \$756K in 2017 and decreased by \$153K in 2016. The total cost of all *governmental activities* these years was \$107,303,064 in 2017 and \$109,961,334 in 2016. The amount that our taxpayers paid for these activities through property taxes was \$40,080,673 or 37% in 2017 and \$36,756,808 or 33% in 2016.



**Sharyland Independent School District**  
**Management Discussion and Analysis**  
**August 31, 2017**

**Business activities.** The District's total net position decreased \$45,183 in 2017 and decreased \$32,807 in 2016. The total cost of all *business activities* these years was \$247,835 in 2017 and \$255,327 in 2016.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 2,716,212	\$ 2,493,433	\$ 228,452	\$ 252,000	\$ 2,944,664	\$ 2,745,433
Op.grants and contributions	13,796,630	14,873,707	-	-	13,796,630	14,873,707
<b>General revenues</b>						
Property Taxes	40,080,673	36,756,808	-	-	40,080,673	36,756,808
State grants	49,469,323	52,322,506	-	-	49,469,323	52,322,506
Other	1,996,886	2,497,952	-	-	1,996,886	2,497,952
Transfers in (out), net	-	-	-	-	-	-
Total Revenues	<u>108,059,724</u>	<u>108,944,406</u>	<u>228,452</u>	<u>252,000</u>	<u>108,288,176</u>	<u>109,196,406</u>
<b>EXPENSES</b>						
Instruction	54,915,686	58,438,621	-	-	54,915,686	58,438,621
Instr.Resources & Media Svcs.	1,228,225	1,292,811	-	-	1,228,225	1,292,811
Curriculum and Staff Dev.	989,906	896,603	-	-	989,906	896,603
Instructional Leadership	2,262,566	2,179,915	-	-	2,262,566	2,179,915
School Leadership	5,178,783	5,402,029	-	-	5,178,783	5,402,029
Guidance, Counseling & Eval.Svcs.	4,650,721	4,726,322	-	-	4,650,721	4,726,322
Social Work Services	68,940	40,918	-	-	68,940	40,918
Health Services	1,151,812	831,698	-	-	1,151,812	831,698
Student Transportation	3,773,414	3,908,211	-	-	3,773,414	3,908,211
Food Services	6,055,656	5,864,547	-	-	6,055,656	5,864,547
Extracurricular Activities	6,709,387	6,881,526	-	-	6,709,387	6,881,526
General Administration	2,766,501	2,820,725	-	-	2,766,501	2,820,725
Plant Maintenance and Operations	9,384,197	9,892,370	-	-	9,384,197	9,892,370
Security and Monitoring Services	982,776	1,033,551	-	-	982,776	1,033,551
Data Processing Services	802,901	742,130	-	-	802,901	742,130
Community Services	222,696	141,658	247,835	255,327	470,531	396,985
Debt Service-Interest on Long Term Del	4,154,788	4,387,306	-	-	4,154,788	4,387,306
Debt Service-Bond Issuance Cost and Fe	132,716	4,300	-	-	132,716	4,300
Capital Outlay	1,402,235	-	-	-	1,402,235	-
Payments to JJAEP	11,285	33,834	-	-	11,285	33,834
Other Governmental Charges	457,873	442,258	-	-	457,873	442,258
Total Expenses	<u>107,303,064</u>	<u>109,961,334</u>	<u>247,835</u>	<u>255,327</u>	<u>107,550,899</u>	<u>110,216,660</u>
Total Increase in Net Assets	756,660	(1,016,928)	(19,383)	(3,307)	737,277	(1,020,254)
Beginning, Net Assets	62,429,390	62,583,293	325,385	358,191	62,754,775	62,941,484
Transfers In (Out)	-	-	(25,800)	(29,500)	(25,800)	(29,500)
Prior period adjustments	-	863,025	-	-	-	863,025
Ending, Net Assets	<u>\$ 63,186,050</u>	<u>\$ 62,429,387</u>	<u>\$ 280,202</u>	<u>\$ 325,385</u>	<u>\$ 63,466,251</u>	<u>\$ 62,754,755</u>

**Sharyland Independent School District**  
**Management Discussion and Analysis**  
**August 31, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$25,365,101 a decrease of \$916,910. Approximately 94 percent of this total amount (\$23,919,260) 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 (\$410,865) 2) to pay debt service (\$539,980), 3) for other miscellaneous restrictions and other committed (\$349,885), and 4) construction (\$145,111).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$24,233,798 while the total fund balance was \$24,677,956. 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 28 percent of the total general fund expenditures, while total fund balance represents 28 percent of that same amount.

The fund balance of the District's general fund decreased by \$726,417 during the current fiscal year.

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

Unrestricted net position at August 31, 2017, amounted to \$72,126. During the year the funds had a decrease in net position of \$45,183.

**General Fund Budgetary Highlights**

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

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

**Sharyland Independent School District  
Management Discussion and Analysis  
August 31, 2017**

The District made the following amendments to increase budgeted revenue:

Revenues from Local and Intermediate Sources	\$	726,381
State Program Revenues		-
Federal Progeam Revenues		520,000

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

Instructional and Instructional Related Services	\$	756,967
Instructional and School Leadership		184,253
Support Services -Student (Pupil)		725,667
Administrative Support Services		(143,981)
Support Services - Non Student Based		784,051
Ancillary Services		2,993
Debt Services		-
Capital Outlay		2,506,433
Other		5,000

**Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets for its governmental activities as of August 31, 2017, amounts to \$163,446,277 (net of accumulated depreciation), a decrease of .82% over prior year. This investment in capital assets includes land, buildings, etc. as listed below.

**District's Capital Assets  
(net of depreciation)**

	2017	2016
Land	\$ 12,496,717	\$ 12,496,717
Buildings and improvements	141,473,862	142,745,400
Furniture and equipment	8,408,932	8,264,809
Capital lease-furniture and equipment	75,610	84,683
Infrastructure assets-roads	457,863	484,931
Infrastructure assets-networks and subsystems	533,293	593,720
Construction in progress	-	122,116
<b>Total capital assets</b>	<b>\$ 163,446,277</b>	<b>\$ 164,792,376</b>

Additional information on the District's capital assets can be found in Note 7 on page 46 of this report.

## Sharyland Independent School District Management Discussion and Analysis August 31, 2017

**Long-term debt.** At the end of August 31, 2017, the District had total bonded debt outstanding of \$105,209,999 a net decrease of \$4,050,000 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 \$309,595,620, 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 49 of this report.

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

- Previously very rapid enrollment growth has subsided to a more sustainable pace, and anticipated future enrollment gains should position the district for additional state funding growth. The District's budget was prepared using prior year's ADA.
- Taxable assessed valuation continues to register gains due to primarily to ongoing residential and commercial development. Although taxable assessed valuation growth has slowed since the pre-recession double-digit rates, the community's existing infrastructure, attractive master planned communities, and strength of our school system position the District for continued growth. The District taxable value for 2017 experienced modest 2.1% growth when compared to 2016.
- The District has estimated revenues and appropriated expenditures in the 2016-17. General Fund officially adopted budget of \$86,931,045.

### **Independent Audit**

The Texas Education Code, as well as our District policy, requires an annual audit of the District's financial statements by independent certified public accountants selected by the Board of Trustees. In addition to meeting the requirements set forth in state statutes, the financial audit was designed to also meet the requirements of the federal Single Audit Act Amendments of 1996 and the provisions of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 Discussion and Analysis  
August 31, 2017**

**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 76<sup>th</sup> 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  
AUGUST 31, 2017

EXHIBIT A-1

Data Control Codes	1	2	3
	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 23,502,413	\$ 73,765	\$ 23,576,178
1120 Current Investments	7,868,604	-	7,868,604
1220 Property Taxes Receivable (Delinquent)	3,211,011	-	3,211,011
1230 Allowance for Uncollectible Taxes	(2,125,893)	-	(2,125,893)
1240 Due from Other Governments	3,894,776	-	3,894,776
1250 Accrued Interest	4,620	-	4,620
1290 Other Receivables, net	76	-	76
1300 Inventories	410,865	-	410,865
Capital Assets:			
1510 Land	12,496,717	-	12,496,717
1520 Buildings, Net	141,473,862	176,233	141,650,095
1530 Furniture and Equipment, Net	8,408,933	31,842	8,440,775
1550 Leased Property Under Capital Leases, Net	75,610	-	75,610
1590 Infrastructure, Net	991,155	-	991,155
1000 Total Assets	<u>200,212,749</u>	<u>281,840</u>	<u>200,494,589</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
1701 Deferred Charge for Refunding	3,158,636	-	3,158,636
1705 Deferred Outflow Related to TRS	9,928,890	-	9,928,890
1700 Total Deferred Outflows of Resources	<u>13,087,526</u>	<u>-</u>	<u>13,087,526</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	1,338,305	-	1,338,305
2140 Interest Payable	187,850	-	187,850
2160 Accrued Wages Payable	2,986,010	1,638	2,987,648
2200 Accrued Expenses	721,568	-	721,568
2300 Unearned Revenue	1,855,826	-	1,855,826
Noncurrent Liabilities			
2501 Due Within One Year	4,480,921	-	4,480,921
2502 Due in More Than One Year	117,250,419	-	117,250,419
2540 Net Pension Liability (District's Share)	20,132,798	-	20,132,798
2000 Total Liabilities	<u>148,953,698</u>	<u>1,638</u>	<u>148,955,336</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2605 Deferred Inflow Related to TRS	1,160,527	-	1,160,527
2600 Total Deferred Inflows of Resources	<u>1,160,527</u>	<u>-</u>	<u>1,160,527</u>
<b>NET POSITION</b>			
3200 Net Investment in Capital Assets	48,052,572	208,076	48,260,648
Restricted:			
3820 Restricted for Federal and State Programs	539,980	-	539,980
3850 Restricted for Debt Service	218,874	-	218,874
3900 Unrestricted	14,374,624	72,126	14,446,750
3000 Total Net Position	<u>\$ 63,186,050</u>	<u>\$ 280,202</u>	<u>\$ 63,466,252</u>

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

SHARYLAND ISD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
11 Instruction	\$ 54,915,686	\$ 859,773	\$ 5,908,924
12 Instructional Resources and Media Services	1,228,225	61,215	95,725
13 Curriculum and Staff Development	989,906	-	171,346
21 Instructional Leadership	2,262,566	-	181,974
23 School Leadership	5,178,783	13,784	243,761
31 Guidance, Counseling and Evaluation Services	4,650,721	14,646	1,527,553
32 Social Work Services	68,940	-	31,537
33 Health Services	1,151,812	-	36,824
34 Student (Pupil) Transportation	3,773,414	-	160,834
35 Food Services	6,055,656	1,267,877	4,466,604
36 Extracurricular Activities	6,709,387	495,854	156,803
41 General Administration	2,766,501	3,063	103,333
51 Facilities Maintenance and Operations	9,384,197	-	449,985
52 Security and Monitoring Services	982,776	-	2,681
53 Data Processing Services	802,901	-	36,369
61 Community Services	222,696	-	222,377
72 Debt Service - Interest on Long Term Debt	4,154,788	-	-
73 Debt Service - Bond Issuance Cost and Fees	132,716	-	-
81 Capital Outlay	1,402,235	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	11,285	-	-
99 Other Intergovernmental Charges	457,873	-	-
[TG] Total Governmental Activities:	<u>107,303,064</u>	<u>2,716,212</u>	<u>13,796,630</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>			
01 Total Nonmajor Enterprise Fund	247,835	228,452	-
[TB] Total Business-Type Activities:	<u>247,835</u>	<u>228,452</u>	<u>-</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 107,550,899</u>	<u>\$ 2,944,664</u>	<u>\$ 13,796,630</u>

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

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

Net (Expense) Revenue and  
Changes in Net Position

6	7	8
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (48,146,989)	\$ -	\$ (48,146,989)
(1,071,285)	-	(1,071,285)
(818,560)	-	(818,560)
(2,080,592)	-	(2,080,592)
(4,921,238)	-	(4,921,238)
(3,108,522)	-	(3,108,522)
(37,403)	-	(37,403)
(1,114,988)	-	(1,114,988)
(3,612,580)	-	(3,612,580)
(321,175)	-	(321,175)
(6,056,730)	-	(6,056,730)
(2,660,105)	-	(2,660,105)
(8,934,212)	-	(8,934,212)
(980,095)	-	(980,095)
(766,532)	-	(766,532)
(319)	-	(319)
(4,154,788)	-	(4,154,788)
(132,716)	-	(132,716)
(1,402,235)	-	(1,402,235)
(11,285)	-	(11,285)
(457,873)	-	(457,873)
(90,790,222)	-	(90,790,222)
-	(19,383)	(19,383)
-	(19,383)	(19,383)
(90,790,222)	(19,383)	(90,809,605)
34,067,591	-	34,067,591
6,013,082	-	6,013,082
42,377,188	-	42,377,188
6,986,014	-	6,986,014
106,121	-	106,121
2,013,044	-	2,013,044
(16,157)	(25,800)	(41,957)
91,546,883	(25,800)	91,521,083
756,660	(45,183)	711,477
62,429,390	325,385	62,754,775
\$ 63,186,050	\$ 280,202	\$ 63,466,252



SHARYLAND ISD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2017

Data Control Codes	10 General Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 19,636,484	\$ 489,597	\$ 20,126,081
1120 Investments - Current	7,453,186	415,418	7,868,604
1220 Property Taxes - Delinquent	2,781,901	429,110	3,211,011
1230 Allowance for Uncollectible Taxes (Credit)	(1,808,284)	(317,609)	(2,125,893)
1240 Receivables from Other Governments	3,224,826	669,950	3,894,776
1250 Accrued Interest	3,370	324	3,694
1260 Due from Other Funds	607,629	347,122	954,751
1290 Other Receivables	-	76	76
1300 Inventories	152,947	257,918	410,865
1000 Total Assets	<u>\$ 32,052,059</u>	<u>\$ 2,291,906</u>	<u>\$ 34,343,965</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 1,003,327	\$ 153,362	\$ 1,156,689
2160 Accrued Wages Payable	2,712,136	273,874	2,986,010
2170 Due to Other Funds	347,122	607,629	954,751
2200 Accrued Expenditures	-	348,443	348,443
2300 Unearned Revenues	1,714,520	141,306	1,855,826
2000 Total Liabilities	<u>5,777,105</u>	<u>1,524,614</u>	<u>7,301,719</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	785,644	80,147	865,791
2602 Deferred Inflow of Resources	811,354	-	811,354
2600 Total Deferred Inflows of Resources	<u>1,596,998</u>	<u>80,147</u>	<u>1,677,145</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	152,947	257,918	410,865
3425 Endowment Principal	-	110,000	110,000
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	146,100	-	146,100
3480 Retirement of Long-Term Debt	-	539,980	539,980
Committed Fund Balance:			
3510 Construction	145,111	-	145,111
3545 Other Committed Fund Balance	-	93,785	93,785
3600 Unassigned Fund Balance	24,233,798	(314,538)	23,919,260
3000 Total Fund Balances	<u>24,677,956</u>	<u>687,145</u>	<u>25,365,101</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 32,052,059</u>	<u>\$ 2,291,906</u>	<u>\$ 34,343,965</u>

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

SHARYLAND ISD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$ 25,365,101
<b>1</b> 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.	2,822,517
<b>2</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$220,904,287 and the accumulated depreciation was (\$56,11,911). 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 decrease net position.	40,948,650
<b>3</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principal payments is to decrease net position.	9,877,721
<b>4</b> Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$20,132,798 a Deferred Resource Inflow related to TRS in the amount of \$1,160,527 and a Deferred Resource Outflow related to TRS in the amount of \$9,928,890. This amounted to a decrease in the Net Position in the amount of \$11,364,435	(11,364,435)
<b>5</b> The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(6,140,648)
<b>6</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	1,677,144
<b>19 Net Position of Governmental Activities</b>	\$ 63,186,050

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

## SHARYLAND ISD

EXHIBIT C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	10 General Fund	Nonmajor Funds	Total Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 37,013,566	\$ 7,693,258	\$ 44,706,824
5800 State Program Revenues	49,541,908	2,146,898	51,688,806
5900 Federal Program Revenues	1,532,819	9,184,847	10,717,666
5020 Total Revenues	<u>88,088,293</u>	<u>19,025,003</u>	<u>107,113,296</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	46,928,941	3,679,721	50,608,662
0012 Instructional Resources and Media Services	1,104,516	49,697	1,154,213
0013 Curriculum and Instructional Staff Development	813,024	169,821	982,845
0021 Instructional Leadership	2,101,696	89,703	2,191,399
0023 School Leadership	4,935,928	17,210	4,953,138
0031 Guidance, Counseling and Evaluation Services	3,165,187	1,378,050	4,543,237
0032 Social Work Services	38,637	29,215	67,852
0033 Health Services	645,651	-	645,651
0034 Student (Pupil) Transportation	3,172,074	-	3,172,074
0035 Food Services	63,136	5,919,205	5,982,341
0036 Extracurricular Activities	6,415,006	112,706	6,527,712
0041 General Administration	2,603,440	33,922	2,637,362
0051 Facilities Maintenance and Operations	9,155,377	235,829	9,391,206
0052 Security and Monitoring Services	967,172	2,681	969,853
0053 Data Processing Services	1,231,008	-	1,231,008
0061 Community Services	4,830	212,784	217,614
<b>Debt Service:</b>			
0071 Principal on Long Term Debt	769,785	3,879,999	4,649,784
0072 Interest on Long Term Debt	93,716	4,431,872	4,525,588
0073 Bond Issuance Cost and Fees	150	132,566	132,716
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	3,162,546	-	3,162,546
<b>Intergovernmental:</b>			
0095 Payments to Juvenile Justice Alternative Ed. Prg.	11,285	-	11,285
0099 Other Intergovernmental Charges	457,873	-	457,873
6030 Total Expenditures	<u>87,840,978</u>	<u>20,374,981</u>	<u>108,215,959</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>247,315</u>	<u>(1,349,978)</u>	<u>(1,102,663)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7901 Refunding Bonds Issued	-	8,040,000	8,040,000
7912 Sale of Real and Personal Property	30,468	-	30,468
7915 Transfers In	8,308,533	1,030,000	9,338,533
7916 Premium or Discount on Issuance of Bonds	-	1,383,354	1,383,354
8911 Transfers Out (Use)	(9,312,733)	-	(9,312,733)
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(9,282,969)	(9,282,969)
8949 Other (Uses)	-	(10,900)	(10,900)
7080 Total Other Financing Sources (Uses)	<u>(973,732)</u>	<u>1,159,485</u>	<u>185,753</u>
1200 Net Change in Fund Balances	(726,417)	(190,493)	(916,910)
0100 Fund Balance - September 1 (Beginning)	<u>25,404,373</u>	<u>877,638</u>	<u>26,282,011</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 24,677,956</u>	<u>\$ 687,145</u>	<u>\$ 25,365,101</u>

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

SHARYLAND ISD  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2017

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(916,910)
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 increase net position.		(486,005)
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 2017 capital outlays and debt principal payments is to decrease net position.		9,874,354
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(6,140,648)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		213,729
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resources outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,764,337. 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 \$1,692,763. 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 \$1,859,434. The net result is an increase (decrease) in the change in net position.		(1,787,860)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>756,660</u>

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

SHARYLAND ISD  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2017

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Nonmajor Enterprise Funds	Total Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 73,765	\$ 3,376,332
Accrued Interest	-	926
Total Current Assets	73,765	3,377,258
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements	176,233	-
Furniture and Equipment	131,378	-
Depreciation on Furniture and Equipment	(99,536)	-
Total Noncurrent Assets	208,075	-
Total Assets	281,840	3,377,258
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	-	181,616
Accrued Wages Payable	1,638	-
Accrued Expenses	-	373,125
Total Liabilities	1,638	554,741
<b>NET POSITION</b>		
Net Investment in Capital Assets	208,076	-
Unrestricted Net Position	72,126	2,822,517
Total Net Position	\$ 280,202	\$ 2,822,517

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

SHARYLAND ISD  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

	Business-Type Activities -	Governmental Activities -
	Total Nonmajor Enterprise Funds	Total Internal Service Funds
<b>OPERATING REVENUES:</b>		
Local and Intermediate Sources	\$ 216,052	\$ 7,750,314
State Program Revenues	12,400	-
Total Operating Revenues	<u>228,452</u>	<u>7,750,314</u>
<b>OPERATING EXPENSES:</b>		
Payroll Costs	200,988	-
Professional and Contracted Services	-	1,563,520
Supplies and Materials	21,775	-
Other Operating Costs	3,271	6,681,911
Depreciation Expense	21,801	-
Total Operating Expenses	<u>247,835</u>	<u>8,245,431</u>
Operating Income (Loss)	<u>(19,383)</u>	<u>(495,117)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Earnings from Temporary Deposits & Investments	-	9,112
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>9,112</u>
Income (Loss) Before Transfers	(19,383)	(486,005)
Transfer In	4,200	-
Transfers Out	(30,000)	-
Change in Net Position	<u>(45,183)</u>	<u>(486,005)</u>
Total Net Position -September 1 (Beginning)	<u>325,385</u>	<u>3,308,522</u>
Total Net Position -August 31 (Ending)	<u>\$ 280,202</u>	<u>\$ 2,822,517</u>

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

SHARYLAND ISD  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Nonmajor Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 228,452	\$ 7,750,314
Cash Received from Assessments - Other Funds	-	(418)
Cash Payments to Employees for Services	(202,901)	(1,639,624)
Cash Payments for Suppliers	(22,055)	-
Cash Payments for Other Operating Expenses	(3,271)	(6,673,870)
Cash From Other Funds	565	159,922
Net Cash Provided by (Used for) Operating Activities	<u>790</u>	<u>(403,676)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Operating Transfers In	4,200	-
Operating Transfer Out	(30,000)	-
Earning From Temporary Deposits and Investments	-	9,112
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(25,800)</u>	<u>9,112</u>
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>		
Acquisition of Capital Assets	(5,630)	-
Net Decrease in Cash and Cash Equivalents	(30,640)	(394,564)
Cash and Cash Equivalents at Beginning of Year	104,405	3,770,896
Cash and Cash Equivalents at End of Year	<u>\$ 73,765</u>	<u>\$ 3,376,332</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss):	\$ (19,383)	\$ (495,117)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	21,801	-
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Accrued Interest	-	(418)
Increase (decrease) in Accounts Payable	(280)	(76,104)
Increase (decrease) in Accrued Wages Payable	(1,913)	-
Increase (decrease) in Due to Other Funds	565	159,922
Increase (decrease) in Accrued Expenses	-	8,041
Net Cash Provided by (Used for) Operating Activities	<u>\$ 790</u>	<u>\$ (403,676)</u>

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

SHARYLAND ISD  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2017

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 67,327	\$ 481,327
Investments - Current	-	258,092
Accrued Interest	19	117
Total Assets	<u>67,346</u>	<u>\$ 739,536</u>
<b>LIABILITIES</b>		
Accounts Payable	1,000	\$ -
Due to Student Groups	-	739,536
Total Liabilities	<u>1,000</u>	<u>\$ 739,536</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>66,346</u>	
Total Net Position	<u>\$ 66,346</u>	

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



SHARYLAND ISD  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

	Private Purpose Trust Fund
<b>ADDITIONS:</b>	
Local and Intermediate Sources	\$ 19,833
Total Additions	<u>19,833</u>
<b>DEDUCTIONS:</b>	
Other Operating Costs	<u>27,200</u>
Total Deductions	<u>27,200</u>
Change in Net Position	(7,367)
Total Net Position - September 1 (Beginning)	<u>73,713</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 66,346</u></u>

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



**NOTES TO FINANCIAL  
STATEMENTS**

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**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**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 the Financial Statements**  
**August 31, 2017**

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated by type and reported as non-major funds.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to longevity pay, claims and judgments are recorded only when payment is due.

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

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

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

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**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.** Enterprise Funds account 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

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

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

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.

**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.

**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. Investment Accounting Policy**

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

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

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

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

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

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

guarantees a high value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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

**2. Receivable and Payables**

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

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



**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

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

food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and deferred revenue when received in the governmental funds. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Prepaid items are payments made for services that benefit periods beyond the current year.

**4. Capital Assets**

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

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

Assets 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 District has two items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

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

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

**6. Fair Value Measurements**

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

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

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

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

**7. Interfund Activity**

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

**8. Long-Term Obligations**

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

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

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.

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

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

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

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

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

- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The Board has by Local Policy CE authorized the Superintendent, or his designee, to assign fund balance. The Board, Superintendent or designee may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. An additional action does not have to be taken for the removal of an assignment.
- 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

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

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

income is combined with other unrestricted income as general revenue in the statement of activities.

**12. Accounting System**

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

**13. Data Control Codes**

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

**14. Pension**

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

**15. New Accounting Standards Adopted**

In fiscal year 2017, there were no new accounting standards applicable to the District that needed to be implemented. Future possible applicable accounting standards to the District that have been issued by the Governmental Accounting Standards Board are:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

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

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.

**16. Subsequent Events**

The District has evaluated subsequent events through the date of this report, which is the date these financial statements were available to be issued.

**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

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**NOTE 3: COMPLIANCE AND ACCOUNTABILITY (Continued)**

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

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

Fund name	Deficit amount	Remarks
None reported	Not applicable	Not applicable

**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.

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**NOTE 4: DEPOSITS AND INVESTMENTS (Continued)**

**B. Cash Deposits**

At August 31, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$24,124,830 and the bank balance was \$25,286,994. The District's cash deposits at August 31, 2017 and for the year then ended August 31, 2017, were entirely covered by FDIC insurance or letters of credit and by pledged collateral held by the District's agent bank in the District's name.

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

Cash on hand	\$ 8,397
Carrying amount deposit	24,116,435
Investments	8,126,695
Less: statement of fiduciary net assets	(806,745)
Cash and investments statement of net position	\$ 31,444,782

Exhibit A-1	
Cash and cash equivalents	\$ 23,576,178
Investments	7,868,604
Cash and investments statement of net position	\$ 31,444,782

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 \$60,340,320.
- c. The highest combined balance of cash, saving and time deposits accounts amounted to \$52,422,284 occurred during the month of January 2017.
- d. Total amount of FDIC coverage at the time of the largest combined balances was \$250,000.



**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**NOTE 4: DEPOSITS AND INVESTMENTS (Continued)**

**C. Investments**

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

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

During the fiscal year the District maintained investments in various pools. Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code.

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

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of August 31, 2017, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the District's access to 100 percent of their account value in either external investment pool.

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**NOTE 4: DEPOSITS AND INVESTMENTS (Continued)**

The District's investments at August 31, 2017 are shown below:

Description	Weighted average maturity	Reported amount	Net asset value
<b>Governmental funds</b>			
Logic investment pool	68 days average	\$ 2,216,485	\$ 2,216,485
Compass bank-money market	30 days average	1,324	1,324
Texpool investments	32 days average	1,028,586	1,028,586
TexPool prime investments	51 days average	4,880,300	4,880,300
<b>Total</b>		<b>\$ 8,126,695</b>	<b>\$ 8,126,695</b>

The fair value of the District's position in the pool is equal to the net asset value of the pooled shares.

**D. Disclosures Relating to Credit Risk**

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

Investment or investment type	Amount	Rating	Exposure
Logic investment pool	\$ 2,216,485	AAA-m	27.27%
Compass Bank-money market	1,324	BBB	0.02%
Texpool investments	1,028,586	AAA-m	12.66%
TexPool prime investments	4,880,300	AAA-m	60.05%
<b>Total</b>	<b>\$ 8,126,695</b>		

**E. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss to the magnitude of the District's investment in a single issuer. Portfolio diversification is employed in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer, as a way to control risk.

Investments issued or explicitly guaranteed by the U.S. government, mutual funds and investment pool are excluded from this requirement.

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**NOTE 5: RECEIVABLES**

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

**A. Property taxes**

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

The 2016 assessed valuation was \$3,095,956,202.

Delinquent taxes are prorated between the general fund and debt service fund based on the tax rate approved by the Board. For the year ended August 31, 2017, the rates were \$1.1700 and \$.2055, respectively, per \$100 of assessed value.

	General fund	Debt Service fund	Total
Total taxes receivable	\$ 2,781,901	\$ 429,110	\$ 3,211,011
Less: allowance for uncollectible	(1,808,284)	(317,609)	(2,125,893)
Net receivable	\$ 973,617	\$ 111,501	\$ 1,085,118

*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	\$ 1,396,914	\$ 659,769	\$ 2,056,683
Medicaid Program (SHARS)	1,754,888	-	1,754,888
Other	73,024	10,181	83,205
Total	\$ 3,224,826	\$ 669,950	\$ 3,894,776

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**NOTE 5: RECEIVABLES (Continued)**

*Unearned revenues*

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

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

	General	Other Funds	Total
Foundation revenue	\$ 1,714,520	\$ -	\$ 1,714,520
State and local grants	-	141,306	141,306
<b>Total</b>	<b>\$ 1,714,520</b>	<b>\$ 141,306</b>	<b>\$ 1,855,826</b>

**NOTE 6: DISAGGREGATION OF OTHER RECEIVABLE/ACCRUED LIABILITIES**

Other receivables and accrued liabilities as of August 31, 2017 for the District's individual major, nonmajor, and internal service funds in the aggregate are as follows:

	General fund	Nonmajor governmental funds	Proprietary fund	Total
<b>Other receivables</b>				
Miscellaneous	\$ -	\$ 76	\$ -	\$ 76
<b>Total</b>	<b>\$ -</b>	<b>\$ 76</b>	<b>\$ -</b>	<b>\$ 76</b>
<b>Accrued expenses</b>				
Wages and deductions payable	\$ 2,712,136	\$ 273,874	\$ 1,638	\$ 2,987,648
Claims payable	-	-	373,125	373,125
<b>Total</b>	<b>\$ 2,712,136</b>	<b>\$ 273,874</b>	<b>\$ 374,763</b>	<b>\$ 3,360,773</b>

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**NOTE 7: CAPITAL ASSETS**

Capital assets activity for the year ended August 31, 2017, was as follows:

	Beginning Balance	Increases	Reclassify	Decreases	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 12,496,717	\$ -	\$ -	\$ -	\$ 12,496,717
Construction in Progress	122,116		(122,116)	-	-
Total capital assets, not being depreciated	<u>\$ 12,618,833</u>	<u>\$ -</u>	<u>\$ (122,116)</u>	<u>\$ -</u>	<u>\$ 12,496,717</u>
Capital Assets, being depreciated:					
Buildings and Improvements	\$ 185,996,845	\$ 3,206,796	\$ 122,117		\$ 189,325,758
Furniture and Equipment	20,949,577	1,587,753	-	(251,794)	22,285,536
Capital Lease-Furniture and Equipment	108,878	-			108,878
Infrastructure Asset-Roads	541,357	-			541,357
Infrastructure Asset-Networks and subsystems	688,797	-			688,797
Total capital assets, being depreciated	<u>\$ 208,285,454</u>	<u>\$ 4,794,549</u>	<u>\$ 122,117</u>	<u>\$ (251,794)</u>	<u>\$ 212,950,326</u>
Less accumulated depreciation for:					
Buildings and Improvements	\$ (43,251,445)	\$ (4,600,451)	\$ -	\$ -	\$ (47,851,896)
Furniture and Equipment	(12,684,768)	(1,443,629)	-	251,794	(13,876,603)
Capital Lease-Furniture and Equipment	(24,195)	(9,073)			(33,268)
Infrastructure Asset-Roads	(56,426)	(27,068)			(83,494)
Infrastructure Asset-Networks and subsystems	(95,077)	(60,427)			(155,504)
Total accumulated depreciation	<u>\$ (56,111,911)</u>	<u>\$ (6,140,648)</u>	<u>\$ -</u>	<u>\$ 251,794</u>	<u>\$ (62,000,765)</u>
Total capital assets, being depreciated, net	<u>\$ 152,173,543</u>	<u>\$ (1,346,099)</u>	<u>\$ 122,117</u>	<u>\$ -</u>	<u>\$ 150,949,561</u>
Governmental Activities Capital Assets, Net	<u>\$ 164,792,376</u>	<u>\$ (1,346,099)</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 163,446,278</u>
<b>Business-type Activities:</b>					
Capital Assets, being depreciated:					
Furniture and Equipment	\$ 301,981	\$ 5,630	\$ -	\$ -	\$ 307,611
Total capital assets, being depreciated	<u>\$ 301,981</u>	<u>\$ 5,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 307,611</u>
Less accumulated depreciation for:					
Furniture and Equipment	\$ (77,734)	\$ (21,800)	\$ -	\$ -	\$ (99,534)
Total accumulated depreciation	<u>\$ (77,734)</u>	<u>\$ (21,800)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (99,534)</u>
Total capital assets, being depreciated, net	<u>224,247</u>	<u>(16,170)</u>	<u>-</u>	<u>-</u>	<u>208,077</u>
Business-type Activities Capital Assets, Net	<u>\$ 224,247</u>	<u>\$ (16,170)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,077</u>

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**NOTE 7: CAPITAL ASSETS (Continued)**

Depreciation was charged to functions as follows:

Instruction	\$ 3,456,411
Instructional resources and media services	49,528
Staff development	5,542
Instructional leadership	1,952
School leadership	57,750
Student transportation	520,645
Food services	127,711
Co-curricular/extracurricular activities	346,017
General administration	50,900
Plant maintenance and operations	66,496
Security and monitoring services	12,924
Data processing services	42,537
Facilities acquisition & construction	1,402,235
Total depreciation expenses - governmental activities	\$ 6,140,648

**Business-type Activities:**

Instruction	\$ 21,800
Total depreciation expenses - Business-type activities	\$ 21,800

**NOTE 8: INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of August 31, 2017 is as follows:

Due to	Due from
General fund	General fund
\$ 607,629	\$ 347,122
Capital projects fund	Capital projects fund
347,122	607,629
Total	Total
\$ 954,751	\$ 954,751

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

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**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 year ended August 31, 2017 were as follows:

Funds:	Transfers in	Transfers out
General fund	\$ 8,308,533	\$ 9,312,733
Debt service fund	1,030,000	-
Enterprise fund	4,200	30,000
Total	\$ 9,342,733	\$ 9,342,733

The transfer in to the general fund from the enterprise fund was for the purpose of funding elementary playground projects. The general fund also transferred funds to the debt service fund to the athletic and music 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 August 31, 2017, the governmental funds reported deferred inflows of resources for unavailable property taxes in the amount of \$865,791 and unavailable School Health and Related Services (SHARS) revenues in the amount of \$811,354.

Deferred outflows of resources reported at the government-wide financial statement level included deferred charges on refunding of bonds and deferred outflows related to pensions. As of August 31, 2017, the amount of deferred charges on refunding of bonds reported as deferred outflows of resources was \$3,158,636, net of cumulative amortization of \$143,004. Deferred outflows of resources and deferred inflows of resources related to pensions is \$9,928,890 and \$1,160,527, respectively.

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**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 August 31, 2017.

General obligation and capital appreciation bonds payable at August 31, 2017 are summarized as follows:

Date of issue	Original issue	Final maturity	Interest rate	Outstanding balance
2010	\$ 9,985,000	2040	2.0-4.0%	\$ 8,495,000
2011 Ref	8,819,999	2033	2.0-4.0%	8,379,999
2012	51,185,000	2041	2.0%-7.0%	38,565,000
2012 Ref	7,790,000	2031	2.0% -4.0%	5,455,000
2013 Ref	3,990,000	2022	2.0% -4.0%	2,585,000
2014 Ref	6,180,000	2030	2.0% -4.0%	5,395,000
2015 Ref	29,745,000	2036	2.0%-5.0%	28,405,000
2017 Ref	8,040,000	2034	2.0% -4.5%	7,930,000
<b>Total</b>	<b>\$ 125,734,999</b>			<b>\$ 105,209,999</b>



**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**NOTE 10: LONG TERM OBLIGATIONS (Continued)**

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

Year ending August 31,	Principal	Interest	Total
2018	\$ 3,875,000	\$ 4,373,200	\$ 8,248,200
2019	3,334,999	4,896,664	8,231,663
2020	4,085,000	4,162,313	8,247,313
2021	4,210,000	4,028,888	8,238,888
2022	4,380,000	3,867,925	8,247,925
2023-2027	21,975,000	16,554,669	38,529,669
2028-2032	26,260,000	11,207,000	37,467,000
2033-2037	23,665,000	5,453,236	29,118,236
2038-2041	13,425,000	1,082,350	14,507,350
<b>Total</b>	<b>\$ 105,209,999</b>	<b>\$ 55,626,245</b>	<b>\$ 160,836,244</b>

**B. Tax Notes**

Tax notes outstanding at August 31, 2017 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%	\$ 255,000
Series 2013 Maintenance Tax Note, authorized by Education Code Section 45.108, for the construction of a new Aquatic Center February 15, 2014 through February 15, 2028; interest at 2.720%	<u>2,720,000</u>
	<u><u>\$2,975,000</u></u>

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**NOTE 10: LONG TERM OBLIGATIONS (Continued)**

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

Year ending August 31,	Principal	Interest	Total
2018	\$ 340,000	\$ 77,894	\$ 417,894
2019	350,000	67,452	417,452
2020	225,000	59,092	284,092
2021	235,000	52,836	287,836
2022	240,000	46,376	286,376
2023-2027	1,305,000	128,860	1,433,860
2028	280,000	3,808	283,808
<b>Total</b>	<b>\$ 2,975,000</b>	<b>\$ 436,318</b>	<b>\$ 3,411,318</b>

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 and Current Refunding in the Current Year**

The District issued \$8,040,000 with interest rates of 2% to 4.5%. The current interest serial bonds mature in the years 2017 through 2034 in installments ranging from \$110,000 to \$2,180,000. The refunding bonds were due in varying installments of \$1,880,000 to \$2,270,000 with a final payment in 2034. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all debt service payments on the refunded Unlimited Tax Refunding Bonds Series 2012. Issuance costs were paid out of bonds proceeds. The refunding was undertaken to reduce total debt service payments by \$1,170,659 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$951,610.

As a result, the refunded bonds are considered to be defeased and the liability for the bonds had been removed from the District's books. At August 31, 2017, the amount of defeased debt outstanding was \$8,210,000.

**Sharyland Independent School District  
Notes to the Financial Statements  
August 31, 2017**

**NOTE 10: LONG TERM OBLIGATIONS (Continued)**

Long-term debt liabilities activity for the governmental activities for the year ended August 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$109,259,999	\$ 8,040,000	\$ 12,090,000	\$105,209,999	\$ 3,875,000
Unamortized Bond Premium	9,233,702	1,444,883	554,890	10,123,695	-
Accretion On Bonds	638,206	18,324	-	656,530	-
Capital Lease Payable	51,718	-	22,785	28,933	24,421
Tax Note	3,722,000	-	747,000	2,975,000	340,000
<b>Total Long-Term Liabilities</b>	<b>\$122,905,625</b>	<b>\$ 9,503,207</b>	<b>\$ 13,414,675</b>	<b>\$118,994,157</b>	<b>\$ 4,239,421</b>

**D. Employee Longevity Pay**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Employee Longevity Pay	\$ 3,001,683	\$ -	\$ 264,500	\$ 2,737,183	\$ 241,500
<b>Total Employee Longevity Pay</b>	<b>\$ 3,001,683</b>	<b>\$ -</b>	<b>\$ 264,500</b>	<b>\$ 2,737,183</b>	<b>\$ 241,500</b>

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

Debt long-term obligation	\$ 118,994,157
Employee Longevity Pay	2,737,183
<b>Total</b>	<b>\$ 121,731,340</b>
Noncurrent Liabilities:	
Due within one year	\$ 4,483,028
Due in more than one year	117,248,312
<b>Total Exhibit A-1</b>	<b>\$ 121,731,340</b>

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**NOTE 11: GENERAL FUND FEDERAL SOURCE REVENUES**

Programs or source	Number	Amount
School Health & Relation Services		\$ 1,350,824
R.O.T.C.	12.U01	73,068
Indirect Costs:		
Title I Grants to Local Educational Agencies	84.010	57,529
Migrant Education State Grant Program	84.011	3,291
Special Education Grants to States (IDEA B Formula)	84.027	30,000
Special Education Preschool Grants	84.173	300
Career and Technical Education - Basic Grants to State	84.048	2,938
Supporting Effective Instruction State Grants (TPTR)	84.367	5,051
English Language Acquisition State Grant	84.365	5,466
Fund for the Improvement of Education	84.215	4,352
<b>Total</b>		<b>\$ 1,532,819</b>

**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 \$288,427,612 for property insurance. Such insurance is consistent with the prior year, and at August 31, 2017 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.

**Sharyland Independent School District  
Notes to the Financial Statements  
August 31, 2017**

**NOTE 12: RISK MANAGEMENT (Continued)**

Transactions related to the plan are accounted for in the internal service fund of the District. The District was protected against unanticipated, catastrophic individual or aggregate loss by stop-loss coverage carried through American Fidelity for the period of May 1, 2016 through December 31, 2016 and for the period of January 1, 2017 through December 31, 2017. Stop-loss coverage will be in effect for annual individual claims exceeding \$100,000 annual aggregate losses exceeding approximately \$6,669,582 for both contract years.

The following is summary of the changes in the balance of claims liabilities for health care for the year ended August 31, 2017.

Liability, beginning of year	\$ (280,677)
Claims incurred during the period	4,868,540
Payments on claims	(4,861,317)
Liability, end of year	\$ (273,454)

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

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

The amount of subsidy reimbursement received by TRS on behalf of the District for the period ending August 31, 2017, 2016 and 2015, were estimated at \$203,258, \$250,577, and \$267,970, 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 year ended August 31, 2017 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

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**NOTE 13: CONTINGENT LIABILITIES (*Continued*)**

expenditures that may be disallowed by the grantor agency cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

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

**NOTE 14: SHARED SERVICE ARRANGEMENT**

The District is a member district of various Shared Service Arrangements ("SSA") that improves educational needs of the member districts. The fiscal agent is Sharyland ISD which also provides services to other school districts within the Region One service area. The fiscal agent receives the program fund from the granting agent and retains a portion of the monies for the administrative services provided by the fiscal agent for the shared arrangement.

The fiscal agent records the receipt of the monies and the related disbursement activity in the appropriate shared services arrangement special revenue fund. The member districts record all of the activity in the appropriate special revenue fund. The fiscal agent files the necessary federal reports. According to the guidance provided in TEA's FASRG, the District has accounted for the activities in accordance with Model 1 in the SSA section of the Resource Guide.

**NOTE 15: PENSION PLAN OBLIGATIONS**

**A. Plan Description**

The Sharyland Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. 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.

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
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**NOTE 15: PENSION PLAN OBLIGATIONS (Continued)**

**B. Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and

required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**C. Benefits Provided**

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used.

The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit.

There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

**D. Contributions**

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

**Sharyland Independent School District  
Notes to the Financial Statements  
August 31, 2017**

**NOTE 15: PENSION PLAN OBLIGATIONS (Continued)**

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contributions rates for fiscal year.

	<u>Contribution Rates</u>	
	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2017 Employer Contributions	\$ 1,764,337	
2017 Member Contributions	\$ 4,598,068	
2016 NECE On-behalf Contributions	\$ 3,063,274	

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:



**Sharyland Independent School District  
Notes to the Financial Statements  
August 31, 2017**

**NOTE 15: PENSION PLAN OBLIGATIONS (Continued)**

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

**E. Actuarial Assumptions**

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
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

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**NOTE 15: PENSION PLAN OBLIGATIONS (Continued)**

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

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

	Target allocation	Long-term expended geometric real rate of return	Long-term expected portfolio real rate of return*
<b>Global equity</b>			
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%
<b>Stable value</b>			
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%
<b>Real return</b>			
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%
<b>Risk parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

\* 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 the Financial Statements**  
**August 31, 2017**

**NOTE 15: PENSION PLAN OBLIGATION (Continued)**

**G. Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 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	\$ 31,158,789	\$ 20,132,798	\$ 10,780,529

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

At August 31, 2017, the District reported a liability of \$ 20,132,798 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	\$ 20,132,798
State's proportionate share that is associated with District	36,360,594
Total	\$ 56,493,392

The net pension liability was measured as of August 31, 2016 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, 2015 through August 31, 2016.

At August 31, 2016, the measurement date, the employer's proportion of the collective net pension liability was 0.0532776% which was a decrease of 0.0020651% from its proportion measured as of August 31, 2015.

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**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 year ended August 31, 2017, the District recognized pension expense of \$3,773,363 and revenue of \$3,773,363 for support provided by the state.

At August 31, 2017, 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	\$ 315,678	\$ 601,154
Changes in actuarial assumptions	613,612	558,054
Difference between projected and actual investment earnings	1,704,804	-
Changes in proportion and difference between the employer's Contributions and the proportionate share of contributions	5,530,459	1,319
<u>Total as of August 31, 2016 measurement date</u>	<u>\$ 8,164,553</u>	<u>\$ 1,160,527</u>
Contributions paid to TRS subsequent to the measurement date	1,764,337	-
<u>Total</u>	<u>\$ 9,928,890</u>	<u>\$ 1,160,527</u>

\$1,764,337 of contributions paid to TRS subsequent to the measurement date are classified as deferred outflows of resources and will reduce pension liability in the next fiscal year. The remaining deferred inflows of resources and deferred outflows of resources related to pensions noted above will be amortized and recognized in pension expense in the government-wide financial statements as follows:

<u>Year ended August 31,</u>	<u>Pension expense amount</u>
2018	\$1,272,986
2019	1,272,986
2020	2,360,393
2021	1,189,428
2022	829,849
Thereafter	78,384

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**NOTE 16: RETIREE HEALTH CARE PLAN**

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

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

The State of Texas and active public school employee contribution rates were 1% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$597,336, \$587,531, and \$563,281, respectively, the active member contributions were \$388,268, \$381,895, and \$366,133, respectively, and the District's contributions were \$328,535, \$323,142, and \$309,805 respectively, which equaled the required contributions each year.

**NOTE 17: CONSTRUCTION COMMITMENTS**

At August 31, 2017, 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
Total	\$ 41,101,671	\$ 40,662,424	\$ 90,804	\$ 348,443

**Sharyland Independent School District**  
**Notes to the Financial Statements**  
**August 31, 2017**

**NOTE 18: OPERATING LEASE COMMITMENTS**

Rental expenditures during the year totaled \$352,157 for governmental activities. The District has operating leases for computer and office equipment. Commitments under lease agreements as of August 31, 2017 provide for future minimum lease obligations as follows:

Year Ending June 30,	Governmental Activities
2018	\$ 166,689
2019	15,159
2020	7,452
<b>Total</b>	<b>\$ 189,300</b>

**NOTE 19: CONTINGENT LIABILITIES**

- A. The District participates in a number of state and federally assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District’s compliance with applicable grant requirements will be finally determined at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.
- B. The District is independently self-insured for health and dental and worker’s compensation insurance. Claims paid are reported in the Internal Service Fund. Claims incurred but not reported have been considered in determining the accrual for claims and the District management believes adequate accruals have been provided at August 31, 2017.
- C. The District participates in a public entity risk pool for various governmental functions. The District believes any adjustments to premiums for claims would be immaterial.
- D. The District is involved in various legal proceedings arising from its operations. Management in consultation with its attorneys believes the outcomes will have no material effect on the District’s financial position.

**NOTE 20: SUBSEQUENT EVENTS**

Effective September 1, 2017, the District will be changing to a June 30 year end.

At the Board Meeting on January 22, 2018, the Board approved the issuance of \$1,855,000 of Maintenance Tax Notes, Series 2018, to be amortized over 15 years.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**



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SHARYLAND ISD  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 36,464,590	\$ 37,190,971	\$ 37,013,566	\$ (177,405)
5800	State Program Revenues	50,748,858	50,748,858	49,541,908	(1,206,950)
5900	Federal Program Revenues	932,256	1,452,256	1,532,819	80,563
5020	Total Revenues	88,145,704	89,392,085	88,088,293	(1,303,792)
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	47,914,127	48,520,662	46,928,941	1,591,721
0012	Instructional Resources and Media Services	1,127,279	1,120,671	1,104,516	16,155
0013	Curriculum and Instructional Staff Development	727,284	884,324	813,024	71,300
0021	Instructional Leadership	2,130,131	2,196,179	2,101,696	94,483
0023	School Leadership	5,058,023	5,176,228	4,935,928	240,300
0031	Guidance, Counseling and Evaluation Services	3,095,171	3,241,790	3,165,187	76,603
0032	Social Work Services	38,536	41,511	38,637	2,874
0033	Health Services	650,940	653,327	645,651	7,676
0034	Student (Pupil) Transportation	2,977,986	3,295,842	3,172,074	123,768
0035	Food Services	-	64,750	63,136	1,614
0036	Extracurricular Activities	6,641,138	6,832,218	6,415,006	417,212
0041	General Administration	2,908,164	2,764,183	2,603,440	160,743
0051	Facilities Maintenance and Operations	9,401,435	9,633,784	9,155,377	478,407
0052	Security and Monitoring Services	974,000	991,667	967,172	24,495
0053	Data Processing Services	799,558	1,333,593	1,231,008	102,585
0061	Community Services	2,825	5,818	4,830	988
Debt Service:					
0071	Principal on Long Term Debt	864,260	769,890	769,785	105
0072	Interest on Long Term Debt	-	93,370	93,716	(346)
0073	Bond Issuance Cost and Fees	-	1,000	150	850
Capital Outlay:					
0081	Facilities Acquisition and Construction	1,124,188	3,630,621	3,162,546	468,075
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	40,000	40,000	11,285	28,715
0099	Other Intergovernmental Charges	456,000	461,000	457,873	3,127
6030	Total Expenditures	86,931,045	91,752,428	87,840,978	3,911,450
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,214,659	(2,360,343)	247,315	2,607,658
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of Real and Personal Property	-	2,500	30,468	27,968
7915	Transfers In	5,318,017	8,735,479	8,308,533	(426,946)
8911	Transfers Out (Use)	(6,532,676)	(9,920,138)	(9,312,733)	607,405
7080	Total Other Financing Sources (Uses)	(1,214,659)	(1,182,159)	(973,732)	208,427
1200	Net Change in Fund Balances	-	(3,542,502)	(726,417)	2,816,085
0100	Fund Balance - September 1 (Beginning)	25,404,373	25,404,373	25,404,373	-
3000	Fund Balance - August 31 (Ending)	\$ 25,404,373	\$ 21,861,871	\$ 24,677,956	\$ 2,816,085

SHARYLAND ISD  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2017

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.0532776%	0.0553427%	0.0283796%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 20,132,798	\$ 19,562,908	\$ 7,580,584
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	36,360,594	34,659,893	30,726,532
Total	<u>\$ 56,493,392</u>	<u>\$ 54,222,801</u>	<u>\$ 38,307,116</u>
District's Covered-Employee Payroll	\$ 58,753,125	\$ 56,328,129	\$ 52,936,190
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	34.27%	34.73%	14.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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, 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 three years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

SHARYLAND ISD  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR FISCAL YEAR 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,764,337	\$ 1,692,763	\$ 1,638,730
Contribution in Relation to the Contractually Required Contribution	(1,764,337)	(1,692,763)	(1,638,730)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 59,733,574	\$ 58,753,125	\$ 56,328,129
Contributions as a Percentage of Covered-Employee Payroll	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 for the respective fiscal years.

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

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### **A. Budgets**

The official school original budget was prepared for adoption for required Governmental Fund Types by August 23, 2016. The budget was formally adopted by the Board of School Trustees at a duly advertised public meeting prior to the expenditure of funds. The Board also approved amendments throughout the year and the final amended budget by August 31. Expenditures may not legally exceed budgeted appropriations at the function level. Annual budgets were adopted for the General Fund and the Debt Service Fund on a basis consistent with generally accepted accounting principles. The Debt Service Fund budget comparison schedule is presented in the Other Supplementary Information section of the financial statements.

### **B. Encumbrances**

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

### **C. Pension**

**Changes of benefit terms** – There were no changes of benefit terms that affected measurement of the total pension liability reported in 2017 through 2015.

**Changes of Assumptions** – There were no changes to the actuarial assumptions or other inputs that affected amounts reported in 2017 and 2015. Amounts reported in 2016 reflect the following changes to assumptions:

#### **Economic Assumptions**

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

#### **Mortality Assumptions**

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

### Other Demographic Assumptions

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

### Actuarial Methods and Policies

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



**OTHER INFORMATION**



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SHARYLAND ISD  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
2009	1.040000	0.145000	2,190,032,687
2010	1.040000	0.160000	2,369,979,571
2011	1.040000	0.160000	2,465,389,109
2012	1.040000	0.160000	2,498,024,884
2013	1.040000	0.245500	2,571,598,518
2014	1.170000	0.115500	2,709,775,536
2015	1.170000	0.165500	2,711,846,739
2016	1.170000	0.165500	2,899,657,284
2017 (School year under audit)	1.170000	0.205500	3,095,956,202
1000 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$ 383,390	\$ -	\$ 7,562	\$ 868	\$ (1,177)	\$ 373,783
84,256	-	(30,821)	(4,297)	(37,442)	81,932
158,257	-	(18,146)	(2,792)	(23,985)	155,210
174,395	-	(19,479)	(2,997)	(31,627)	165,244
96,847	-	13,066	2,010	5,191	86,962
140,524	-	24,522	5,789	7,707	117,920
233,724	-	92,227	9,104	25,363	157,756
511,877	-	221,211	31,291	24,693	284,068
1,181,702	-	534,964	75,672	(65,730)	505,336
-	41,769,062	34,207,382	6,008,220	(270,660)	1,282,800
<u>\$ 2,964,972</u>	<u>\$ 41,769,062</u>	<u>\$ 35,032,488</u>	<u>\$ 6,122,868</u>	<u>\$ (367,667)</u>	<u>\$ 3,211,011</u>

SHARYLAND ISD  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2017

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	\$ 1,225,500	\$ 1,325,500	\$ 1,269,686	\$ (55,814)
5800	State Program Revenues	32,000	32,000	30,203	(1,797)
5900	Federal Program Revenues	5,036,267	5,036,267	4,623,035	(413,232)
5020	Total Revenues	6,293,767	6,393,767	5,922,924	(470,843)
EXPENDITURES:					
0035	Food Services	6,085,567	6,140,567	5,919,205	221,362
0051	Facilities Maintenance and Operations	206,000	249,500	235,829	13,671
0052	Security and Monitoring Services	2,200	3,700	2,681	1,019
6030	Total Expenditures	6,293,767	6,393,767	6,157,715	236,052
1200	Net Change in Fund Balances	-	-	(234,791)	(234,791)
0100	Fund Balance - September 1 (Beginning)	162,017	162,017	162,017	-
3000	Fund Balance - August 31 (Ending)	\$ 162,017	\$ 162,017	\$ (72,774)	\$ (234,791)

SHARYLAND ISD  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 6,220,806	\$ 6,220,806	\$ 6,241,889	\$ 21,083
5800	State Program Revenues	884,330	893,944	1,074,069	180,125
5020	Total Revenues	7,105,136	7,114,750	7,315,958	201,208
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	3,775,000	3,880,000	3,879,999	1
0072	Interest on Long Term Debt	4,544,795	4,434,795	4,431,872	2,923
0073	Bond Issuance Cost and Fees	5,000	155,000	132,566	22,434
6030	Total Expenditures	8,324,795	8,469,795	8,444,437	25,358
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,219,659)	(1,355,045)	(1,128,479)	226,566
<b>OTHER FINANCING SOURCES (USES):</b>					
7901	Refunding Bonds Issued	8,040,000	8,040,000	8,040,000	-
7915	Transfers In	1,214,659	1,214,659	1,030,000	(184,659)
7916	Premium or Discount on Issuance of Bonds	1,383,355	1,383,355	1,383,354	(1)
8940	Payment to Bond Refunding Escrow Agent (Use)	(9,282,969)	(9,282,969)	(9,282,969)	-
7080	Total Other Financing Sources (Uses)	1,355,045	1,355,045	1,170,385	(184,660)
1200	Net Change in Fund Balances	135,386	-	41,906	41,906
0100	Fund Balance - September 1 (Beginning)	498,075	498,075	498,075	-
3000	Fund Balance - August 31 (Ending)	\$ 633,461	\$ 498,075	\$ 539,981	\$ 41,906

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



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

To the Board of Trustees  
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, each major fund, and the aggregate remaining fund information of the Sharyland Independent School District (the "District") as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 25, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.

*Carly Riggs & Ingram, L.L.C.*

McAllen, Texas  
January 25, 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 year ended August 31, 2017. 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, the Sharyland Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

## Report on Internal Control over Compliance

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

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

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

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

*Caru, Riggs & Ingram, L.L.C.*

McAllen, Texas  
January 25, 2018

**Sharyland Independent School District  
Schedule of Findings and Questioned Costs  
For the Year Ended August 31, 2017**

**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes     X  no

*Federal Awards*

**Internal control over major programs:**

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

reported

Any audit findings disclosed that are required to be reported in accordance with 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
84.010	Title I Grants to Local Educational Agencies
84.215	Fund for the Improvement of Education
10.558	Child and Adult Care Food Program

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  
Corrective Action Plan  
For the Year Ended August 31, 2017**

**Section II – Financial Statement Findings**

None noted that were required to be reported.

**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  
For the Year Ended August 31, 2017**

**Section II – Financial Statement Findings**

None noted that were required to be reported.

**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  
Status of Prior Year Findings  
For the Year Ended August 31, 2017**

**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 YEAR ENDED AUGUST 31, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	00573	\$ 726,837
*National School Lunch Program - Cash Assistance	10.555	00573	2,691,498
*National School Lunch Prog. - Non-Cash Assistance	10.555	00573	162,917
Total CFDA Number 10.555			2,854,415
Total Child Nutrition Cluster			3,581,252
Child & Adult Care Food Program - Cash Assistance	10.558	00573	1,041,783
Total Passed Through the State Department of Agriculture			4,623,035
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			4,623,035
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<u>Direct Programs</u>			
Junior Reserve Officer Training Corps	12.U01	108-911	73,068
Total Direct Programs			73,068
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			73,068
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Direct Programs</u>			
Fund for the Improvement of Education	84.215	S215E150023	239,757
Fund for the Improvement of Education	84.215	S215E150023	105,577
Total CFDA Number 84.215			345,334
Total Direct Programs			345,334
<u>Passed Through State Department of Education</u>			
Title I Grants to Local Educational Agencies	84.010	17610101108911	2,090,594
Title I Grants to Local Educational Agencies	84.010	18610101108911	33,021
Total CFDA Number 84.010			2,123,615
Migrant Education State Grant Program	84.011	17615001108911	189,299
Migrant Education State Grant Program	84.011	18615001108911	9,230
Total CFDA Number 84.011			198,529
*Special Education Grants to States	84.027	176600011089116600	1,230,405
*Special Education Grants to States	84.027	186600011089116600	172,903
Total CFDA Number 84.027			1,403,308
*Special Education Preschool Grants	84.173	176610011089116610	13,938
Total Special Education Cluster (IDEA)			1,417,246
Career & Technical Education-Basic Grants to State	84.048	17420006108911	128,754
Career & Technical Education-Basic Grants to State	84.048	18420006108911	5,403
Total CFDA Number 84.048			134,157
English Language Acquisition State Grants	84.365	17671001108911	242,179
English Language Acquisition State Grants	84.365	18671001108911	13,829
Total CFDA Number 84.365			256,008
Supporting Effective Instruction State Grants	84.367	17694501108911	176,231
Supporting Effective Instruction State Grants	84.367	18694501108911	8,036
Total CFDA Number 84.367			184,267
Grants for State Assessments & Related Activities	84.369	69551602	11,584

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

SHARYLAND ISD  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Total Passed Through State Department of Education			4,325,406
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>4,670,740</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 9,366,843</b>

\*Clustered Programs

**Sharyland Independent School District  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2017**

**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	\$	9,366,844
SHARS		1,350,822
Exhibit C-3	\$	10,717,666

**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 for the Child Nutrition Program.

**Note 3 – Sub-Recipients**

During the year ended August 31, 2017, the Sharyland Independent School District had no pass-through to sub-recipients.

**Note 4 – Federal Loans and Loan Guarantees**

During the year ended August 31, 2017, the Sharyland Independent School District had no outstanding federal loans payable or loan guarantees.

**Note 5 – Federally Funded Insurance**

During the year ended August 31, 2017, the Sharyland Independent School District had no federally funded insurance.

**Note 6 – Noncash Awards**

During the year ended August 31, 2017, the Sharyland Independent School District did not have any federal awards in the form noncash assistance.