

**SHARYLAND INDEPENDENT
SCHOOL DISTRICT**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019



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RIGGS &
INGRAM

CPAs and Advisors

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For the Year Ended June 30, 2019**

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INTRODUCTORY SECTION

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**Sharyland Independent School District
Principal Officials
June 30, 2019**

Board of Trustees

President	Jose "Pepe" Garcia
Vice President	Keith A. Padilla
Secretary	Julio Cerda
Assistant Secretary	Hector M. Rivera
Member	Ricky Longoria, C.P.A.
Member	Dr. Noe Oliveira
Member	Melissa M. Smith

Administration

Superintendent	Dr. Maria Vidaurri
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Sharyland Independent School District
Certificate of the Board
For the Year Ended June 30, 2019

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 June 30, 2019 at the meeting of the Board of Trustees of such school district on the 18th day of November , 2019.



President, Board of Trustees



Secretary, Board of Trustees



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 June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sharyland Independent School District as of June 30, 2019, 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 Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual – General Fund, Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas, Schedule of District's Contributions - Teacher Retirement System of Texas, Schedule of the District's Proportionate Share of the Net OPEB Liability- Teacher Retirement System of Texas, Schedule of District's Contributions for Other Postemployment Benefits (OPEB)- Teacher Retirement System of Texas and the related notes to required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of delinquent taxes receivable and debt service fund-budgetary comparison schedules identified in the Table of Contents as Exhibits J-1 and J-4 are presented for purposes of additional analysis as required by the Texas Education Agency, and are also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and exhibits J-1 and J-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 and J-4 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and exhibit J-3 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Cary Riggs & Ingram, L.L.C.

McAllen, TX
November 8, 2019

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FINANCIAL SECTION

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Sharyland Independent School District Management's Discussion and Analysis

As management of the Sharyland Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2019. 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 \$22,718,340 (*net position*).
- As of the close of the current fiscal year, The District's governmental funds reported combined ending fund balances of \$30,833,968. Approximately 92 percent of this total amount, \$28,506,424 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 \$28,521,835 or 30 percent of the total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

The District has one *business-type activity* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 13-15 of this report.

Sharyland Independent School District Management's Discussion and Analysis

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 16-19 of this report.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the government-wide definition, the District has one *business-type activity* or *enterprise fund*. The second type of proprietary fund is the *internal service fund*.

Sharyland Independent School District Management's Discussion and Analysis

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 20-22 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 23-24.

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 25-66 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 67-75 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 \$22,718,340 as of June 30, 2019 and by \$25,739,185 as of June 30, 2018.

	The District's Net Position					
	Governmental Activities		Business- Activities		Total	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 46,036,469	\$ 48,011,953	\$ 81,597	\$ 88,478	\$ 46,118,066	\$ 48,100,431
Noncurrent assets	161,265,035	162,460,302	168,471	189,440	161,433,506	162,649,742
Total Assets	<u>207,301,504</u>	<u>210,472,255</u>	<u>250,068</u>	<u>277,918</u>	<u>207,551,572</u>	<u>210,750,173</u>
Current liabilities	12,606,170	12,738,953	-	1	12,606,170	12,738,954
Long-term liabilities:	183,712,846	167,172,484	-	-	183,712,846	167,172,484
Total Liabilities	<u>196,319,016</u>	<u>179,911,437</u>	<u>-</u>	<u>1</u>	<u>196,319,016</u>	<u>179,911,438</u>
Net Position:						
Invested in capital assets	52,076,157	51,226,745	168,471	208,076	52,244,628	51,434,821
Restricted	368,313	1,856,200	-	-	368,313	1,856,200
Unrestricted	<u>(29,976,198)</u>	<u>(27,621,677)</u>	<u>81,597</u>	<u>69,841</u>	<u>(29,894,601)</u>	<u>(27,551,836)</u>
Total Net Position	<u>\$ 22,468,272</u>	<u>\$ 25,461,268</u>	<u>\$ 250,068</u>	<u>\$ 277,917</u>	<u>\$ 22,718,340</u>	<u>\$ 25,739,185</u>

Sharyland Independent School District Management's Discussion and Analysis

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 \$52,485,824 as of June 30, 2019 and \$51,434,821 as of June 30, 2018. 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. After taking into consideration the net pension liability for pension and OPEB, the unrestricted net position would be \$16,351,787 which may be used to meet the District's ongoing obligations.

Governmental activities. The District's total net position decreased by \$2,992,996 in 2019 and decreased by \$37,724,782 in 2018. The total cost of all *governmental activities* these years was \$118,379,782 in 2019 and \$71,811,483 in 2018. The amount that our taxpayers paid for these activities through property taxes was \$44,133,717 or 37% in 2019 and \$42,575,312 or 59% in 2018.

Business activities. The District's total net position decreased \$27,849 in 2019 and decreased \$2,286 in 2018. The total cost of all *business activities* these years was \$279,199 in 2019 and \$248,588 in 2018.

Sharyland Independent School District Management's Discussion and Analysis

Table A-3 represents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the charges for services and operating grants and contributions). The net cost reflects the financial burden that was placed on the District's taxpayers for each of these functions. Refer to Note 15 for effects on the Statement of Activities as a result of GASB 75.

	Changes in the District's Net Position					
	Governmental Activities		Business Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program revenues						
Charges for services	\$ 2,302,245	\$ 1,950,028	\$ 251,350	\$ 246,302	\$ 2,553,595	\$ 2,196,330
Op.grants and contributions	16,693,954	(3,458,736)	-	-	16,693,954	(3,458,736)
General revenues						
Property Taxes	44,133,717	42,575,312	-	-	44,133,717	42,575,312
State grants	51,520,101	47,706,988	-	-	51,520,101	47,706,988
Investment Earnings	318,499	234,941	-	-	318,499	234,941
Other	418,270	45,680	-	-	418,270	45,680
Transfers in (out), net	-	-	-	-	-	-
Total Revenues	115,386,786	89,054,213	251,350	246,302	115,638,136	89,300,515
EXPENSES						
Instruction	61,723,511	35,955,039	-	-	61,723,511	35,955,039
Instr.Resources & Media Svcs.	1,316,584	787,378	-	-	1,316,584	787,378
Curriculum and Staff Dev.	1,342,384	765,325	-	-	1,342,384	765,325
Instructional Leadership	2,540,418	1,246,094	-	-	2,540,418	1,246,094
School Leadership	5,968,324	3,059,348	-	-	5,968,324	3,059,348
Guidance, Counseling & Eval.Svcs.	4,818,372	2,860,899	-	-	4,818,372	2,860,899
Social Work Services	44,029	60,012	-	-	44,029	60,012
Health Services	1,422,868	916,592	-	-	1,422,868	916,592
Student Transportation	4,035,319	2,130,436	-	-	4,035,319	2,130,436
Food Services	6,104,948	4,525,593	-	-	6,104,948	4,525,593
Extracurricular Activities	7,633,768	5,377,880	-	-	7,633,768	5,377,880
General Administration	3,380,757	1,780,914	-	-	3,380,757	1,780,914
Plant Maintenance and Operations	10,515,206	6,970,707	-	-	10,515,206	6,970,707
Security and Monitoring Services	1,161,384	962,041	-	-	1,161,384	962,041
Data Processing Services	924,364	507,502	-	-	924,364	507,502
Community Services	323,224	117,464	279,199	248,588	602,423	366,052
Debt Service-Interest on Long Term Debt	4,630,213	3,242,738	-	-	4,630,213	3,242,738
Debt Service-Bond Issuance Cost and Fees	8,750	69,250	-	-	8,750	69,250
Capital Outlay	-	-	-	-	-	-
Payments to JJAEP	12,000	12,000	-	-	12,000	12,000
Other Governmental Charges	473,359	464,271	-	-	473,359	464,271
Total Expenses	118,379,782	71,811,483	279,199	248,588	118,658,981	72,060,071
Total Increase in Net Position	(2,992,996)	17,242,730	(27,849)	(2,286)	(3,020,845)	17,240,444
Beginning, Net Position	25,461,268	63,186,050	277,917	280,203	25,739,185	63,466,253
Transfers In (Out)	-	-	-	-	-	-
Prior period adjustments	-	(54,967,512)	-	-	-	(54,967,512)
Ending, Net Position	\$ 22,468,272	\$ 25,461,268	\$ 250,068	\$ 277,917	\$ 22,718,340	\$ 25,739,185

Sharyland Independent School District Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$30,833,968 a decrease of \$1,946,379. Approximately 92 percent of this total amount (\$28,506,424) constitutes *unassigned fund balance*. The remainder of fund balance is *restricted* or *committed* to indicate that it is not available for new spending because it has already been committed 1) for inventory (\$407,275) 2) to pay debt service (\$647,862), 3) for other miscellaneous restrictions and other committed (\$691,373), and 4) construction (\$581,034).

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 \$28,521,835 while the total fund balance was \$29,666,571. 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 30 percent of the total general fund expenditures, while total fund balance represents 31 percent of that same amount.

The fund balance of the District's general fund decreased by \$1,544,722 during the current fiscal period.

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

Unrestricted net position at June 30, 2019, amounted to \$81,597. During the year the funds had an increase in net position of \$11,756.

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's Discussion and Analysis

The District made the following amendments to increase budgeted revenue:

Revenues from Local and Intermediate	\$ 748,054
Sources State Program Revenues	-
Federal Program Revenues	-

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

Instructional and Instructional Related Services	\$ 1,018,708
Instructional and School Leadership	396,545
Support Services -Student (Pupil)	1,226,713
Administrative Support Services	87,986
Support Services - Non Student Based	380,452
Ancillary Services	3,462
Debt Services	2,000
Capital Outlay	2,346,360
Other	(26,500)

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$161,265,035 (net of accumulated depreciation), a decrease of .99% over prior year. This investment in capital assets includes land, buildings, etc. as listed below.

District's Capital Assets (net of depreciation)		
	2019	2018
Land	\$ 12,496,717	\$ 12,496,717
Buildings and improvements	137,703,421	137,936,448
Furniture and equipment	7,684,900	8,118,840
Capital Lease-Furniture and equipment	822,420	68,049
Infrastructure Assets-Roads	408,238	435,306
Infrastructure Assets-Networks and Subsystems	422,510	482,937
Construction in Progress	1,726,829	2,922,006
Total capital assets	\$ 161,265,035	\$ 162,460,303

Additional information on the District's capital assets can be found in Note 7 on page 42 of this report.

Sharyland Independent School District Management's Discussion and Analysis

Long-term debt. At the end of June 30, 2019, the District had total bonded debt outstanding of \$98,000,000 a net decrease of \$3,334,999 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 \$322,900,227, 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 45 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 2019 experienced modest 1% growth when compared to 2018.
- The District has estimated revenues and appropriated expenditures in the 2019-20. General Fund officially adopted budget of \$89,891,403.

Independent Audit

The Texas Education Code, as well as our District policy, requires an annual audit of the District's financial statements by independent certified public accountants selected by the Board of Trustees. In addition to meeting the requirements set forth in state statutes, the financial audit was designed to also meet the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The independent auditors' report on the basic financial statements, required supplementary information, and other schedules are included in the financial sections of this report.

Sharyland Independent School District Management's Discussion and Analysis

Awards

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

The "Superior Achievement" rating is the state's highest financial rating, demonstrating the quality of Sharyland ISD sound fiscal management.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Sharyland Independent School District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

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

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SHARYLAND ISD
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT A-1

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 19,019,275	\$ 81,597	\$ 19,100,872
1120 Current Investments	8,166,168	-	8,166,168
1225 Property Taxes Receivable, Net	1,203,010	-	1,203,010
1240 Due from Other Governments	16,924,057	-	16,924,057
1250 Accrued Interest	8,829	-	8,829
1290 Other Receivables, Net	291,115	-	291,115
1300 Inventories	407,275	-	407,275
1410 Prepayments	16,740	-	16,740
Capital Assets:			
1510 Land	12,496,717	-	12,496,717
1520 Buildings, Net	137,703,420	114,005	137,817,425
1530 Furniture and Equipment, Net	7,684,901	54,466	7,739,367
1550 Leased Property Under Capital Leases, Net	822,420	-	822,420
1580 Construction in Progress	1,726,829	-	1,726,829
1590 Infrastructure, Net	830,748	-	830,748
1000 Total Assets	<u>207,301,504</u>	<u>250,068</u>	<u>207,551,572</u>
DEFERRED OUTFLOWS OF RESOURCES			
1701 Deferred Charge for Refunding	2,823,607	-	2,823,607
1705 Deferred Outflow Related to TRS Pension	16,812,786	-	16,812,786
1706 Deferred Outflow Related to TRS OPEB	5,633,401	-	5,633,401
1700 Total Deferred Outflows of Resources	<u>25,269,794</u>	<u>-</u>	<u>25,269,794</u>
LIABILITIES			
2110 Accounts Payable	931,107	-	931,107
2140 Interest Payable	1,487,669	-	1,487,669
2150 Payroll Deductions and Withholdings	750,591	-	750,591
2160 Accrued Wages Payable	7,418,126	-	7,418,126
2200 Accrued Expenses	796,963	-	796,963
2300 Unearned Revenue	1,221,714	-	1,221,714
Noncurrent Liabilities:			
2501 Due Within One Year	4,735,000	-	4,735,000
2502 Due in More Than One Year	110,039,878	-	110,039,878
2540 Net Pension Liability (District's Share)	30,662,045	-	30,662,045
2545 Net OPEB Liability (District's Share)	38,275,923	-	38,275,923
2000 Total Liabilities	<u>196,319,016</u>	<u>-</u>	<u>196,319,016</u>
DEFERRED INFLOWS OF RESOURCES			
2605 Deferred Inflow Related to TRS Pension	1,680,241	-	1,680,241
2606 Deferred Inflow Related to TRS OPEB	12,103,769	-	12,103,769
2600 Total Deferred Inflows of Resources	<u>13,784,010</u>	<u>-</u>	<u>13,784,010</u>
NET POSITION			
3200 Net Investment in Capital Assets	52,076,157	168,471	52,244,628
3820 Restricted for Federal and State Programs	368,313	-	368,313
3900 Unrestricted	(29,976,198)	81,597	(29,894,601)
3000 Total Net Position	<u>\$ 22,468,272</u>	<u>\$ 250,068</u>	<u>\$ 22,718,340</u>

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

SHARYLAND ISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 61,723,511	\$ 460,998	\$ 6,760,008
12 Instructional Resources and Media Services	1,316,584	72,953	138,562
13 Curriculum and Instructional Staff Development	1,342,384	-	328,660
21 Instructional Leadership	2,540,418	4,053	322,067
23 School Leadership	5,968,324	174,276	635,363
31 Guidance, Counseling and Evaluation Services	4,818,372	18,641	1,404,276
32 Social Work Services	44,029	-	3,449
33 Health Services	1,422,868	-	85,370
34 Student (Pupil) Transportation	4,035,319	-	279,320
35 Food Services	6,104,948	1,134,362	5,106,527
36 Extracurricular Activities	7,633,768	432,909	167,490
41 General Administration	3,380,757	4,053	398,616
51 Facilities Maintenance and Operations	10,515,206	-	393,966
52 Security and Monitoring Services	1,161,384	-	-
53 Data Processing Services	924,364	-	236,275
61 Community Services	323,224	-	434,005
72 Debt Service - Interest on Long-Term Debt	4,630,213	-	-
73 Debt Service - Bond Issuance Cost and Fees	8,750	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	12,000	-	-
99 Other Intergovernmental Charges	473,359	-	-
[TG] Total Governmental Activities:	<u>118,379,782</u>	<u>2,302,245</u>	<u>16,693,954</u>
BUSINESS-TYPE ACTIVITIES:			
01 Enterprise Funds	<u>279,199</u>	<u>251,350</u>	<u>-</u>
[TB] Total Business-Type Activities:	<u>279,199</u>	<u>251,350</u>	<u>-</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 118,658,981</u>	<u>\$ 2,553,595</u>	<u>\$ 16,693,954</u>
Data Control Codes	General Revenues:		
MT	Taxes:		
DT	Property Taxes, Levied for General Purposes		
GC	Property Taxes, Levied for Debt Service		
IE	Grants and Contributions not Restricted		
MI	Investment Earnings		
TR	Miscellaneous Local and Intermediate Revenue		
	Total General Revenues		
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
\$ (54,502,505)	\$ -	\$ (54,502,505)
(1,105,069)	-	(1,105,069)
(1,013,724)	-	(1,013,724)
(2,214,298)	-	(2,214,298)
(5,158,685)	-	(5,158,685)
(3,395,455)	-	(3,395,455)
(40,580)	-	(40,580)
(1,337,498)	-	(1,337,498)
(3,755,999)	-	(3,755,999)
135,941	-	135,941
(7,033,369)	-	(7,033,369)
(2,978,088)	-	(2,978,088)
(10,121,240)	-	(10,121,240)
(1,161,384)	-	(1,161,384)
(688,089)	-	(688,089)
110,781	-	110,781
(4,630,213)	-	(4,630,213)
(8,750)	-	(8,750)
(12,000)	-	(12,000)
(473,359)	-	(473,359)
<u>(99,383,583)</u>	<u>-</u>	<u>(99,383,583)</u>
-	(27,849)	(27,849)
-	(27,849)	(27,849)
<u>(99,383,583)</u>	<u>(27,849)</u>	<u>(99,411,432)</u>
37,548,281	-	37,548,281
6,585,436	-	6,585,436
51,520,101	-	51,520,101
318,499	-	318,499
418,270	-	418,270
<u>96,390,587</u>	<u>-</u>	<u>96,390,587</u>
(2,992,996)	(27,849)	(3,020,845)
25,461,268	277,917	25,739,185
<u>\$ 22,468,272</u>	<u>\$ 250,068</u>	<u>\$ 22,718,340</u>

SHARYLAND ISD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 15,418,645	\$ 1,532,882	\$ 16,951,527
1120 Investments - Current	7,734,829	431,339	8,166,168
1225 Property Taxes Receivable, Net	1,070,243	132,767	1,203,010
1240 Due from Other Governments	15,944,519	979,538	16,924,057
1250 Accrued Interest	7,088	538	7,626
1260 Due from Other Funds	260,101	-	260,101
1290 Other Receivables	14	-	14
1300 Inventories	235,357	171,918	407,275
1410 Prepayments	16,740	-	16,740
1000 Total Assets	<u>\$ 40,687,536</u>	<u>\$ 3,248,982</u>	<u>\$ 43,936,518</u>
LIABILITIES			
2110 Accounts Payable	\$ 786,023	\$ 87,056	\$ 873,079
2150 Payroll Deductions and Withholdings Payable	699,403	51,188	750,591
2160 Accrued Wages Payable	7,030,682	387,444	7,418,126
2170 Due to Other Funds	-	260,101	260,101
2200 Accrued Expenditures	92,219	-	92,219
2300 Unearned Revenue	12,984	1,208,730	1,221,714
2000 Total Liabilities	<u>8,621,311</u>	<u>1,994,519</u>	<u>10,615,830</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Deferred Inflow - Property Taxes	806,087	87,066	893,153
2602 Deferred Inflow of Resources	1,593,567	-	1,593,567
2600 Total Deferred Inflows of Resources	<u>2,399,654</u>	<u>87,066</u>	<u>2,486,720</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	235,357	171,918	407,275
3425 Endowment Principal	-	10,000	10,000
3430 Prepaid Items	16,740	-	16,740
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	311,605	56,708	368,313
3480 Retirement of Long-Term Debt	-	647,862	647,862
Committed Fund Balance:			
3510 Construction	581,034	-	581,034
3545 Other Committed Fund Balance	-	296,320	296,320
3600 Unassigned Fund Balance	28,521,835	(15,411)	28,506,424
3000 Total Fund Balances	<u>29,666,571</u>	<u>1,167,397</u>	<u>30,833,968</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 40,687,536</u>	<u>\$ 3,248,982</u>	<u>\$ 43,936,518</u>

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

SHARYLAND ISD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	30,833,968
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		1,597,280
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$229,674,183 and the accumulated depreciation was (\$67,201,882). In addition, long-term liabilities, including bonds payable, bond premium and accretion on bonds, interest payable, tax note, capital leases, and longevity are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position. Note: Beginning Balances related to TRS are NOT included in this amount.		45,333,982
3 Current year capital outlays and long-term debt principal payments, amortization of refunding debt, bond premiums and accretion on bonds, change in interest payable, and addition of capital lease 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 2019 capital outlays, debt principal payments, amortization of refunding debt, bond premiums and accretion on bonds, and change in interest payable is to increase net position.		8,765,039
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$16,812,786, a deferred resource inflow in the amount of (\$1,680,241), and a net pension liability in the amount of (\$30,662,045). This resulted in a decrease in net position.		(15,529,500)
5 Included in the items related to debt is the recognition of the District's proportionate share of the OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$5,633,401, a deferred inflow in the amount of (\$12,103,769), and net OPEB liability in the amount of (\$38,275,923). This resulted in a decrease in net position.		(44,746,291)
6 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(6,272,926)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, recognizing SHARS as deferred inflows of resources. The net effect of these reclassifications and recognitions is to decrease net position.		2,486,720
19 Net Position of Governmental Activities	\$	22,468,272

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

SHARYLAND ISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT C-3

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700	Local and Intermediate Sources	\$ 38,753,869	\$ 8,428,881	\$ 47,182,750
5800	State Program Revenues	52,523,963	1,314,897	53,838,860
5900	Federal Program Revenues	1,432,254	9,230,225	10,662,479
5020	Total Revenues	<u>92,710,086</u>	<u>18,974,003</u>	<u>111,684,089</u>
EXPENDITURES:				
Current:				
0011	Instruction	50,603,131	3,014,664	53,617,795
0012	Instructional Resources and Media Services	1,069,003	117,726	1,186,729
0013	Curriculum and Instructional Staff Development	1,049,034	265,950	1,314,984
0021	Instructional Leadership	2,446,737	134,400	2,581,137
0023	School Leadership	5,364,996	144,841	5,509,837
0031	Guidance, Counseling and Evaluation Services	3,324,437	1,112,906	4,437,343
0032	Social Work Services	40,398	-	40,398
0033	Health Services	661,069	-	661,069
0034	Student (Pupil) Transportation	3,658,835	-	3,658,835
0035	Food Services	70,545	5,740,983	5,811,528
0036	Extracurricular Activities	6,725,727	99,820	6,825,547
0041	General Administration	3,100,428	39,690	3,140,118
0051	Facilities Maintenance and Operations	9,667,797	211,619	9,879,416
0052	Security and Monitoring Services	1,149,173	3,174	1,152,347
0053	Data Processing Services	800,273	-	800,273
0061	Community Services	6,992	279,419	286,411
Debt Service:				
0071	Principal on Long-Term Debt	520,455	3,335,000	3,855,455
0072	Interest on Long-Term Debt	123,601	4,946,038	5,069,639
0073	Bond Issuance Cost and Fees	-	8,750	8,750
Capital Outlay:				
0081	Facilities Acquisition and Construction	4,114,460	-	4,114,460
Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	12,000	-	12,000
0099	Other Intergovernmental Charges	473,359	-	473,359
6030	Total Expenditures	<u>94,982,450</u>	<u>19,454,980</u>	<u>114,437,430</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,272,364)</u>	<u>(480,977)</u>	<u>(2,753,341)</u>
OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	19,462	-	19,462
7913	Capital Leases	800,000	-	800,000
7915	Transfers In	-	91,820	91,820
8911	Transfers Out (Use)	(91,820)	-	(91,820)
8949	Other (Uses)	-	(12,500)	(12,500)
7080	Total Other Financing Sources (Uses)	<u>727,642</u>	<u>79,320</u>	<u>806,962</u>
1200	Net Change in Fund Balances	(1,544,722)	(401,657)	(1,946,379)
0100	Fund Balance - July 1 (Beginning)	<u>31,211,293</u>	<u>1,569,054</u>	<u>32,780,347</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ 29,666,571</u>	<u>\$ 1,167,397</u>	<u>\$ 30,833,968</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 JUNE 30, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (1,946,379)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.	(712,544)
Current year capital outlays and long-term debt principal payments, amortization of refunding debt, bond premiums and accretion on bonds, change in interest payable, and capital lease addition 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 2019 capital outlays, debt principal payments, amortization of refunding debt, bond premiums and accretion on bonds, and change in interest payable is to increase net position.	8,765,039
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.	(6,272,926)
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, and adjusting other revenues unavailable. The net effect of these reclassifications and recognitions is to increase net position.	783,339
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,587,893. 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 (\$1,580,557). 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 (\$2,881,824). The net result is a decrease in the change in net position.	(2,874,488)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$450,372. 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 (\$443,946). 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 (\$741,463). The net result is a decrease in the change in net position.	(735,037)
Change in Net Position of Governmental Activities	\$ (2,992,996)

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

SHARYLAND ISD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 81,597	\$ 2,067,748
Accrued Interest	-	1,203
Other Receivables	-	291,101
Total Current Assets	81,597	2,360,052
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements	176,233	-
Depreciation on Buildings	(62,228)	-
Furniture and Equipment	131,378	-
Depreciation on Furniture and Equipment	(76,912)	-
Total Noncurrent Assets	168,471	-
Total Assets	250,068	2,360,052
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	58,028
Accrued Expenses	-	704,744
Total Liabilities	-	762,772
NET POSITION		
Net Investment in Capital Assets	168,471	-
Unrestricted Net Position	81,597	1,597,280
Total Net Position	\$ 250,068	\$ 1,597,280

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 JUNE 30, 2019

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 240,335	\$ 8,579,137
State Program Revenues	11,015	-
Total Operating Revenues	<u>251,350</u>	<u>8,579,137</u>
OPERATING EXPENSES:		
Payroll Costs	220,616	-
Professional and Contracted Services	300	1,492,879
Supplies and Materials	27,814	-
Other Operating Costs	9,499	7,814,075
Depreciation Expense	20,970	-
Total Operating Expenses	<u>279,199</u>	<u>9,306,954</u>
Operating Income (Loss)	<u>(27,849)</u>	<u>(727,817)</u>
NONOPERATING REVENUES (EXPENSES):		
Earnings from Temporary Deposits & Investments	-	15,273
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>15,273</u>
Change in Net Position	(27,849)	(712,544)
Total Net Position - July 1 (Beginning)	<u>277,917</u>	<u>2,309,824</u>
Total Net Position - June 30 (Ending)	<u>\$ 250,068</u>	<u>\$ 1,597,280</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 JUNE 30, 2019

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Assessments - Other Funds	\$ 251,348	\$ 9,007,867
Cash Payments to Employees for Services	(220,916)	(1,531,289)
Cash Payments for Insurance Claims	-	(8,389,879)
Cash Payments for Suppliers	(27,814)	-
Cash Payments for Other Operating Expenses	(9,499)	-
Net Cash Used for Operating Activities	<u>(6,881)</u>	<u>(913,301)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	-	15,273
Net Decrease in Cash and Cash Equivalents	(6,881)	(898,028)
Cash and Cash Equivalents at Beginning of Year	88,478	2,965,776
Cash and Cash Equivalents at End of Year	<u>\$ 81,597</u>	<u>\$ 2,067,748</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Used for Operating Activities:</u>		
Operating Income (Loss):	\$ (27,849)	\$ (727,817)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:		
Depreciation	20,970	-
Effect of Increases and Decreases in Current Assets and Liabilities:		
(Decrease) in Accounts Payable	(2)	(38,410)
Increase in Accrued Interest	-	359
Increase in Other Receivables	-	428,371
(Decrease) in Accrued Expenses	-	(575,804)
Net Cash Used for Operating Activities	<u>\$ (6,881)</u>	<u>\$ (913,301)</u>

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

SHARYLAND ISD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 191,028	\$ 547,374
Investments - Current	-	267,997
Accrued Interest	111	317
Total Assets	<u>191,139</u>	<u>\$ 815,688</u>
LIABILITIES		
Accounts Payable	4,000	\$ 18,255
Due to Student Groups	-	797,433
Total Liabilities	<u>4,000</u>	<u>\$ 815,688</u>
NET POSITION		
Restricted for Scholarships	<u>187,139</u>	
Total Net Position	<u>\$ 187,139</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 JUNE 30, 2019

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 18,200
Total Additions	<u>18,200</u>
DEDUCTIONS:	
Other Operating Costs	<u>22,050</u>
Total Deductions	<u>22,050</u>
Change in Net Position	(3,850)
Total Net Position - July 1 (Beginning)	<u>190,989</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 187,139</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 Financial Statements

NOTE 1 – REPORTING ENTITY

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Trustees ("Board"), a seven-member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Sharyland Independent School District. The governing Board derives its powers from the statutes of the State of Texas and the rules and regulations of the Texas State Department of Education. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, as the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statements No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. The District has no component units.

A. Government-Wide and Fund Financial Statements

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

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

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

Sharyland Independent School District Notes to Financial Statements

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

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

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

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

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

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

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

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

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

Sharyland Independent School District Notes to Financial Statements

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

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

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund types:

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

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

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

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

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

Fiduciary Funds. Fiduciary funds are reported in the fiduciary fund financial statements. However because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements. The effect of interfund activity has been eliminated from the government-wide financial statements.

Sharyland Independent School District Notes to Financial Statements

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

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

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

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

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

1. Deposits and Investments

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

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

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

Investments in entities (such as investment pools) that calculate Net Asset Value per Share and follow the requirements of GASB Statement No. 79 are also reported at amortized costs. All other investments are reported at fair value unless a legal contract exists which guarantees a high value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Sharyland Independent School District Notes to Financial Statements

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

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

2. Receivable and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectible. Property taxes are levied by October 1st on the assessed value listed as of the prior January 1st 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 1st of the year following the year in which imposed. On January 31st 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 cost and they include consumable custodial, maintenance, transportation supplies. Inventories of governmental funds are recorded as expenditures when they are consumed rather than when purchased. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and deferred revenue when received in the governmental funds. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Prepaid items are payments made for services that benefit periods beyond the current period.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Capital Assets

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

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

Asset class	Estimated useful lives
Land and road improvements	20
Buildings	50
Building improvements	7-25
Vehicles	8
Furniture and equipment	5-20
Capital lease equipment	12
Computer equipment	5

5. Deferred Outflows/Inflows of Resources

Certain defined transactions that do not qualify for treatment as either assets or liabilities are required to be accounted for and reported as either deferred outflows of resources (a separate subheading following assets but before liabilities) or deferred inflows of resources (a separate subheading following liabilities but before equity).

Deferred outflows of resources represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The deferred amount for advance refunding of debt is a result of the difference in the carrying value of refunded debt and its reacquisition price is reported as a deferred outflow of resources. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Advances of revenue from imposed nonexchange transactions such as property taxes or transactions recorded as a receivable prior to the period when resources are required to be used or are available, are reported as deferred inflows of resources at the fund level. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Sharyland Independent School District Notes to Financial Statements

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

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

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 Financial Statements

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. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

8. Long-Term Obligations

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

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

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 Financial Statements

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 – Annual Operating Budget authorized the Superintendent, or his designee, to assign fund balance. The Board, Superintendent or designee may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. An additional action does not have to be taken for the removal of an assignment.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

10. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could vary from the estimates assumed in preparing the financial statements.

11. Internal Service Fund Activity

Because the principal users of the internal service activities are the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements.

Sharyland Independent School District Notes to Financial Statements

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

Only the net profit or loss before investment income is allocated to the operating programs benefited. The investment income is combined with other unrestricted income as general revenue in the statement of activities.

12. Accounting System

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

13. Data Control Codes

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

14. Pension

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

15. Other Post-Employment Benefits

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

Sharyland Independent School District Notes to Financial Statements

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

16. New Accounting Standards Adopted

In fiscal year 2019, the District implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Statement No. 88 improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*

Statement No. 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.

Sharyland Independent School District Notes to Financial Statements

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

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.

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:

Expenditures Exceeding Appropriations

During the year ended June 30, 2019, the District had expenditures exceeding budgets of \$160,094 in function 71, and \$593,116 in Function 81 in the General Fund.

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

The District does not have funds with deficit fund balances at year end. The District has a negative net position in the Governmental Activities of (\$ 29,976,198) at year end. The result of this negative balance is due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions*. (Refer to Note 14 and 15).

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Disclosures Related to Custodial Credit Risk

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

Sharyland Independent School District Notes to Financial Statements

NOTE 4 – DEPOSITS AND INVESTMENTS *(Continued)*

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

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities and letters of credit in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

B. Cash Deposits

At June 30, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$19,837,574 and the bank balance was \$21,718,192. The District's cash deposits at June 30, 2019 and for the year ended June 30, 2019, 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 are as follows:

Cash on hand	\$ 1,700
Carrying amount deposit	19,837,574
Investments	8,434,165
Less: statement of fiduciary net assets	(1,006,399)
Cash and investments statement of net position	\$ 27,267,040

Exhibit A-1

Cash and cash equivalents	\$ 19,100,872
Investments	8,166,168
Cash and investments statement of net position	\$ 27,267,040

Sharyland Independent School District Notes to Financial Statements

NOTE 4 – DEPOSITS AND INVESTMENTS *(Continued)*

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

- a. Depositories: BBVA Compass Bank
- b. The market value of securities and letters of credit as of the date of the highest combined balance on deposit was \$53,595,141.
- c. The highest combined balance of cash, saving and time deposits accounts amounted to \$47,858,629 occurred during the month of January 2019.
- d. Total amount of FDIC coverage at the time of the largest combined balances was \$250,000.

C. Investments

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

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

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

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

Sharyland Independent School District Notes to Financial Statements

NOTE 4 – DEPOSITS AND INVESTMENTS *(Continued)*

At June 30, 2019, the District's investments, which are reported at Level 1, are summarized below:

	Weighted average maturity	Reported amount
<u>Governmental funds</u>		
Logic Investment Pool	47 days average	\$ 2,301,615
Compass Bank - Money Market	30 days average	1,340
TexPool Investments	36 days average	1,063,790
TexPool Prime Investments	42 days average	5,067,420
Total		\$ 8,434,165

D. Disclosures Relating to Credit Risk

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

Investment or Investment Type	Amount	Rating	Exposure
Logic Investment Pool	\$ 2,301,615	AAA	27.29%
Compass Bank - Money Market	1,340	A-	0.02%
TexPool Investments	1,063,790	AAA-m	12.61%
TexPool Prime Investments	5,067,420	AAA-m	60.08%
Total	\$ 8,434,165		

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 are explicitly guaranteed by the U.S. government, mutual funds and investment pools are excluded from this requirement.

Sharyland Independent School District
Notes to Financial Statements

NOTE 5 – RECEIVABLES

Significant receivables for the government’s individual major funds and other, 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 1st 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 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 60 day period after the close of the school fiscal period.

The 2019 assessed valuation was \$3,229,002,272.

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 June 30, 2019, the rates were \$1.1700 and \$.2055, respectively, per \$100 of assessed value.

	General fund	Debt service fund	Total
Total taxes receivable	\$ 3,282,105	\$ 521,260	\$ 3,803,365
Less: allowance for uncollectible	(2,211,862)	(388,493)	(2,600,355)
Property taxes receivable, net	\$ 1,070,243	\$ 132,767	\$ 1,203,010

Due From Other Governments

Amounts due from other governments and agencies are as follows:

	General fund	Other funds	Total
Due from other governments			
Texas Education Agency	\$ 14,087,377	\$ 934,660	\$ 15,022,037
Medicaid program (SHARS)	1,593,567	-	1,593,567
Other	263,575	44,878	308,453
Total	\$ 15,944,519	\$ 979,538	\$ 16,924,057

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

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 period, the various components of unearned revenues are:

	General fund	Other funds	Total
Foundation revenue	\$ 12,984	\$ -	\$ 12,984
State grants	-	1,208,730	1,208,730
	<u>\$ 12,984</u>	<u>\$ 1,208,730</u>	<u>\$ 1,221,714</u>

NOTE 6 – DISAGGREGATION OF OTHER RECEIVABLE AND ACCRUED LIABILITIES

Other receivables and accrued liabilities as of June 30, 2019 for the District’s individual major, nonmajor, and internal service funds in the aggregate are as follows:

	General fund	Other funds	Internal service fund	Total
Miscellaneous	\$ 14	\$ -	\$ 291,101	\$ 291,115
Total	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 291,101</u>	<u>\$ 291,115</u>

Accrued expenses				
Wages payable	\$ 7,030,682	\$ 387,444	\$ -	\$ 7,418,126
Claims payable	-	-	704,744	\$ 704,744
Total	<u>\$ 7,030,682</u>	<u>\$ 387,444</u>	<u>\$ 704,744</u>	<u>\$ 8,122,870</u>

Sharyland Independent School District Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, are as follows:

	Balance at 7/1/2018	Increases	Reclassify	Decreases	Balance at 6/30/2019
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 12,496,717	\$ -	\$ -	\$ -	\$ 12,496,717
Construction in progress	2,922,006	3,207,950	(4,403,127)		1,726,829
Total capital assets, not being depreciated	15,418,723	3,207,950	(4,403,127)	-	14,223,546
Capital assets, being depreciated:					
Building and improvements	189,703,828	98,138	4,403,127	-	194,205,093
Furniture and equipment	23,212,600	955,947	-	(187,044)	23,981,503
Capital lease - furniture and equipment	108,878	803,625	-	-	912,503
Infrastructure asset - roads	541,357	-	-	-	541,357
Infrastructure assets - networks and subsystems	688,797	-	-	-	688,797
Total capital assets, being depreciated	214,255,460	1,857,710	4,403,127	(187,044)	220,329,253
Less accumulated depreciation for:					
Building and improvements	(51,755,382)	(4,746,290)	-	-	(56,501,672)
Furniture and equipment	(15,093,760)	(1,389,887)	-	187,044	(16,296,603)
Capital lease - furniture and equipment	(40,829)	(49,254)	-	-	(90,083)
Infrastructure asset - roads	(106,051)	(27,068)	-	-	(133,119)
Infrastructure asset - networks and subsystems	(205,860)	(60,427)	-	-	(266,287)
Total accumulated depreciation	(67,201,882)	(6,272,926)	-	187,044	(73,287,764)
Total capital assets, being depreciated, net	147,053,578	(4,415,216)	4,403,127	-	147,041,489
Governmental activities, capital assets, net	\$ 162,472,301	\$ (1,207,266)	\$ -	\$ -	\$ 161,265,035
Business-type activities:					
Capital assets, being depreciated:					
Buildings	\$ 176,233	\$ -	\$ -	\$ -	\$ 176,233
Furniture and equipment	131,378	-	-	-	131,378
Total capital assets, being depreciated	307,611	-	-	-	307,611
Less accumulated depreciation for:					
Buildings	(50,279)	(11,949)	-	-	(62,228)
Furniture and equipment	(67,892)	(9,020)	-	-	(76,912)
Total accumulated depreciation	(118,171)	(20,969)	-	-	(139,140)
Total capital assets, being depreciated, net	189,440	(20,969)	-	-	168,471
Business-type activities capital assets, net	\$ 189,440	\$ (20,969)	\$ -	\$ -	\$ 168,471

Sharyland Independent School District
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation was charged to functions as follows:

Instruction	\$ 4,421,280
Instructional resources and media services	51,412
Staff development	5,542
Instructional leadership	13,140
School leadership	51,418
Student transportation	460,681
Food services	128,034
Co-curricular/extracurricular activities	616,662
General administration	42,677
Plant maintenance and operations	395,022
Security and monitoring services	14,469
Data processing services	72,589
Total depreciation expenses - governmental activities	\$ 6,272,926

Business-type activities:

Instruction	\$ 20,969
Total depreciation expenses - business-type activities	\$ 20,969

NOTE 8 – INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

Due to		Due from	
General fund	\$ 260,101	Special revenue funds	-
Capital projects fund	-	Capital project fund	259,777
Special revenue funds	-	Debt service fund	324
Totals	\$ 260,101	Totals	\$ 260,101

Sharyland Independent School District Notes to Financial Statements

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

Interfund transfers are defined as “flows of assets without equivalent flows of assets in return and without a requirement for repayment”. Interfund transfers during the year ended June 30, 2019 are as follows:

Funds:	Transfers in	Transfers out
General fund	\$ -	\$ 91,820
Other funds	91,820	-
Totals	\$ 91,820	\$ 91,820

The transfer into other funds from the general fund was for the purpose of reporting all campus wide type activities in one fund.

NOTE 9 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of June 30, 2019, the governmental funds reported deferred inflows of resources for unavailable property taxes in the amount of \$893,153 and unavailable School Health and Related Services (SHARS) revenues in the amount of \$1,593,567.

Deferred outflows of resources reported at the government-wide financial statement level included deferred charges on refunding of bonds, deferred outflows related to pensions, and deferred outflows related to OPEB. As of June 30, 2019, the amount of deferred charges on refunding of bonds reported as deferred outflows of resources was \$2,823,607, net of cumulative amortization of \$182,743. Deferred outflows of resources related to pension and OPEB are \$16,812,786 and \$5,633,401, respectively. Deferred inflows of resources related to pensions and OPEB are \$1,680,241 and \$12,103,769, respectively.

Sharyland Independent School District Notes to Financial Statements

NOTE 10 – LONG TERM OBLIGATIONS

A. General Obligations Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The bonds are guaranteed by the corpus of the Permanent School Fund of the State of Texas in accordance with Article 7, Section 5 of the Texas Constitution, and Subchapter C of Chapter 45 of the Texas Education Code. 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. The District's management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2019.

General obligation and capital appreciation bonds payable at June 30, 2019 are summarized as follows:

Date of issue	Original issue	Final maturity	Interest rate	Outstanding balance
2010	\$ 9,985,000	2040	2.0%-4.0%	\$ 8,025,000
2011 Ref	8,819,999	2033	2.0%-4.0%	7,640,000
2012	51,185,000	2041	2.0%-5.0%	36,205,000
2012 Ref	7,790,000	2031	2.0%-4.0%	5,455,000
2013 Ref	3,990,000	2022	2.0%-4.0%	1,600,000
2014 Ref	6,180,000	2030	2.0%-4.0%	4,710,000
2015 Ref	29,745,000	2036	2.0%-5.0%	26,435,000
2017 Ref	8,040,000	2034	2.0%-4.5%	7,930,000
			Total	<u>\$ 98,000,000</u>

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

NOTE 10 – LONG TERM OBLIGATIONS (Continued)

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

Year ending June 30	Principal	Interest	Total
2020	\$ 4,085,000	\$ 4,222,288	\$ 8,307,288
2021	4,210,000	4,102,338	8,312,338
2022	4,380,000	3,955,438	8,335,438
2023	4,000,000	3,780,413	7,780,413
2024	4,185,000	3,602,763	7,787,763
2025-2029	24,060,000	15,044,163	39,104,163
2030-2034	26,370,000	9,492,975	35,862,975
2035-2039	19,995,000	3,872,948	23,867,948
2040-2041	6,715,000	394,200	7,109,200
Total	<u>\$ 98,000,000</u>	<u>\$ 48,467,526</u>	<u>\$ 146,467,526</u>

B. Tax Notes

Tax notes outstanding at June 30, 2019 are as follows:

Series 2013 Maintenance Tax Note, authorized by Education Code Section 45.108, for the construction of a new Aquatic Center February 15, 2014 through February 15, 2028; interest at 2.720% \$ 2,285,000

Series 2018 Maintenance Tax Note, authorized by Education Code Section 45.108, for renovation and remodeling of existing; Facilities in the District; February 15, 2018 through February 15, 2033; Interest at 3.5% 1,850,000

\$ 4,135,000

Sharyland Independent School District Notes to Financial Statements

NOTE 10 – LONG TERM OBLIGATIONS (Continued)

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

Fiscal year ending June 30	Principal	Interest	Total
2020	\$ 330,000	\$ 119,502	\$ 449,502
2021	345,000	110,127	455,127
2022	355,000	100,325	455,325
2023	365,000	90,232	455,232
2024	375,000	79,848	454,848
2025-2029	1,755,000	232,764	1,987,764
2030-2033	610,000	48,050	658,050
Totals	<u>\$ 4,135,000</u>	<u>\$ 780,848</u>	<u>\$ 4,915,848</u>

The Notes are direct obligations of the District payable as to 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 for the tax notes.

C. Advance Refunding in Prior Years

In a prior year, the District defeased the remaining balance of one bond issue. U.S. government, state and local government securities were purchased and placed in an escrow account to provide for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide statement of net position. At June 30, 2019, \$8,210,000 of defeased bonds remained outstanding.

Long-term debt liabilities activity for the governmental activities for the year ended June 30, 2019, are as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
General obligation bonds	\$ 101,334,999	\$ -	\$ 3,334,999	\$ 98,000,000	\$ 4,085,000
Unamortized bond premium	9,616,691	-	608,404	9,008,287	-
Accretion on bonds	665,880	19,120	-	685,000	-
Capital lease payable	10,865	800,000	170,457	640,408	160,000
Tax note	4,485,000	-	350,000	4,135,000	330,000
Total long term liabilities	<u>\$ 116,113,435</u>	<u>\$ 819,120</u>	<u>\$ 4,463,860</u>	<u>\$ 112,468,695</u>	<u>\$ 4,575,000</u>

Sharyland Independent School District
Notes to Financial Statements

NOTE 10 – LONG TERM OBLIGATIONS (Continued)

D. Employee Longevity Pay

The District instituted a local policy which allows certain employees to earn incentive pay for continuous employment every fifth year. Employee longevity pay is generally liquidated by the General Fund. The liability related to longevity pay was estimated based on all qualifying employees at period-end and discounted using a comparable market borrowing rate. After 2010, there are no other eligible employees added to the plan. The following is the change that occurred during the period:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Employee longevity pay	\$ 2,498,683	\$ -	\$ 192,500	\$ 2,306,183	\$ 160,000

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

Debt long term obligation	\$ 112,468,695
Employee longevity pay	2,306,183
Long term obligations	\$ 114,774,878
Noncurrent liabilities:	
Due within one year	\$ 4,735,000
Due in more than one year	110,039,878
Long term obligations statement of net position	\$ 114,774,878

E. Capital Lease Payable

Capital lease outstanding at June 30, 2019 is as follows:

Capital lease for District scoreboard October 2018 through October 2022; no interest.	\$ 640,000
Total outstanding capital lease	\$ 640,000

Sharyland Independent School District
Notes to Financial Statements

NOTE 10 – LONG TERM OBLIGATIONS (Continued)

Annual capital lease payments are as follows:

Fiscal year ending June 30,	Principal
2020	\$ 160,000
2021	160,000
2022	160,000
2023	160,000
2024	-
Total	\$ 640,000

NOTE 11 – GENERAL FUND FEDERAL SOURCE REVENUES

General Fund Federal Sources Revenues for the year ended June 30, 2019 were as follows:

Programs or source	Number	Amount
School Health & Relation Services	Not Applicable	\$ 1,119,396
E-Rate Infrastructure	Not Applicable	139,055
Junior Reserve Officers' Training Corps	12.U01	76,727
Indirect Costs:		
Title I Grants to Local Educational Agencies	84.010	47,366
Migrant Education-State Grant Program	84.011	2,306
Special Education-Grants to States	84.027	32,109
Career and Technical Education - Basic Grants to State	84.048	2,440
Special Education-Preschool Grants	84.173	141
Supporting Effective Instruction State Grants	84.367	5,488
English Language Acquisition State Grants	84.365	5,804
Student Support and Academic Enrichment Program	84.424	1,422
		\$ 1,432,254

NOTE 12 – RISK MANAGEMENT

A. General

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance.

Sharyland Independent School District Notes to Financial Statements

NOTE 12 – RISK MANAGEMENT (*Continued*)

The District purchases insurance to cover these risks, the more significant of which are general liability insurance in the amount of approximately \$1,000,000, and \$287,417,612 for property insurance. Such insurance is consistent with the prior year, and at June 30, 2019 the District did not have any insurance claims pending.

B. Workmen’s Compensation

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

C. Health Care

The District sponsors a self-insurance plan to provide health care benefits to staff members and their dependents. This plan was authorized by section 21.922 of the Texas Education Code and article 3.51-2 of the Texas Insurance Code and was documented by contractual agreement. Transactions related to the plan are accounted for in the internal service fund of the District.

The District was protected against unanticipated, catastrophic individual or aggregate loss by stop-loss coverage carried through United States Fire Insurance Company for the period of January 1, 2018 through December 31, 2018 and for the period of January 1, 2019 to December 31, 2019. Stop-loss coverage will be in effect for annual individual claims exceeding \$100,000 and \$125,000, respectively, and annual aggregate losses exceeding approximately \$7,241,211 and \$7,724,183 respectively for the contract years.

The following is summary of the changes in the balance of claims liabilities for health care for the year ended June 30, 2019.

Liability, beginning of period	\$ 1,161,339
Claims incurred during the period	5,492,941
Payments on claims	(6,176,872)
Liability, end of period	\$ 477,408

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.

Sharyland Independent School District Notes to Financial Statements

NOTE 12 – RISK MANAGEMENT (Continued)

The amount of subsidy reimbursement received by TRS on-behalf of the District for the period ending June 30, 2019, for the ten months ended June 30, 2018, and August 31, 2017 were estimated at \$242,400, \$186,842, and \$203,258, 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 June 30, 2019 have not been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the grantor agency cannot be determined at this time, although the District expects such amount, if any, to be immaterial. The District is involved in a legal proceedings arising from its operations. Management in consultation with its attorneys believes the outcome will have no material effect on the District's financial position.

NOTE 14 – PENSION PLAN OBLIGATIONS

A. Plan Description

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

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

B. Pension Plan Fiduciary Net Position

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

Sharyland Independent School District Notes to Financial Statements

NOTE 14 – PENSION PLAN OBLIGATIONS (*Continued*)

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

Sharyland Independent School District Notes to Financial Statements

NOTE 14 – PENSION PLAN OBLIGATIONS (*Continued*)

	<u>Contribution Rates</u>	<u>2018</u>	<u>2019</u>
Member		7.7%	7.7%
Non-Employer Contributing Entity (State)		6.8%	6.8%
Employers		6.8%	6.8%

District's 2019 FY Employer Contributions	\$ 1,884,733
District's 2019 FY Member Contributions	\$ 4,902,577
Measurement Year NECE On-behalf Contributions	\$ 3,083,741

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 including public 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 that the employer is subject to:

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

Sharyland Independent School District Notes to Financial Statements

NOTE 14 – PENSION PLAN OBLIGATIONS (Continued)

E. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases Including Inflation	3.5% to 9.05%
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, 2017 and adopted on July 2018.

F. Discount Rate

The discount rate used to measure the total pension liability was 6.907 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Sharyland Independent School District
Notes to Financial Statements

NOTE 14 – PENSION PLAN OBLIGATIONS (Continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation ₁	Long-Term Expected Arithmetic Real Rate of Return ₂	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag ₃			-0.79%
Total	100%		7.25%

1 Target allocations are based on the FY2016 policy model.

2 Capital market assumptions come from Aon Hewitt (2017 Q4)

3 The Volatility drag results from the conversion between arithmetic and geometric mean returns.

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

NOTE 14 – PENSION PLAN OBLIGATIONS (Continued)

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the Net pension liability	\$ 46,276,379	\$ 30,662,045	\$ 18,021,316

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

At June 30, 2019, the District reported a liability of \$ 30,662,045 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the collective net pension liability	\$ 30,662,045
State's proportionate share that is associated with District	<u>50,417,067</u>
Total	<u><u>\$ 81,079,112</u></u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 thru August 31, 2018.

At August 31, 2018, the measurement date, the employer's proportion of the collective net pension liability was 0.0557062016%, compared to 0.0538331653% as of the August 31, 2017 measurement date.

Sharyland Independent School District Notes to Financial Statements

NOTE 14 – PENSION PLAN OBLIGATION *(Continued)*

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

For the year ended June 30, 2019, the District recognized pension expense of \$9,452,327 and revenue of \$4,989,946 for support provided by the state.

At June 30, 2019, the District reported its proportionate share of the TRS' 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	\$ 191,122	\$ 752,326
Changes in actuarial assumptions	11,055,144	345,474
Difference between projected and actual investment earnings	-	581,790
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,978,627	651
Total as of August 31, 2018 measurement date	15,224,893	1,680,241
Contributions paid to TRS subsequent to the measurement date	1,587,893	-
Total	\$ 16,812,786	\$ 1,680,241

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

NOTE 14 – PENSION PLAN OBLIGATION (Continued)

Contributions of \$1,587,893 paid to TRS subsequent to the measurement date are classified as deferred outflows of resources and will reduce pension liability in the next fiscal year. The remaining deferred inflows of resources and deferred outflows of resources related to pensions noted above will be amortized and recognized in pension expense in the government-wide financial statements as follows:

Year ended June 30,	Pension Expense Amount
2020	\$ 3,687,502
2021	2,463,159
2022	2,091,790
2023	2,074,844
2024	1,951,206
Thereafter	1,276,151

The net pension liability activity for the year ended June 30, 2019 were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$ 17,212,946	\$ 15,325,700	\$ 1,876,601	\$ 30,662,045

NOTE 15 – OTHER POST-EMPLOYMENT BENEFIT PLANS

A. Plan Description

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

B. OPEB Plan Fiduciary net Position

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

Sharyland Independent School District Notes to Financial Statements

NOTE 15 – OTHER POST-EMPLOYMENT BENEFIT PLANS *(Continued)*

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2018 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 50,729,490,103
Less: plan fiduciary net position	798,574,633
Net OPEB Liability	<u>\$ 49,930,915,470</u>
Net position as a percentage of total OPEB liability	1.57%

C. Benefits Provided

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare and without Medicare coverage.

TRS Care Monthly for Retirees
Effective January 1, 2018-December 31, 2018

	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
*or surviving spouse		

D. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is

Sharyland Independent School District Notes to Financial Statements

NOTE 15 – OTHER POST-EMPLOYMENT BENEFIT PLANS *(Continued)*

currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2018. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>	<u>2018</u>	<u>2019</u>
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
District's 2019 FY Employer Contributions	\$	535,369
District's 2019 FY Member Contributions	\$	413,651
District's 2018 NECE On-behalf Contributions	\$	724,412

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. House Bill 30 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in one-time, supplemental funding for the FY2018-2019 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

E. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

Sharyland Independent School District Notes to Financial Statements

NOTE 15 – OTHER POST-EMPLOYMENT BENEFIT PLANS *(Continued)*

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	
Additional Actuarial Methods and Assumptions:	
Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69% Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bond as reported on Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases Including Inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

Sharyland Independent School District Notes to Financial Statements

NOTE 15 – OTHER POST-EMPLOYMENT BENEFIT PLANS *(Continued)*

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

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

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

F. Discount Rate

A single discount rate of 3.69 percent was used to measure the total OPEB liability. There was an increase of .27 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Sensitivity of Net OPEB Liability

Discount Rate Sensitivity Analysis:

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 % less than and 1 % greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of the Net OPEB liability	\$ 45,561,499	\$ 38,275,923	\$ 32,512,563

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

NOTE 15 – OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Healthcare Cost Trend Rates Sensitivity Analysis:

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability	\$ 31,788,777	\$ 38,275,923	\$ 46,819,634

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

At June 30, 2019, the District reported a liability of \$38,275,923 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District are as follows:

District's proportionate share of the collective net OPEB liability	\$ 38,275,923
State's proportionate share that is associated with District	52,506,786
Total	<u>\$ 90,782,709</u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 measurement date, the employer's proportion of the collective Net OPEB Liability was 0.076677635%, compared to 0.0720858232% as of August 31, 2017 measurement date.

Sharyland Independent School District Notes to Financial Statements

NOTE 15 – OTHER POST-EMPLOYMENT BENEFIT PLANS (*Continued*)

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

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.
- The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:
 - Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
 - Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
 - Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
 - Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
 - Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the period ended June 30, 2019, the District recognized OPEB expense of \$3,095,291 and revenue of \$1,909,882 for support provided by the State.

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

NOTE 15 – OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

At June 30, 2019, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,031,161	\$ 604,050
Changes in actuarial assumptions	638,721	11,499,719
Difference between projected and actual investment earnings	6,694	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	2,506,453	-
Total as of August 31, 2018 measurement date	\$ 5,183,029	\$ 12,103,769
Contributions paid to TRS subsequent to the measurement date	450,372	-
Total	\$ 5,633,401	\$ 12,103,769

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

Year ended June 30,

2020	\$ (1,194,647)
2021	(1,194,647)
2022	(1,194,647)
2023	(1,195,913)
2024	(1,196,637)
Thereafter	(944,249)

The net OPEB liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 31,347,420	\$ 7,457,332	\$ 528,829	\$ 38,275,923

Sharyland Independent School District Notes to Financial Statements

NOTE 16 – CONSTRUCTION COMMITMENTS

At June 30, 2019, the District had the following construction commitments.

Project name	Contract amount	Architect/Civil Amount	Amount expended	Warranted expended	Remaining commitment
Shary Elementary HVAC improvements	\$ 865,000	\$ 20,800	\$ 781,483	\$ -	\$ 104,317
Sharyland High School chiller	122,884	9,000	8,823	-	\$ 123,061
Sharyland High School - re-roofing (phase II)	807,900	48,474	666,333	-	\$ 190,041
Sharyland North Jr. High fence	263,000	15,780	270,189	-	\$ 8,591
Total	\$ 2,058,784	\$ 94,054	\$ 1,726,828	\$ -	\$ 426,010

NOTE 17 – OPERATING LEASE COMMITMENTS

Rental expenditures during the period totaled \$322,423 for governmental activities. The District has operating leases for office equipment. Commitments under lease agreements as of June 30, 2019 provide for future minimum lease obligations as follows:

Year ending June 30,	Governmental Activities
2020	\$ 269,661
2021	267,840
2022	256,653
2023	255,237
2024	38,336
	\$ 1,087,727

NOTE 18 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 8, 2019, which is the date these financial statement were available to be issued, there are no subsequent events that require disclosure.



**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 JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Local and Intermediate Sources	\$ 38,049,069	\$ 38,797,123	\$ 38,753,869	\$ (43,254)
5800 State Program Revenues	50,725,782	50,725,782	52,523,963	1,798,181
5900 Federal Program Revenues	1,114,052	1,114,052	1,432,254	318,202
5020 Total Revenues	89,888,903	90,636,957	92,710,086	2,073,129
EXPENDITURES:				
Current:				
0011 Instruction	49,931,832	50,569,322	50,603,131	(33,809)
0012 Instructional Resources and Media Services	1,047,247	1,070,790	1,069,003	1,787
0013 Curriculum and Instructional Staff Development	700,978	1,058,653	1,049,034	9,619
0021 Instructional Leadership	2,130,753	2,494,031	2,446,737	47,294
0023 School Leadership	5,359,716	5,392,983	5,364,996	27,987
0031 Guidance, Counseling and Evaluation Services	3,229,444	3,409,109	3,324,437	84,672
0032 Social Work Services	41,088	42,788	40,398	2,390
0033 Health Services	645,692	663,183	661,069	2,114
0034 Student (Pupil) Transportation	3,252,385	3,717,763	3,658,835	58,928
0035 Food Services	-	172,098	70,545	101,553
0036 Extracurricular Activities	6,781,817	7,172,198	6,725,727	446,471
0041 General Administration	3,122,402	3,210,388	3,100,428	109,960
0051 Facilities Maintenance and Operations	9,441,551	9,853,560	9,667,797	185,763
0052 Security and Monitoring Services	1,031,185	1,183,995	1,149,173	34,822
0053 Data Processing Services	997,797	813,430	800,273	13,157
0061 Community Services	4,600	8,062	6,992	1,070
Debt Service:				
0071 Principal on Long-Term Debt	482,932	360,361	520,455	(160,094)
0072 Interest on Long-Term Debt	-	123,571	123,601	(30)
0073 Bond Issuance Cost and Fees	-	1,000	-	1,000
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,174,984	3,521,344	4,114,460	(593,116)
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	15,000	13,500	12,000	1,500
0099 Other Intergovernmental Charges	500,000	475,000	473,359	1,641
6030 Total Expenditures	89,891,403	95,327,129	94,982,450	344,679
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,500)	(4,690,172)	(2,272,364)	2,417,808
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	2,500	2,500	19,462	16,962
7913 Capital Leases	-	-	800,000	800,000
8911 Transfers Out (Use)	-	-	(91,820)	(91,820)
7080 Total Other Financing Sources (Uses)	2,500	2,500	727,642	725,142
1200 Net Change in Fund Balances	-	(4,687,672)	(1,544,722)	3,142,950
0100 Fund Balance - July 1 (Beginning)	31,211,293	31,211,293	31,211,293	-
3000 Fund Balance - June 30 (Ending)	\$ 31,211,293	\$ 26,523,621	\$ 29,666,571	\$ 3,142,950

SHARYLAND ISD
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2019

	FY 2019 Plan Year 2018	FY 2018* Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.055706202%	0.053833165%	0.053277561%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 30,662,045	\$ 17,212,946	\$ 20,132,798
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	50,417,067	29,553,002	36,360,594
Total	<u>\$ 81,079,112</u>	<u>\$ 46,765,948</u>	<u>\$ 56,493,392</u>
District's Covered Payroll	\$ 62,609,369	\$ 59,733,574	\$ 58,753,125
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	48.97%	28.82%	34.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

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, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

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

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0553427%		0.0283796%
\$	19,562,908	\$	7,580,584
	34,659,893		30,726,532
<u>\$ 54,222,801</u>		<u>\$ 38,307,116</u>	
\$	56,328,129	\$	52,936,190
	34.73%		14.32%
	78.43%		83.25%

SHARYLAND ISD
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2019

	2019	2018*	2017
Contractually Required Contribution	\$ 1,884,733	\$ 1,580,557	\$ 1,764,337
Contribution in Relation to the Contractually Required Contribution	(1,884,733)	(1,580,557)	(1,764,337)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 63,667,224	\$ 52,342,178	\$ 59,733,574
Contributions as a Percentage of Covered Payroll	2.96%	3.02%	2.95%

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

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

<hr/>	
2016	2015
<hr/>	
\$ 1,692,763	\$ 1,638,730
(1,692,763)	(1,638,730)
<hr/>	
\$ -	\$ -
<hr/> <hr/>	
\$ 58,753,125	\$ 56,328,129
2.88%	2.91%

SHARYLAND ISD
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2019

	FY 2019 Plan Year 2018	FY 2018* Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.076657764%	0.072085823%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 38,275,923	\$ 31,347,420
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	52,506,786	45,889,160
Total	<u>\$ 90,782,709</u>	<u>\$ 77,236,580</u>
District's Covered Payroll	\$ 62,609,369	\$ 59,733,574
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	61.13%	52.48%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are for the measurement date August 31, 2018 and the amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

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

SHARYLAND ISD
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2019

	2019	2018*
Contractually Required Contribution	\$ 535,369	\$ 443,946
Contribution in Relation to the Contractually Required Contribution	(535,369)	(443,946)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 63,667,224	\$ 52,342,178
Contributions as a Percentage of Covered Payroll	0.84%	0.85%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

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

Sharyland Independent School District Notes to Required Supplementary Information

A. Budgets

The official school original budget was prepared for adoption for required Governmental Fund Types by June 18, 2018. The budget was formally adopted by the Board of School Trustees at a duly advertised public meeting prior to the expenditure of funds. The Board also approved amendments throughout the year and the final amended budget by June 30. Expenditures may not legally exceed budgeted appropriations at the function level. Annual budgets were adopted for the General Fund and the Debt Service Fund on a basis consistent with generally accepted accounting principles. The Debt Service Fund budget comparison schedule is presented in the Other Supplementary Information section of the financial statements.

B. Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget.

C. Pension

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

Changes of Assumptions – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability during the measurement period:

- The total pension liability of August 31, 2018 was developed using the roll-forward method of August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long term assumed rate of return changed from 8.0 percent to 7.25 percent
- The change in the long-term assumed rate of return combined with the change in the discount rate was the primary reason for the increase in the Net Pension Liability.

Sharyland Independent School District Notes to Required Supplementary Information

D. Other Post-Employment Benefits:

Changes in benefit terms – The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017

- Created a high-deductible health plan that provides for a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

Changes in assumptions - The following are changes to the actuarial assumptions or other inputs that affected measurement of Total OBEB liability during the measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018.

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

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

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

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OTHER INFORMATION

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SHARYLAND ISD
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2019

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
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	1.040000	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	1.170000	0.205500	3,095,956,202
2018	1.170000	0.205500	3,160,662,252
2019 (School year under audit)	1.170000	0.205500	3,229,002,272
1000 TOTALS			

(10) Beginning Balance 7/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2019
\$ 569,153	\$ -	\$ 20,108	\$ 2,563	\$ (4,506)	\$ 541,976
157,745	-	5,854	901	(1,798)	149,192
75,719	-	9,295	1,430	(1,640)	63,354
90,003	-	9,011	2,127	(802)	78,063
135,715	-	45,542	4,496	(697)	84,980
198,898	-	68,782	9,729	23,653	144,040
329,283	-	43,860	6,204	(45,464)	233,755
625,990	-	231,704	40,697	20,443	374,032
1,620,053	-	855,228	150,213	(108,675)	505,937
-	43,634,592	35,635,672	6,259,086	(111,798)	1,628,036
<u>\$ 3,802,559</u>	<u>\$ 43,634,592</u>	<u>\$ 36,925,056</u>	<u>\$ 6,477,446</u>	<u>\$ (231,284)</u>	<u>\$ 3,803,365</u>

SHARYLAND ISD
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Local and Intermediate Sources	\$ 1,202,928	\$ 1,202,928	\$ 1,136,542	\$ (66,386)
5800 State Program Revenues	33,000	33,000	28,522	(4,478)
5900 Federal Program Revenues	4,992,013	4,992,013	4,701,155	(290,858)
5020 Total Revenues	<u>6,227,941</u>	<u>6,227,941</u>	<u>5,866,219</u>	<u>(361,722)</u>
EXPENDITURES:				
Current:				
0035 Food Services	6,017,881	6,009,881	5,740,983	268,898
0051 Facilities Maintenance and Operations	207,000	214,000	211,619	2,381
0052 Security and Monitoring Services	3,060	4,060	3,174	886
6030 Total Expenditures	<u>6,227,941</u>	<u>6,227,941</u>	<u>5,955,776</u>	<u>272,165</u>
1200 Net Change in Fund Balances	-	-	(89,557)	(89,557)
0100 Fund Balance - July 1 (Beginning)	<u>318,182</u>	<u>318,182</u>	<u>318,182</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 318,182</u>	<u>\$ 318,182</u>	<u>\$ 228,625</u>	<u>\$ (89,557)</u>

SHARYLAND ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Local and Intermediate Sources	\$ -	\$ 6,522,418	\$ 6,615,761	\$ 93,343
5800 State Program Revenues	1,115,854	1,115,854	978,778	(137,076)
5020 Total Revenues	1,115,854	7,638,272	7,594,539	(43,733)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	3,334,999	3,960,000	3,335,000	625,000
0072 Interest on Long-Term Debt	4,946,041	4,321,040	4,946,038	(624,998)
0073 Bond Issuance Cost and Fees	5,000	44,517	8,750	35,767
6030 Total Expenditures	8,286,040	8,325,557	8,289,788	35,769
1200 Net Change in Fund Balances	(7,170,186)	(687,285)	(695,249)	(7,964)
0100 Fund Balance - July 1 (Beginning)	1,343,110	1,343,110	1,343,110	-
3000 Fund Balance - June 30 (Ending)	\$ (5,827,076)	\$ 655,825	\$ 647,861	\$ (7,964)

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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 June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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
November 8, 2019



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 June 30, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Sharyland Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The District is responsible for preparing a corrective action plan for prior year findings to address the audit finding included in our auditor's report. The District's corrective action plan for prior year findings was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

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

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

Carly Riggs & Ingram, L.L.C.

McAllen, Texas
November 8, 2019

Sharyland Independent School District Schedule of Findings and Questioned Costs

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

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

___ yes X no

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major programs:

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

___ yes X no

___ 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

84.027/84.173

Special Education Cluster (IDEA)

84.365

English Language Acquisition State Grants

84.367

Supporting Effective Instruction State Grants

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X yes ___ no




Sharyland Independent School District Schedule of Findings and Questioned Costs

Section II – Financial Statement Findings

None 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**

Financial Statement Findings:

None reported.

Federal Award Findings:

None reported.

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

Financial Statement Findings

	<u>Corrective Action Plan</u>
Schedule Reference Number: 2018-001	Foundation School Program (FSP) Allotments
	The District has revamped the budget process and centralized the Special Allotment programs in order to monitor the expenditures for Compensatory Education, Career and Technology Education, and Gifted and Talented. The Curriculum Department will oversee the Allotments and ensure the required amounts are spent for each program.

Federal Award Findings and Questioned Costs

None reported.

SHARYLAND ISD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	Passed Through to Subrecipients	(4) Federal Expenditures
US DEPARTMENT OF AGRICULTURE				
<u>Passed Through State Department of Education</u>				
School Breakfast Program	10.553	00573	\$ -	\$ 1,131,325
National School Lunch Program - Cash Assistance	10.555	00573	-	3,002,372
National School Lunch Program - Non-Cash Assistance	10.555	00573	-	36,998
Total CFDA Number 10.555			-	3,039,370
Total Passed Through State Department of Education			-	4,170,695
Total Child Nutrition Cluster			-	4,170,695
<u>Passed Through Texas Department of Agriculture</u>				
Child & Adult Care Food Program - Cash Assistance	10.558	00573	-	530,460
Total Passed Through Texas Department of Agriculture			-	530,460
TOTAL US DEPARTMENT OF AGRICULTURE				
			-	4,701,155
US DEPARTMENT OF DEFENSE				
<u>Direct Programs:</u>				
JUNIOR RESERVE OFFICER TRAINING CORPS	12.U01	108-911	-	76,727
TOTAL US DEPARTMENT OF DEFENSE			-	76,727
US DEPARTMENT OF EDUCATION				
<u>Passed Through State Department of Education</u>				
Title I Grants to Local Educational Agencies	84.010	18610101108911	-	218,180
Title I Grants to Local Educational Agencies	84.010	19610101108911	-	2,026,100
Total CFDA Number 84.010			-	2,244,280
Migrant Education - State Grant Program	84.011	19615001108911	-	98,457
*Special Education - Grants to States	84.027	186600011089116600	-	37,083
*Special Education - Grants to States	84.027	196600011089116600	-	1,432,693
Total CFDA Number 84.027			-	1,469,776
*Special Education - Preschool Grants	84.173	186610011089116610	-	6,262
*Special Education - Preschool Grants	84.173	196610011089116610	-	4,446
Total CFDA Number 84.173			-	10,708
Total Special Education Cluster (IDEA)			-	1,480,484
Career & Technical Education - Basic Grants to States	84.048	18420006108911	-	2,851
Career & Technical Education - Basic Grants to States	84.048	19420006108911	-	133,642
Total CFDA Number 84.048			-	136,493
English Language Acquisition State Grants	84.365	18671001108911	-	3,372
English Language Acquisition State Grants	84.365	19671001108911	-	268,040
Total CFDA Number 84.365			-	271,412

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	Passed Through to Subrecipients	(4) Federal Expenditures
US DEPARTMENT OF EDUCATION (Continue)				
<u>Passed Through State Department of Education (Continue)</u>				
Supporting Effective Instruction State Grants	84.367	18694501108911	-	18,778
Supporting Effective Instruction State Grants	84.367	19694501108911	-	249,217
Total CFDA Number 84.367			-	267,995
Grants for State Assessments and Related Activities	84.369	69551802	-	13,236
Student Support and Academic Enrichment Program	84.424	18680101108911	-	23,245
Student Support and Academic Enrichment Program	84.424	19680101108911	-	90,956
Total CFDA Number 84.424			-	114,201
Total Passed Through State Department of Education			-	4,626,558
TOTAL US DEPARTMENT OF EDUCATION			-	4,626,558
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 9,404,440

*Clustered Programs

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

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sharyland Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Because this schedule presents only a selected portion of the operations of Sharyland Independent School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Sharyland Independent School District.

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

Total federal awards expended	\$ 9,404,440
SHARS	1,118,984
E-rate infrastructure	139,055
Exhibit C-3	\$ 10,662,479

Note 2 - Indirect Cost Rate

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

Note 3 – Sub-Recipients

During the year ended June 30, 2019, the District had no pass-through to sub-recipients.

Note 4 – Federal Loans and Loan Guarantees

During the year ended June 30, 2019, the District had no outstanding federal loans payable or loan guarantees.

Note 5 – Federally Funded Insurance

During the year ended June 30, 2019, the District had no federally funded insurance.

Note 6 – Noncash Awards

During the year ended June 30, 2019, the District received \$36,998 as non-cash assistance under the National School Lunch Program.



Required Communications for the
Board of Trustees of

**Sharyland Independent
School District**

November 8, 2019



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

(956) 686-3701
(956) 686-6830 (fax)
www.CRIcpa.com

November 8, 2019

Board of Trustees
Sharyland Independent School District

We are pleased to present the results of our audit of the 2019 financial statements of Sharyland Independent School District (the "District").

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

The audit was designed, primarily, to express an opinion on the District's June 30, 2019 financial statements. We considered the District's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the District, expect. We received the full support and assistance of the District's personnel.

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

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

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

Very truly yours,

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive script.

Ruben Moreno, CPA
Partner
Carr, Riggs & Ingram, LLC

Required Communications

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

- Perform audit services in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States in order to express an opinion on the District's financial statements for the year ended June 30, 2019;
- Communicate directly with the District and management regarding the results of our procedures;
- Address with the District and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the District and management; and
- Other audit-related projects as they arise and upon request.

Required Communications

We have audited the financial statements of the District for the year ended June 30, 2019 and have issued our report thereon dated November 8, 2019. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Auditors' responsibility under Generally Accepted Auditing Standards</p>	<p>As stated in our engagement letter dated April 24, 2019 our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP) and Government Auditing Standards issued by the Comptroller General of the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p>Client's responsibility</p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<p>Planned scope and timing of the audit</p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p>Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing the District and how they are disclosed.</i></p>	<p>The most significant risks and exposures of the District are described in Note 12 "Risk Management" to the financial statements</p>
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus</i> • <i>The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of the District's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures.</i> • <i>Critical accounting policies and practices applied by the client in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i> • <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure</i> 	<p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements.</p> <p>During fiscal year 2019, the District adopted GASB Statement No. 88, <i>Certain disclosures related to debt including direct borrowings and direct replacements</i>. The objective of this Statements is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.</p> <p>We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><i>alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i></p>	
<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	<p>We encountered no significant difficulties in performing our audit.</p>
<p>Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	<p>We are pleased to report that no such disagreements arose during the course of our audit.</p>
<p>Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	<p>None Noted.</p>
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	<p>Please see the following section titled "Management Communication Letter".</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Corrected and uncorrected misstatements <i>All significant audit adjustments arising from the audit, whether or not recorded by the District, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the District management about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	<p>Please see the following section titled "Summary of Adjustments" for corrected misstatements. There were no uncorrected misstatements.</p>
<p>Major issues discussed with management prior to retention <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	<p>We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p>
<p>Consultations with other accountants <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	<p>We are not aware of any consultations with other accountants.</p>
<p>Written representations <i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	<p>We have requested certain representations from management. See "Management Representation Letter" section.</p>
<p>Internal control deficiencies <i>Any significant deficiencies or material weakness in the design or operation of internal control that came to the auditors' attention during the audit.</i></p>	<p>Please see attached "Management Communication Letter" section.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Fraud and illegal acts</p> <p><i>Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly consequential.</i></p>	<p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p>
<p>Supplementary information in relation to the financial statements as a whole</p> <p><i>The auditors' responsibility for supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i></p>	<p>We were engaged to report on the supplementary information, which accompanies the financial statements but is not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.</p>
<p>Other information in documents containing audited financial statements</p> <p><i>The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

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

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

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

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

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Claims Liabilities – Self-insured Worker’s Compensation and Health and Dental Insurance	The claims for worker’s compensation insurance and health and dental insurance liability, reported in the Internal Service Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.	Yes	Management’s estimate of claims for health insurance is based on historical trends’ factors of the claims paid during an established runoff period, considering stop loss coverage. For worker’s compensation, management uses estimates made by the actuary who uses claims paid, adjusters’ estimates for incurred but not reported claims, stop loss coverage, etc. We evaluated the key factors and assumptions used to develop the annual accruals in determining that they are reasonable in relation to the financial statements taken as a whole.	The District’s policies are in accordance with applicable accounting guidelines. However, Management should document their evaluation of the actuaries’ competence, capabilities, and objectivity to be able to rely on the actuaries’ work and estimates and ensure a reasonable estimate of claims payable is recorded on the District’s financial statements.

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

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

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

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

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

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

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

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

Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the District and amounts that we believe are required to be recorded under GAAP. Those adjustments are recorded (corrected) by management. See below the Schedule of Adjusting Journal Entries for a summary of those differences at June 30, 2019.

QUALITATIVE MATERIALITY CONSIDERATIONS

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

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

Summary of Audit Adjustments

**Sharyland Independent School District
Schedule of Adjusting Journal Entries
For The Year Ended June 30, 2019**

Adjusting Entry	Debit	Credit
Adjusting Entry Numer 1:		
410-00-2311-00-000-9-00-000	1,073,215.78	
410-00-1241-00-000-9-00-000		(1,073,215.78)
	1,073,215.78	(1,073,215.78)
<i>To reverse carryover funds</i>		
Adjusting Entry Number 2:		
161-00-3600-00-000-9-00-000	819,704.86	
161-00-5931-00-000-9-00-000		(819,704.86)
	819,704.86	(819,704.86)
<i>To reclass Shars payment to Revenue</i>		
Adjusting Entry Number 3:		
191-00-3450-00-000-9-00-000	233,762.87	
191-00-3600-00-000-9-00-000		(233,762.87)
240-00-3450-00-000-9-00-000	807,649.27	
240-00-3600-00-000-9-00-000		(807,649.27)
599-00-3480-00-000-9-00-000	1,343,109.95	
599-00-3600-00-000-9-00-000		(1,343,109.95)
199-00-3510-00-000-9-00-000	2,594,191.00	
199-00-3600-00-000-9-00-000		(2,594,191.00)
461-00-3545-00-000-9-00-000	154,971.58	
461-00-3600-00-000-9-00-000		(154,971.58)
199-00-3410-00-000-9-00-000	235,356.56	
199-00-3600-00-000-9-00-000		(235,356.56)
240-00-3410-00-000-9-00-000	171,917.60	
240-00-3600-00-000-9-00-000		(171,917.60)
478-00-3425-00-000-9-00-000	10,000.00	
478-00-3600-00-000-9-00-000		(10,000.00)
479-00-3425-00-000-9-00-000		(3,577.82)
479-00-3600-00-000-9-00-000	3,577.82	
	5,554,536.65	(5,554,536.65)
<i>Reclass fund balance for financial statement software presentation.</i>		
Adjustment Entry Number 4:		
199-41-6499-00-747-9-99-000	350.62	
199-41-6419-00-999-9-99-747		(188.00)
199-41-6499-00-999-9-99-000		(162.62)
199-41-6399-00-750-9-99-000	50.56	
199-41-6399-00-997-9-99-000		(50.56)
	401.18	(401.18)
<i>To reclassify to proper account</i>		

Summary of Audit Adjustments

<u>Adjustment Entry Number 5:</u>		
161-00-1243-00-000-9-00-000	825,840.00	
161-00-2602-00-000-9-00-000		(825,840.00)
	825,840.00	(825,840.00)

To record receivable

<u>Adjustment Entry Number 6:</u>		
199-00-2601-00-000-9-00-000	17,491.25	
599-00-2601-00-000-9-00-000	11,989.73	
199-00-5711-00-000-9-00-000		(17,491.25)
599-00-5711-00-000-9-00-000		(11,989.73)
	29,480.98	(29,480.98)

To record deferred taxes

<u>Adjustment Entry Number 7:</u>		
199-11-639-00-001-9-22-000	73,459.07	
199-00-2177-00-000-9-00-000		(73,459.07)
864-00-1101-00-000-9-00-000		(73,459.07)
864-00-1261-00-000-9-00-000	73,459.07	
	146,918.14	(146,918.14)

To record additional accounts payable accruals

<u>Adjustment Entry Number 8:</u>		
599-71-6511-12-999-9-99-000		(625,000.85)
599-71-6521-12-999-9-99-000	625,000.85	
	625,000.85	(625,000.85)

Reclass Bond Principal and Interest

<u>Adjustment Entry Number 9:</u>		
183-00-1101-00-000-9-00-000	163,625.00	
183-36-6639-T1-999-9-91-000		(163,625.00)
181-00-1101-00-000-9-00-000		(163,625.00)
181-71-6512-00-999-9-99-000	163,625.00	
181-81-6659-00-999-9-99-000	800,000.00	
181-00-7913-00-000-9-00-000		(800,000.00)
901-00-1539-00-000-9-00-000		(163,625.00)
901-00-1559-00-000-9-00-000	803,625.00	
901-00-3200-00-000-9-00-000		(640,000.00)
	1,930,875.00	(1,930,875.00)

To record the Scoreboard lease in the proper accounts.

Summary of Audit Adjustments

<u>Adjustment Entry Number 10:</u>		
902-00-2130-00-000-9-00-000		(160,000.00)
902-00-2531-00-000-9-00-000	160,000.00	
	160,000.00	(160,000.00)

To reclass lease payment and to record short term portion

<u>Adjustment Entry Number: 11</u>		
770-00-1101-00-000-9-00-000	190,100.22	
770-00-5754-00-000-9-00-000		(190,100.22)
863-00-1101-00-000-9-00-000		(190,100.22)
863-00-2159-00-000-9-00-000	190,100.22	
	380,200.44	(380,200.44)

Close fund 863 for FYE 2018-2019

<u>Adjustment Entry Number 12:</u>		
199-00-3410-00-000-9-00-000		(235,357.00)
199-00-3600-00-000-9-00-000	235,357.00	
240-00-3410-00-000-9-00-000		(171,918.00)
240-00-3600-00-000-9-00-000	171,918.00	
478-00-3425-00-000-9-00-000		(10,000.00)
478-00-3600-00-000-9-00-000	10,000.00	
191-00-3425-00-000-9-00-000		(311,605.00)
191-00-3600-00-000-9-00-000	311,605.00	
240-00-3450-00-000-9-00-000		(56,708.00)
240-00-3600-00-000-9-00-000	56,708.00	
599-00-3480-00-000-9-00-000		(647,862.00)
599-00-3600-00-000-9-00-000	647,862.00	
199-00-3510-00-000-9-00-000		(581,034.00)
199-00-3600-00-000-9-00-000	581,034.00	
461-00-3545-00-000-9-00-000		(294,320.00)
461-00-3600-00-000-9-00-000	294,320.00	
199-00-3600-00-000-9-00-000	16,740.00	
199-00-3430-00-000-9-00-000		(16,740.00)
	2,325,544.00	(2,325,544.00)

Reclass fund balance for financial statement software presentation.

Summary of Audit Adjustments

<u>Adjustment Entry Number 13:</u>		
181-71-6512-00-999-9-99-000		(3,625.00)
181-81-6659-00-999-9-99-000	3,625.00	
711-00-3200-00-000-9-00-000	13,411.97	
711-00-3900-00-000-9-00-000		(13,411.97)
713-00-3200-00-000-9-00-000	9,470.36	
713-00-3900-00-000-9-00-000		(9,470.36)
714-00-3200-00-000-9-00-000	14,658.42	
714-00-3900-00-000-9-00-000		(14,658.42)
717-00-3200-00-000-9-00-000	2,064.33	
717-00-3900-00-000-9-00-000		(2,064.33)
	<u>43,230.08</u>	<u>(43,230.08)</u>

PBC - Reclassify fixed assets to proper account

<u>Adjustment Entry Number 14:</u>		
711-00-1573-00-000-9-00-000	32,692.41	
711-00-1571-00-000-9-00-000		(32,692.41)
714-00-3200-00-000-9-00-000	29,535.92	
714-00-3900-00-000-9-00-000		(29,535.92)
	<u>62,228.33</u>	<u>(62,228.33)</u>

PBC to reclassify accumulated depreciation to proper account.

<u>Adjustment Entry Number 15:</u>		
199-00-1241-00-000-9-00-000	1,803,494.00	
199-00-5812-00-000-9-00-000		(1,803,494.00)
	<u>1,803,494.00</u>	<u>(1,803,494.00)</u>

To record settle-up near final TEA payment

<u>Adjustment Entry Number 16:</u>		
199-00-8911-00-000-9-00-000	1,321.25	
199-00-2174-00-000-9-00-000		(1,321.25)
199-00-7915-00-000-9-00-000		(1,321.25)
199-00-1261-00-000-9-00-000	<u>1,321.25</u>	
	<u>2,642.50</u>	<u>(2,642.50)</u>

to eliminate due to due from

<u>Adjustment Entry Number 17:</u>		
199-00-2177-00-000-9-00-000	73,459.07	
199-00-7915-00-000-9-00-000		(73,459.07)
864-00-1261-00-000-9-00-000		(73,459.07)
864-00-8911-00-000-9-00-000	<u>73,459.07</u>	
	<u>146,918.14</u>	<u>(146,918.14)</u>

To clear offset with clearing account

Management Representation Letter



BOARD OF TRUSTEES
Dr. Maria M. Vidaurri
BOARD OF TRUSTEES
Jose Garcia – President
Keith Padilla – Vice President
Julio Cerda – Secretary
Hector Rivera – Asst. Secretary
Dr. Noe Oliveira – Member
Ricky Longoria – Member
Melissa Smith – Member

1200 N. SHARY ROAD, MISSION, TX 78572 PHONE: 956-580-5200 FAX: 956-580-5229 WWW.SHARYLANDISD.ORG

November 8, 2019

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

This representation letter is provided in connection with your audit(s) of the financial statements of Sharyland Independent School District (the "District"), which comprise the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief, as of November 8, 2019, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 24, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, for example: SHARS revenue for 2018-19, property tax allowance, depreciation/amortization, and Net Pension Liability for TRS and OPEB. Including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

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

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Management Representation Letter

- 7) There are no events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the school district is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

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

Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have a process to track the status of audit findings and recommendations.
- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 22) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 23) The school district has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

Management Representation Letter

- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 26) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 29) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 30) As part of your audit, you assisted with preparation of the financial statements, related notes, and schedule of expenditures of federal awards and assisted with the preparation of GASB 34 journal entries. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, Jaime Ortega, Executive Director of Finance, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements, related notes, and schedule of expenditures of federal awards.
- 31) We agree with the findings of specialists in evaluating the net pension and net OPEB obligation for the District's post-employment health care benefits and other post-employment benefits given to retired employees, the net pension and OPEB liabilities for the District's pension and other post-employment benefit plans, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- 32) We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 33) The school district has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 34) The school district has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 35) There are no component units or joint ventures with an equity interest that must be included in our financial statements.
- 36) The financial statements properly classify all funds and activities in accordance with [GASB Statement No. 34](#).
- 37) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 38) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 39) Investments are properly valued.
- 40) Provisions for uncollectible receivables have been properly identified and recorded.
- 41) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 42) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

Management Representation Letter

- 43) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 44) Deposits and investment securities are properly classified as to risk and are properly disclosed.
- 45) Capital assets, including intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 46) We have appropriately disclosed the school district's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 47) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 48) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 49) With respect to the to the Exhibits in the Table of Contents J-1, J-2, and J-4
 - a) We acknowledge our responsibility for presenting the other schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the fund statements and other statements, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the schedules of information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 50) With respect to federal award programs:
 - a) We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
 - b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
 - c) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
 - d) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
 - e) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
 - f) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
 - g) We have received no requests from a federal agency to audit one or more specific programs as a major program.

Management Representation Letter

- h) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- i) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- j) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- k) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- l) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- m) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- n) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- o) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- p) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- q) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- r) We have charged costs to federal awards in accordance with applicable cost principles.
- s) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- t) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- u) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- v) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- w) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signature: 
Title: Assistant Superintendent for Business-Finance & Support Services

Signature: 
Title: Executive Director of Finance

Management Communication Letter

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

In planning and performing our audit of the financial statements of Sharyland Independent School District's as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Sharyland Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

During our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. We included the accompanying chart of internal control recommendations for management's consideration. This letter does not affect our report, dated, October 31, 2019, on the financial statements of Sharyland Independent School District.

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

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

Carr Riggs and Ingram, LLC
McAllen, Texas
November 8, 2019

Management Communication Letter

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness
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CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION
1	IP	Debt, Debt Service	Capital lease was not properly recorded.	The District should review all debt entered into and determine whether it is properly classified.
2	CD	SEFA (Exhibit K-1), Fixed Assets, Depreciation	SEFA worksheet did not agree with the general ledger information. The worksheet included amounts for the grant year instead of fiscal year. In addition, the depreciation schedule did not include some additions and required adjustments to some worksheet formulas.	Attention to information provided and review of worksheets.
3	IP	Accrued Liabilities	Accrued liabilities for Fund 773 clearing account was not cleared out at the beginning of the year.	Review beginning balances and clear out accrued liabilities.
4	IP	Debt, Debt Service	Interest and bond principal payments were not recorded properly.	Review bond amortization schedules and payments.