

**SHARYLAND INDEPENDENT  
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2020**



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

[CRIcpa.com](http://CRIcpa.com)

(This page intentionally left blank)

**Sharyland Independent School District  
Table of Contents  
For the Year Ended June 30, 2020**

**TAB: INTRODUCTORY SECTION**

Principal Officials	iii
Certificate of the Board	iv

**TAB: REPORT**

Independent Auditors’ Report	1
------------------------------	---

**TAB: FINANCIAL SECTION**

Management’s Discussion and Analysis	4
Government-Wide Financial Statements:	
Statement of Net Position	A-1 13
Statement of Activities	B-1 14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	C-1 16
Reconciliation of the Government Funds	
Balance Sheet to the Statement of Net Position	C-2 17
Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Governmental Funds	C-3 18
Reconciliation of the Governmental Funds Statement of	
Revenues, Expenditures, and Changes in	
Fund Balances to the Statement of Activities	C-4 19
Statement of Net Position – Proprietary Funds	D-1 20
Statement of Revenues, Expenses and Changes in	
Fund Net Position – Proprietary Funds	D-2 21
Statement of Cash Flows – Proprietary Funds	D-3 22
Statement of Fiduciary Net Position – Fiduciary Funds	E-1 23
Statement of Changes in Fiduciary Fund Net Position – Fiduciary Funds	E-2 24
Notes to Financial Statements	25

(This page intentionally left blank)

**Sharyland Independent School District**  
**Table of Contents (*Continued*)**  
**For the Year Ended June 30, 2020**

**TAB: REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	G-1	67
Schedule of the District’s Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas	G-2	68
Schedule of District’s Contributions for Pensions – Teacher Retirement System of Texas	G-3	70
Schedule of the District’s Proportionate Share of the Net OPEB Liability – Teacher Retirement System of Texas	G-4	72
Schedule of District’s Contributions for Other Postemployment Benefits (OPEB) – Teacher Retirement System of Texas	G-5	73
Notes to Required Supplementary Information		74

**TAB: OTHER INFORMATION**

Schedule of Delinquent Taxes Receivable	J-1	76
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Program (Unaudited)	J-3	78
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund (Unaudited)	J-4	79

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

Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		80
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance		82
Schedule of Findings and Questioned Costs		84
Corrective Action Plan		86
Status of Prior Year Findings		87
Schedule of Expenditures of Federal Awards	K-1	88
Notes to Schedule of Expenditures of Federal Awards		90

(This page intentionally left blank)



**INTRODUCTORY SECTION**

(This page intentionally left blank)



**Sharyland Independent School District  
Principal Officials  
June 30, 2020**

**Board of Trustees**

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

**Administration**

Superintendent	Dr. Maria Vidaurri
----------------	--------------------

Sharyland Independent School District  
Certificate of the Board  
For the Year Ended June 30, 2020

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, 2020 at the meeting of the Board of Trustees of such school district on the 14<sup>th</sup> day of December \_\_\_\_\_, 2020.

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

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



**REPORT**

(This page intentionally left blank)



**Carr, Riggs & Ingram, LLC**  
4100 N. 23rd St.  
McAllen, TX 78504  
  
(956) 686-3701  
(956) 686-6830 (fax)  
CRlcpa.com

## **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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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, 2020, 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.

## ***Emphasis of Matter***

### *Restatement of Net Position*

As discussed in note 18 to the basic financial statements, the prior year statements have been restated in the amount of \$2,991,183 in the governmental activities. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that 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 for Pensions - 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 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 December 9, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

McAllen, TX  
December 9, 2020

(This page intentionally left blank)





**FINANCIAL SECTION**

(This page intentionally left blank)

## 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, 2020. 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 \$25,195,033 (*net position*).
- As of the close of the current fiscal year, The District's governmental funds reported combined ending fund balances of \$33,930,165. Approximately 88 percent of this total amount, \$29,880,653 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 \$29,738,039 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.

## Sharyland Independent School District Management's Discussion and Analysis

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.

**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.

## Sharyland Independent School District Management's Discussion and Analysis

### 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,195,033 as of June 30, 2020 and by \$25,709,523 as of June 30, 2019.

	<b>The District's Net Assets</b>					
	Governmental		Business- Type		Total	
	Activities		Activites			
	June 2020	June 2019	June 2020	June 2019	June 2020	June 2019
Current assets	\$ 48,541,945	\$ 46,036,469	\$ 81,016	\$ 81,597	\$ 48,622,961	\$ 46,118,066
Noncurrent assets	159,369,324	161,265,035	148,897	168,471	159,518,221	161,433,506
Total assets	<u>207,911,269</u>	<u>207,301,504</u>	<u>229,913</u>	<u>250,068</u>	<u>208,141,182</u>	<u>207,551,572</u>
Deferred outflows of resources	<u>22,643,234</u>	<u>25,269,794</u>	-	-	<u>22,643,234</u>	<u>25,269,794</u>
Current liabilities	14,019,768	12,606,170	796	-	14,020,564	12,606,170
Long-term liabilities:	<u>170,358,024</u>	<u>180,721,663</u>	-	-	<u>170,358,024</u>	<u>180,721,663</u>
Total liabilities	<u>184,377,792</u>	<u>193,327,833</u>	<u>796</u>	<u>-</u>	<u>184,378,588</u>	<u>193,327,833</u>
Deferred inflows of resources	<u>21,210,795</u>	<u>13,784,010</u>	-	-	<u>21,210,795</u>	<u>13,784,010</u>
Net Position:						
Invested in capital assets	54,869,393	52,076,157	148,898	168,471	55,018,291	52,244,628
Restricted	266,101	368,313	-	-	266,101	368,313
Unrestricted	<u>(30,169,578)</u>	<u>(26,985,015)</u>	<u>80,219</u>	<u>81,597</u>	<u>(30,089,359)</u>	<u>(26,903,418)</u>
Total Net Position	<u>\$ 24,965,916</u>	<u>\$ 25,459,455</u>	<u>\$ 229,117</u>	<u>\$ 250,068</u>	<u>\$ 25,195,033</u>	<u>\$ 25,709,523</u>

Investment in capital assets (e.g., land, buildings, furniture, and equipment) less any related debt used to acquire those assets that is still outstanding is \$55,018,291 as of June 30, 2020 and \$52,244,628 as of June 30, 2019. 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 \$33,608,766 which may be used to meet the District's ongoing obligations.

**Governmental activities.** The District's total net position decreased by \$493,539 in 2020 and decreased by \$1,813 in 2019. The total cost of all *governmental activities* these years was \$129,824,071 in 2020 and \$118,379,782 in 2019. The amount that our taxpayers paid for these activities through property taxes was \$43,428,852 or 33% in 2020 and \$44,133,717 or 37% in 2019.

## Sharyland Independent School District Management's Discussion and Analysis

**Business activities.** The District's total net position decreased \$20,951 in 2020 and decreased \$27,849 in 2019. The total cost of all *business activities* these years was \$208,524 in 2020 and \$279,199 in 2019.

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.

### REVENUES

#### Program revenues

Charges for services	\$ 2,036,668	\$ 2,302,245	\$ 187,572	\$ 251,350	\$ 2,224,240	\$ 2,553,595
Op.grants and contributions	23,678,775	16,693,954	-	-	23,678,775	16,693,954

#### General revenues

Property Taxes	43,428,852	44,133,717	-	-	43,428,852	44,133,717
State Aid - Formula	59,265,474	51,520,101	-	-	59,265,474	51,520,101
Investment Earnings	628,946	318,499	-	-	628,946	318,499
Other	291,817	418,270	-	-	291,817	418,270
Transfers in (out), net	-	-	-	-	-	-
<b>Total Revenues</b>	<b>129,330,532</b>	<b>115,386,786</b>	<b>187,572</b>	<b>251,350</b>	<b>129,518,104</b>	<b>115,638,136</b>

### EXPENSES

Instruction	69,875,752	61,723,511	-	-	69,875,752	61,723,511
Instr.Resources & Media Svcs.	1,333,559	1,316,584	-	-	1,333,559	1,316,584
Curriculum and Staff Dev.	981,282	1,342,384	-	-	981,282	1,342,384
Instructional Leadership	2,863,085	2,540,418	-	-	2,863,085	2,540,418
School Leadership	6,583,792	5,968,324	-	-	6,583,792	5,968,324
Guidance, Counseling & Eval.Svcs.	5,366,401	4,818,372	-	-	5,366,401	4,818,372
Social Work Services	48,847	44,029	-	-	48,847	44,029
Health Services	2,609,203	1,422,868	-	-	2,609,203	1,422,868
Student Transportation	4,173,920	4,035,319	-	-	4,173,920	4,035,319
Food Services	7,005,971	6,104,948	-	-	7,005,971	6,104,948
Extracurricular Activities	7,770,376	7,633,768	-	-	7,770,376	7,633,768
General Administration	3,453,881	3,380,757	-	-	3,453,881	3,380,757
Plant Maintenance and Operations	10,694,783	10,515,206	-	-	10,694,783	10,515,206
Security and Monitoring Services	1,074,356	1,161,384	-	-	1,074,356	1,161,384
Data Processing Services	1,130,679	924,364	-	-	1,130,679	924,364
Community Services	393,693	323,224	208,523	279,199	602,216	602,423
Debt Service-Interest on Long Term Debt	3,769,873	4,630,213	-	-	3,769,873	4,630,213
Debt Service-Bond Issuance Cost and Fees	195,078	8,750	-	-	195,078	8,750
Capital Outlay	-	-	-	-	-	-
Payments to JJAEP	20,529	12,000	-	-	20,529	12,000
Other Governmental Charges	479,011	473,359	-	-	479,011	473,359
<b>Total Expenses</b>	<b>129,824,071</b>	<b>118,379,782</b>	<b>208,523</b>	<b>279,199</b>	<b>130,032,594</b>	<b>118,658,981</b>
Total Increase in Net Position	(493,539)	(2,992,996)	(20,951)	(27,849)	(514,490)	(3,020,845)
Beginning, Net Position	22,468,272	25,461,268	250,068	277,917	22,718,340	25,739,185
Transfers In (Out)	-	-	-	-	-	-
Prior period adjustments	2,991,183	-	-	-	2,991,183	-
<b>Ending, Net Position</b>	<b>\$ 24,965,916</b>	<b>\$ 22,468,272</b>	<b>\$ 229,117</b>	<b>\$ 250,068</b>	<b>\$ 25,195,033</b>	<b>\$ 22,718,340</b>

## 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 \$33,930,165 an increase of \$3,096,197. Approximately 88 percent of this total amount (\$29,880,653) 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 (\$412,099) 2) to pay debt service (\$777,638), 3) for other miscellaneous restrictions and other commitments (\$673,731), and 4) construction (\$2,186,044).

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 \$29,738,039 while the total fund balance was \$32,414,572. 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 33 percent of that same amount.

The fund balance of the District's general fund increased by \$2,748,001 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, 2020, amounted to \$80,219. During the year, the funds had a decrease in net position of \$1,378.

### 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 Sources	\$ 947,190
State Program Revenues	(700,059)
Federal Progeam Revenues	-

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

Instructional and Instructional Related Services	\$ (395,426)
Instructional and School Leadership	283,555
Support Services -Student (Pupil)	1,297,005
Administrative Support Services	(6,679)
Support Services - Non Student Based	981,514
Ancillary Services	(1,000)
Debt Services	165,398
Capital Outlay	2,872,620
Other	57,000

### Capital Asset and Debt Administration

**Capital assets.** The District's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$159,369,324 (net of accumulated depreciation), a decrease of 1.18% over prior year. This investment in capital assets includes land, buildings, etc. as listed below.

<b>District's Capital Assets (net of depreciation)</b>		
	2020	2019
Land	\$ 12,496,717	\$ 12,496,717
Buildings and improvements	134,961,737	137,703,421
Furniture and equipment	7,913,136	7,684,900
Capital Lease-Furniture and equipment	759,772	822,420
Infrastructure Assets-Roads	381,170	408,238
Infrastructure Assets-Networks and Subsystems	390,958	422,510
Construction in Progress	2,465,834	1,726,829
Total capital assets	\$ 159,369,324	\$ 161,265,035

Additional information on the District's capital assets can be found in Note 7 on pages 42-43 of this report.

## Sharyland Independent School District Management's Discussion and Analysis

**Long-term debt.** At the end of June 30, 2020, the District had total bonded debt outstanding of \$93,485,000 a net decrease of \$4,515,000 from the prior year.

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

The District also has issues outstanding which are rated "Aaa" by Moody's and "A" by Fitch Ratings by virtue of the guarantee of the Permanent School Fund of the State of Texas. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$339,747,988, 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 pages 44-48 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 2020 experienced modest 3% growth when compared to 2019.
- The District has estimated revenues and appropriated expenditures in the 2020-21. General Fund officially adopted budget of \$100,948,100.

### **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 76<sup>th</sup> Texas Legislature in 1999. The primary goal of FIRST is to achieve quality performance in the management of school district financial resources, a goal made more significant due to the complexity of accounting associated with the Texas school financial system. The District has been awarded the "Superior Achievement" rating under FIRST since the inception of the ratings.

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

### REQUESTS FOR INFORMATION

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

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

(This page intentionally left blank)

SHARYLAND ISD  
STATEMENT OF NET POSITION  
JUNE 30, 2020

EXHIBIT A-1

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 19,161,294	\$ 81,016	\$ 19,242,310
1120 Current Investments	7,403,474	-	7,403,474
1225 Property Taxes Receivable, Net	1,354,442	-	1,354,442
1240 Due from Other Governments	20,102,508	-	20,102,508
1250 Accrued Interest	35,920	-	35,920
1290 Other Receivables, Net	72,208	-	72,208
1300 Inventories	412,099	-	412,099
Capital Assets:			
1510 Land	12,496,717	-	12,496,717
1520 Buildings, Net	134,961,737	102,056	135,063,793
1530 Furniture and Equipment, Net	7,913,136	46,841	7,959,977
1550 Leased Property Under Capital Leases, Net	759,772	-	759,772
1580 Construction in Progress	2,465,834	-	2,465,834
1590 Infrastructure, Net	772,128	-	772,128
1000 Total Assets	<u>207,911,269</u>	<u>229,913</u>	<u>208,141,182</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
1701 Deferred Charge for Refunding	2,641,139	-	2,641,139
1705 Deferred Outflow Related to TRS Pension	13,579,001	-	13,579,001
1706 Deferred Outflow Related to TRS OPEB	6,423,094	-	6,423,094
1700 Total Deferred Outflows of Resources	<u>22,643,234</u>	<u>-</u>	<u>22,643,234</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	1,428,408	796	1,429,204
2140 Interest Payable	1,446,972	-	1,446,972
2150 Payroll Deductions and Withholdings	863,687	-	863,687
2160 Accrued Wages Payable	7,740,980	-	7,740,980
2200 Accrued Expenses	1,905,518	-	1,905,518
2300 Unearned Revenue	634,203	-	634,203
Noncurrent Liabilities:			
2501 Due Within One Year	4,455,000	-	4,455,000
2502 Due in More Than One Year	102,204,899	-	102,204,899
2540 Net Pension Liability (District's Share)	27,888,239	-	27,888,239
2545 Net OPEB Liability (District's Share)	35,809,886	-	35,809,886
2000 Total Liabilities	<u>184,377,792</u>	<u>796</u>	<u>184,378,588</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2605 Deferred Inflow Related to TRS Pension	5,200,690	-	5,200,690
2606 Deferred Inflow Related to TRS OPEB	16,010,105	-	16,010,105
2600 Total Deferred Inflows of Resources	<u>21,210,795</u>	<u>-</u>	<u>21,210,795</u>
<b>NET POSITION</b>			
3200 Net Investment in Capital Assets	54,869,393	148,898	55,018,291
3820 Restricted for Federal and State Programs	266,101	-	266,101
3900 Unrestricted	(30,169,578)	80,219	(30,089,359)
3000 Total Net Position	<u>\$ 24,965,916</u>	<u>\$ 229,117</u>	<u>\$ 25,195,033</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, 2020

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 69,875,752	\$ 305,845	\$ 11,907,590
12 Instructional Resources and Media Services	1,333,559	73,773	155,036
13 Curriculum and Instructional Staff Development	981,282	-	423,056
21 Instructional Leadership	2,863,085	-	456,158
23 School Leadership	6,583,792	156,225	651,420
31 Guidance, Counseling and Evaluation Services	5,366,401	10,364	1,569,109
32 Social Work Services	48,847	-	5,937
33 Health Services	2,609,203	-	150,778
34 Student (Pupil) Transportation	4,173,920	-	401,812
35 Food Services	7,005,971	858,642	5,838,539
36 Extracurricular Activities	7,770,376	627,479	395,627
41 General Administration	3,453,881	4,340	438,117
51 Facilities Maintenance and Operations	10,694,783	-	651,794
52 Security and Monitoring Services	1,074,356	-	37,313
53 Data Processing Services	1,130,679	-	238,878
61 Community Services	393,693	-	357,611
72 Debt Service - Interest on Long-Term Debt	3,769,873	-	-
73 Debt Service - Bond Issuance Cost and Fees	195,078	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	20,529	-	-
99 Other Intergovernmental Charges	479,011	-	-
[TG] Total Governmental Activities:	<u>129,824,071</u>	<u>2,036,668</u>	<u>23,678,775</u>
BUSINESS-TYPE ACTIVITIES:			
01 Enterprise Funds - Locally Defined	<u>208,524</u>	<u>187,572</u>	<u>-</u>
[TB] Total Business-Type Activities:	<u>208,524</u>	<u>187,572</u>	<u>-</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 130,032,595</u>	<u>\$ 2,224,240</u>	<u>\$ 23,678,775</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		
PA	Prior Period Adjustment		
NE	Net Position - Ending		

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

Net (Expense) Revenue and  
Changes in Net Position

6	7	8
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (57,662,317)	\$ -	\$ (57,662,317)
(1,104,750)	-	(1,104,750)
(558,226)	-	(558,226)
(2,406,927)	-	(2,406,927)
(5,776,147)	-	(5,776,147)
(3,786,928)	-	(3,786,928)
(42,910)	-	(42,910)
(2,458,425)	-	(2,458,425)
(3,772,108)	-	(3,772,108)
(308,790)	-	(308,790)
(6,747,270)	-	(6,747,270)
(3,011,424)	-	(3,011,424)
(10,042,989)	-	(10,042,989)
(1,037,043)	-	(1,037,043)
(891,801)	-	(891,801)
(36,082)	-	(36,082)
(3,769,873)	-	(3,769,873)
(195,078)	-	(195,078)
(20,529)	-	(20,529)
(479,011)	-	(479,011)
(104,108,628)	-	(104,108,628)
-	(20,952)	(20,952)
-	(20,952)	(20,952)
(104,108,628)	(20,952)	(104,129,580)
35,734,304	-	35,734,304
7,694,548	-	7,694,548
59,265,474	-	59,265,474
628,946	-	628,946
291,817	-	291,817
103,615,089	-	103,615,089
(493,539)	(20,952)	(514,491)
22,468,272	250,069	22,718,341
2,991,183	-	2,991,183
\$ 24,965,916	\$ 229,117	\$ 25,195,033

SHARYLAND ISD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

Data Control Codes	10 General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 16,356,804	\$ -	\$ 1,057,269	\$ 17,414,073
1120 Investments - Current	7,365,187	-	38,287	7,403,474
1225 Taxes Receivable, Net	1,134,003	-	220,439	1,354,442
1240 Due from Other Governments	16,136,241	1,975,968	1,990,299	20,102,508
1250 Accrued Interest	30,259	-	2,402	32,661
1260 Due from Other Funds	2,536,131	-	-	2,536,131
1290 Other Receivables	14	-	-	14
1300 Inventories	253,967	-	158,132	412,099
1000 Total Assets	<u>\$ 43,812,606</u>	<u>\$ 1,975,968</u>	<u>\$ 3,466,828</u>	<u>\$ 49,255,402</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 1,196,149	\$ -	\$ 127,869	\$ 1,324,018
2150 Payroll Deductions and Withholdings Payable	810,331	-	53,356	863,687
2160 Accrued Wages Payable	7,288,135	-	452,845	7,740,980
2170 Due to Other Funds	-	1,975,968	560,163	2,536,131
2200 Accrued Expenditures	107,241	-	-	107,241
2300 Unearned Revenue	12,084	-	622,119	634,203
2000 Total Liabilities	<u>9,413,940</u>	<u>1,975,968</u>	<u>1,816,352</u>	<u>13,206,260</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	720,628	-	134,883	855,511
2602 Deferred Inflow of Resources - #2	1,263,466	-	-	1,263,466
2600 Total Deferred Inflows of Resources	<u>1,984,094</u>	<u>-</u>	<u>134,883</u>	<u>2,118,977</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	253,967	-	158,132	412,099
3425 Endowment Principal	-	-	10,000	10,000
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	236,522	-	29,579	266,101
3480 Retirement of Long-Term Debt	-	-	777,638	777,638
Committed Fund Balance:				
3510 Construction	2,186,044	-	-	2,186,044
3545 Other Committed Fund Balance	-	-	397,630	397,630
3600 Unassigned Fund Balance	29,738,039	-	142,614	29,880,653
3000 Total Fund Balances	<u>32,414,572</u>	<u>-</u>	<u>1,515,593</u>	<u>33,930,165</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 43,812,606</u>	<u>\$ 1,975,968</u>	<u>\$ 3,466,828</u>	<u>\$ 49,255,402</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, 2020

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	33,930,165
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 decrease net position.		(79,994)
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 \$234,552,799 and the accumulated depreciation was (\$73,287,764). In addition, long-term liabilities, including bonds payable, bond premium and accretion on bonds, interest payable, tax note, capital leases 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.		47,826,095
3 Current year capital outlays, 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 2020 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.		12,530,088
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 \$13,579,001, a deferred resource inflow in the amount of (\$5,200,690), and a net pension liability in the amount of (\$27,888,239). This resulted in a decrease in net position.		(19,509,928)
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 \$6,423,094, a deferred inflow in the amount of (\$16,010,105), and net OPEB liability in the amount of (\$35,809,886). This resulted in a decrease in net pension.		(45,396,897)
6 The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(6,452,590)
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 and recognizing SHARS as deferred inflow of resources. The net effect of these reclassifications and recognitions is to increase net position.		2,118,977
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>24,965,916</b>

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, 2020

EXHIBIT C-3

Data Control Codes	10 General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 37,230,763	\$ -	\$ 9,136,104	\$ 46,366,867
5800 State Program Revenues	62,703,455	-	2,653,187	65,356,642
5900 Federal Program Revenues	1,426,616	1,975,968	10,581,009	13,983,593
5020 Total Revenues	<u>101,360,834</u>	<u>1,975,968</u>	<u>22,370,300</u>	<u>125,707,102</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	53,843,040	1,975,968	4,304,486	60,123,494
0012 Instructional Resources and Media Services	1,074,839	-	108,903	1,183,742
0013 Curriculum and Instructional Staff Development	548,790	-	414,639	963,429
0021 Instructional Leadership	2,370,981	-	243,232	2,614,213
0023 School Leadership	5,877,513	-	108,654	5,986,167
0031 Guidance, Counseling, and Evaluation Services	3,671,502	-	1,180,197	4,851,699
0032 Social Work Services	44,862	-	-	44,862
0033 Health Services	786,518	-	73,028	859,546
0034 Student (Pupil) Transportation	3,826,067	-	-	3,826,067
0035 Food Services	302,102	-	6,489,972	6,792,074
0036 Extracurricular Activities	7,001,039	-	136,447	7,137,486
0041 General Administration	3,148,772	-	2,874	3,151,646
0051 Facilities Maintenance and Operations	10,102,579	-	210,657	10,313,236
0052 Security and Monitoring Services	1,013,184	-	39,694	1,052,878
0053 Data Processing Services	981,013	-	1	981,014
0061 Community Services	4,497	-	344,169	348,666
Debt Service:				
0071 Principal on Long-Term Debt	490,000	-	4,205,000	4,695,000
0072 Interest on Long-Term Debt	119,485	-	4,127,362	4,246,847
0073 Bond Issuance Cost and Fees	-	-	195,078	195,078
Capital Outlay:				
0081 Facilities Acquisition and Construction	2,963,568	-	-	2,963,568
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	20,529	-	-	20,529
0099 Other Intergovernmental Charges	479,011	-	-	479,011
6030 Total Expenditures	<u>98,669,891</u>	<u>1,975,968</u>	<u>22,184,393</u>	<u>122,830,252</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,690,943</u>	<u>-</u>	<u>185,907</u>	<u>2,876,850</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7911 Capital Related Debt Issued	-	-	7,465,000	7,465,000
7912 Sale of Real and Personal Property	57,058	-	-	57,058
7916 Premium or Discount on Issuance of Bonds	-	-	623,905	623,905
8949 Other (Uses)	-	-	(7,926,616)	(7,926,616)
7080 Total Other Financing Sources (Uses)	<u>57,058</u>	<u>-</u>	<u>162,289</u>	<u>219,347</u>
1200 Net Change in Fund Balances	2,748,001	-	348,196	3,096,197
0100 Fund Balance - July 1 (Beginning)	<u>29,666,571</u>	<u>-</u>	<u>1,167,397</u>	<u>30,833,968</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 32,414,572</u>	<u>\$ -</u>	<u>\$ 1,515,593</u>	<u>\$ 33,930,165</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, 2020

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 3,096,197
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.	(1,677,274)
Current year capital outlays, 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 2020 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.	9,538,905
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.	(6,452,590)
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 decrease net position.	(367,743)
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 \$1,790,515. 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 (\$1,587,893). 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 (\$4,183,050). The net result is a decrease in the change in net position.	(3,980,428)
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 \$478,842. 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 (\$450,372). 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 (\$679,076). The net result is a decrease in the change in net position.	(650,606)
<b>Change in Net Position of Governmental Activities</b>	\$ (493,539)

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

SHARYLAND ISD  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 81,016	\$ 1,747,221
Accrued Interest	-	3,260
Other Receivables	-	72,194
Total Current Assets	81,016	1,822,675
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements	176,233	-
Depreciation on Buildings	(74,177)	-
Furniture and Equipment	131,378	-
Depreciation on Furniture and Equipment	(84,537)	-
Total Noncurrent Assets	148,897	-
Total Assets	229,913	1,822,675
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	796	104,392
Accrued Expenses	-	1,798,277
Total Liabilities	796	1,902,669
<b>NET POSITION</b>		
Net Investment in Capital Assets	148,898	-
Unrestricted Net Position	80,219	(79,994)
Total Net Position	\$ 229,117	\$ (79,994)

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, 2020

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 177,750	\$ 8,084,075
State Program Revenues	9,822	-
Total Operating Revenues	<u>187,572</u>	<u>8,084,075</u>
OPERATING EXPENSES:		
Payroll Costs	156,350	-
Professional and Contracted Services	2,770	1,616,553
Supplies and Materials	27,598	-
Other Operating Costs	2,231	8,180,097
Depreciation Expense	19,575	-
Total Operating Expenses	<u>208,524</u>	<u>9,796,650</u>
Operating Income (Loss)	<u>(20,952)</u>	<u>(1,712,575)</u>
NONOPERATING REVENUES (EXPENSES):		
Earnings from Temporary Deposits & Investments	-	35,301
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>35,301</u>
Change in Net Position	(20,952)	(1,677,274)
Total Net Position - July 1 (Beginning)	<u>250,069</u>	<u>1,597,280</u>
Total Net Position - June 30 (Ending)	<u>\$ 229,117</u>	<u>\$ (79,994)</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, 2020

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 187,572	\$ 8,302,982
Cash Received from Assessments - Other Funds	-	(2,057)
Cash Payments to Employees for Services	(159,121)	(1,570,189)
Cash Payments for Suppliers	(26,801)	-
Cash Payments for Other Operating Expenses	(2,231)	(7,086,564)
Net Cash Used for Operating Activities	(581)	(355,828)
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Earning from Temporary Deposits and Investments	-	35,301
Net Decrease in Cash and Cash Equivalents	(581)	(320,527)
Cash and Cash Equivalents at Beginning of Year	81,597	2,067,748
Cash and Cash Equivalents at End of Year	\$ 81,016	\$ 1,747,221
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Used for Operating Activities:</u>		
Operating Income (Loss):	\$ (20,952)	\$ (1,712,575)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:		
Depreciation	19,575	-
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Other Receivables	-	218,908
Decrease (increase) in Accrued Interest	-	(2,057)
Increase (decrease) in Accounts Payable	796	46,363
Increase (decrease) in Accrued Expenses	-	1,093,533
Net Cash Used for Operating Activities	\$ (581)	\$ (355,828)

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

SHARYLAND ISD  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020

	Private Purpose Trust Fund	Custodial Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 174,287	\$ 579,957
Investments - Current	-	272,549
Accrued Interest	294	980
Total Assets	<u>174,581</u>	<u>\$ 853,486</u>
<b>LIABILITIES</b>		
Accounts Payable	6,500	34,961
Due to Student Groups	-	818,525
Total Liabilities	<u>6,500</u>	<u>853,486</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>168,081</u>	<u>-</u>
Total Net Position	<u><u>\$ 168,081</u></u>	<u><u>\$ -</u></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, 2020

	Private Purpose Trust Fund	Custodial Fund
<b>ADDITIONS:</b>		
Earnings from Temporary Deposits	\$ 3,442	\$ -
Contributions, Gifts and Donations	8,000	-
Total Additions	<u>11,442</u>	<u>-</u>
<b>DEDUCTIONS:</b>		
Other Deductions	30,500	-
Total Deductions	<u>30,500</u>	<u>-</u>
Change in Fiduciary Net Position	(19,058)	-
Total Net Position - July 1 (Beginning)	<u>187,139</u>	<u>-</u>
Total Net Position - June 30 (Ending)	<u>\$ 168,081</u>	<u>\$ -</u>

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





**NOTES TO FINANCIAL  
STATEMENTS**

(This page intentionally left blank)

## 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.

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.

## Sharyland Independent School District Notes to Financial Statements

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

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.

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.

## Sharyland Independent School District Notes to Financial Statements

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

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.

**Education Stabilization Fund (ESSER).** This fund is used to report revenues and expenditures of the ESSER Grant, a federal program under the CARES (Coronavirus Aid, Relief, and Economic Security) Act.

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 1<sup>st</sup> on the assessed value listed as of the prior January 1<sup>st</sup> for all real and business personal property in the District in conformity with Subtitle E, Texas Property Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1<sup>st</sup> of the year following the year in which imposed. On January 31<sup>st</sup> 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. It has a positive effect on net position, similar to assets. 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. It has a negative effect on net position similar to liabilities. 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. Deferred refunding debt (credits) are reported as deferred inflow of resources and are



## Sharyland Independent School District Notes to Financial Statements

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

amortized over the lesser life of the refunding bonds or refunded debt. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

#### 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.

#### **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. As such, the prepaid insurance and inventories have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).

## 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.

## Sharyland Independent School District Notes to Financial Statements

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

#### **11. Internal Service Fund Activity**

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

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

#### **12. Accounting System**

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

#### **13. Data Control Codes**

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

#### **14. Pension**

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

## Sharyland Independent School District Notes to Financial Statements

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

#### 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. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

#### 16. New Accounting Standards Adopted

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. 92, *Omnibus 2020*

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, 2019.

Statement No. 87 improves the accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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

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

Statement No. 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

**NOTE 3 – COMPLIANCE AND ACCOUNTABILITY**

***A. Finance-Related Legal and Contractual Provision***

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

Violations reported	Actions taken
None	Not applicable

*Expenditures Exceeding Appropriations*

During the year ended June 30, 2020, the District had no expenditures exceeding budgets 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 unassigned net position in the Governmental Activities of (\$ 30,169,578) 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 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.

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

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

The Public Funds Investment Act, the District’s investment policy, and Government Code Chapter 2257 “Collateral for Public Funds” contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

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

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

*B. Cash Deposits*

At June 30, 2020, the carrying amount of the District’s deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$20,177,980 and the bank balance was \$21,718,192. The District’s cash deposits at June 30, 2020 and for the year ended June 30, 2020, 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	19,994,852
Investments	7,676,023
Less: statement of fiduciary net assets	(1,026,791)
Cash and investments statement of net position	\$ 26,645,784

Exhibit A-1

Cash and cash equivalents	\$ 19,242,310
Investments	7,403,474
Cash and investments statement of net position	\$ 26,645,784

## 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 \$60,786,995.
- c. The highest combined balance of cash, saving and time deposits accounts amounted to \$46,906,509 occurred during the month of January 2020.
- 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, 2020, 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	51 days average	\$ 438,918
Compass Bank - Money Market	30 days average	1,366
TexPool Investments	36 days average	1,079,077
TexPool Prime Investments	50 days average	5,152,909
Lone Star Investment	35 days average	1,003,753
<b>Total</b>		<b>\$ 7,676,023</b>

*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	\$ 438,918	AAA	5.72%
Compass Bank - Money Market	1,366	A-	0.02%
TexPool Investments	1,079,077	AAA-m	14.06%
TexPool Prime Investments	5,152,909	AAA-m	67.13%
Lone Star Investment	1,003,753	AAA	13.08%
<b>Total</b>	<b>\$ 7,676,023</b>		

*E. Concentration of Credit Risk*

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

#### *Property taxes*

Property taxes are levied by October 1<sup>st</sup> in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1<sup>st</sup> of the year following the year in which imposed. On January 1<sup>st</sup> 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 \$3,397,479,887.

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, 2020, the rates were \$1.0684 and \$.2303, respectively, per \$100 of assessed value.

	General fund	Debt service fund	Total
Total taxes receivable	\$ 3,395,776	\$ 617,667	\$ 4,013,443
Less: allowance for uncollectible	(2,261,773)	(397,228)	(2,659,001)
Property taxes receivable, net	\$ 1,134,003	\$ 220,439	\$ 1,354,442

#### *Due From Other Governments*

Amounts due from other governments and agencies are as follows:

	General fund	Major Special Revenue fund	Other funds	Total
Due from other governments				
Texas Education Agency	\$ 14,617,988	\$ 1,975,968	\$ 1,940,971	\$ 18,534,927
Medicaid program (SHARS)	1,263,466	-	-	1,263,466
Other	254,787	-	49,328	304,115
Total	\$ 16,136,241	\$ 1,975,968	\$ 1,990,299	\$ 20,102,508

**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	\$ 12,084	\$ -	\$ 12,084
State grants	-	622,119	622,119
	\$ 12,084	\$ 622,119	\$ 634,203

**NOTE 6 – DISAGGREGATION OF OTHER RECEIVABLE AND ACCRUED LIABILITIES**

Other receivables and accrued liabilities as of June 30, 2020 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	\$ -	\$ 72,194	\$ 72,208
Total	\$ 14	\$ -	\$ 72,194	\$ 72,208
Accrued expenses				
Wages payable	\$ 7,288,135	\$ 452,845	\$ -	\$ 7,740,980
Claims payable	-	-	1,798,277	1,798,277
Total	\$ 7,288,135	\$ 452,845	\$ 1,798,277	\$ 9,539,257

## Sharyland Independent School District Notes to Financial Statements

### NOTE 7 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, are as follows:

	Balance at 7/1/2019	Increases	Reclassify	Decreases	Balance at 6/30/2020
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 12,496,717	\$ -	\$ -	\$ -	\$ 12,496,717
Construction in progress	1,726,829	2,771,506	(2,032,501)		2,465,834
Total capital assets, not being depreciated	14,223,546	2,771,506	(2,032,501)	-	14,962,551
Capital assets, being depreciated:					
Building and improvements	194,205,093	122,884	2,032,501	-	196,360,478
Furniture and equipment	23,981,503	1,662,489	-		25,643,992
Capital lease - furniture and equipment	912,503		-	-	912,503
Infrastructure asset - roads	541,357	-	-	-	541,357
Infrastructure assets - networks and subsystems	688,797	-	-	-	688,797
Total capital assets, being depreciated	220,329,253	1,785,373	2,032,501	-	224,147,127
Less accumulated depreciation for:					
Building and improvements	(56,501,672)	(4,897,069)	-	-	(61,398,741)
Furniture and equipment	(16,296,603)	(1,434,253)	-		(17,730,856)
Capital lease - furniture and equipment	(90,083)	(62,648)	-	-	(152,731)
Infrastructure asset - roads	(133,119)	(27,068)	-	-	(160,187)
Infrastructure asset - networks and subsystems	(266,287)	(31,552)	-	-	(297,839)
Total accumulated depreciation	(73,287,764)	(6,452,590)	-	-	(79,740,354)
Total capital assets, being depreciated, net	147,041,489	(4,667,217)	2,032,501	-	144,406,773
Governmental activities, capital assets, net	\$ 161,265,035	\$ (1,895,711)	\$ -	\$ -	\$ 159,369,324
<b>Business-type activities:</b>					
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	(62,228)	(11,949)	-	-	(74,177)
Furniture and equipment	(76,912)	(7,625)	-	-	(84,537)
Total accumulated depreciation	(139,140)	(19,574)	-	-	(158,714)
Total capital assets, being depreciated, net	168,471	(19,574)	-	-	148,897
Business-type activities capital assets, net	\$ 168,471	\$ (19,574)	\$ -	\$ -	\$ 148,897

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

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

Depreciation was charged to functions as follows:

Instruction	\$ 4,801,352
Instructional resources and media services	51,412
Staff development	3,695
Instructional leadership	16,868
School leadership	50,381
Student transportation	494,849
Food services	127,999
Co-curricular/extracurricular activities	669,608
General administration	40,900
Plant maintenance and operations	111,548
Security and monitoring services	12,993
Data processing services	70,985
Total depreciation expenses - governmental activities	\$ 6,452,590

**Business-type activities:**

Instruction	\$ 19,574
Total depreciation expenses - business-type activities	\$ 19,574

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

The composition of interfund balances as of June 30, 2020 is as follows:

Due to		Due from	
General fund	\$ 2,536,131	Major Special Revenue Fund	\$ 1,975,968
Nonmajor Funds		Nonmajor Funds	
Capital projects fund	-	Capital project fund	259,777
Special revenue funds	-	Special revenue funds	300,386
Totals	\$ 2,536,131	Totals	\$ 2,536,131

## Sharyland Independent School District Notes to Financial Statements

### **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, 2020, the governmental funds reported deferred inflows of resources for unavailable property taxes in the amount of \$855,511 and unavailable School Health and Related Services (SHARS) revenues in the amount of \$1,263,466.

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, 2020, the amount of deferred charges on refunding of bonds reported as deferred outflows of resources was \$2,641,139, net of cumulative amortization of \$182,752 and addition of \$285 related to refunding of bond in current year. Deferred outflows of resources related to pension and OPEB are \$13,579,001 and \$6,423,094, respectively. Deferred inflows of resources related to pensions and OPEB are \$5,200,690 and \$16,010,105, respectively.

### **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, 2020.

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

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

General obligation and capital appreciation bonds payable at June 30, 2020 are summarized as follows:

Date of issue	Original issue	Final maturity	Interest rate	Outstanding balance
2011 Ref	8,819,999	2033	2.0%-4.0%	\$ 6,935,000
2012	51,185,000	2041	2.0%-5.0%	34,990,000
2012 Ref	7,790,000	2031	2.0%-4.0%	5,455,000
2013 Ref	3,990,000	2022	2.0%-4.0%	1,085,000
2014 Ref	6,180,000	2030	2.0%-4.0%	4,350,000
2015 Ref	29,745,000	2036	2.0%-5.0%	25,395,000
2017 Ref	8,040,000	2034	2.0%-4.5%	7,930,000
2019 Ref	7,465,000	2040	2.0%-5.0%	7,345,000
			Total	<u>\$ 93,485,000</u>

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

Year ending June 30	Principal	Interest	Total
2021	\$ 3,950,000	\$ 4,045,488	\$ 7,995,488
2022	4,110,000	3,908,988	8,018,988
2023	3,720,000	3,744,763	7,464,763
2024	4,155,000	3,578,313	7,733,313
2025	4,430,000	3,388,838	7,818,838
2026-2030	25,290,000	13,774,975	39,064,975
2031-2035	26,025,000	8,196,675	34,221,675
2036-2040	18,665,000	2,689,898	21,354,898
2041	3,140,000	125,600	3,265,600
Total	<u>\$ 93,485,000</u>	<u>\$ 43,453,538</u>	<u>\$ 136,938,538</u>

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

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

*B. Tax Notes*

Tax notes outstanding at June 30, 2020 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% \$ 2,060,000

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% 1,745,000

\$ 3,805,000

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

Fiscal year ending June 30	Principal	Interest	Total
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	385,000	69,192	454,192
2026-2030	1,515,000	182,484	1,697,484
2031-2033	465,000	29,140	494,140
Totals	<u>\$ 3,805,000</u>	<u>\$ 661,348</u>	<u>\$ 4,466,348</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 and Current Refunding in Prior Years*

The District issued \$7,465,000 with interest rates of 2% to 5%. The current interest serial bonds mature in the years 2020 through 2040 in installments ranging from \$8,325 to \$254,100. The refunding bonds were due in varying installments of \$120,000 to \$555,000 with a final payment in 2040. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all debt service payments on the refunded Unlimited Tax School Building Bonds Series 2010. Issuance costs were paid out of bonds proceeds. The refunding was undertaken to reduce total debt service payments by \$1,035,526 to obtain an economic gain (difference between the present value of the debt service payment of the refunded and refunding bonds) of \$973,030.



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

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

As a result, the refunded bonds are considered to be defeased and the liability for the bonds had been removed from the District’s books. At June 30, 2020, the amount of defeased debt outstanding was \$7,775,000.

Long-term debt liabilities activity for the governmental activities for the year ended June 30, 2020, are as follows:

	Beginning Balances	Restatements	Restated Beginning Balance	Additions	Reductions	Ending balance	Due within one year
General obligation bonds	\$ 98,000,000	\$ -	\$ 98,000,000	\$ 7,465,000	\$ 11,980,000	\$ 93,485,000	\$ 3,950,000
Unamortized bond premium	9,008,287	-	9,008,287	623,905	742,701	8,889,491	-
Accretion on Bonds	685,000	(685,000)	-	-	-	-	-
Capital lease payable	640,408	-	640,408	-	160,000	480,408	160,000
Tax note	4,135,000	-	4,135,000	-	330,000	3,805,000	345,000
Total long term liabilities	<u>\$ 112,468,695</u>	<u>\$ (685,000)</u>	<u>\$ 111,783,695</u>	<u>\$ 8,088,905</u>	<u>\$ 13,212,701</u>	<u>\$ 106,659,899</u>	<u>\$ 4,455,000</u>

	Beginning Balance	Restatements	Restated Beginning Balance	Additions	Reductions	Ending balance	Due within one year
Employee longevity pay	<u>\$ 2,306,183</u>	<u>\$ (2,306,183)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Beginning balance was restated. See note 18 for more information.

**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. Expenses for longevity pay for June 30, 2020 were \$145,500. See Note 18 for prior period adjustment.

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

Noncurrent liabilities:	
Due within one year	\$ 4,455,000
Due in more than one year	102,204,899
<u>Long term obligations statement of net position</u>	<u>\$ 106,659,899</u>

**E. Capital Lease Payable**

Capital lease outstanding at June 30, 2020 is as follows:

Capital lease for District scoreboard October 2020 through October 2022; no interest.	\$ 480,000
<u>Total outstanding capital lease</u>	<u>\$ 480,000</u>

**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
2021	\$ 160,000
2022	160,000
2023	160,000
2024	-
<b>Total</b>	<b>\$ 480,000</b>

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

General Fund Federal Sources Revenues for the year ended June 30, 2020 were as follows:

Programs or source	Number	Amount
School Health & Relation Services	Not Applicable	\$ 1,064,191
E-Rate Infrastructure	Not Applicable	129,475
Junior Reserve Officers' Training Corps	12.U01	85,615
Indirect Costs:		
Title I Grants to Local Educational Agencies	84.010	76,067
Migrant Education-State Grant Program	84.011	3,489
Special Education-Grants to States	84.027	46,477
Career and Technical Education - Basic Grants to State	84.048	3,237
Special Education-Preschool Grants	84.173	722
Supporting Effective Instruction State Grants	84.367	4,482
English Language Acquisition State Grants	84.365	8,394
Student Support and Academic Enrichment Program	84.424	4,467
		<b>\$ 1,426,616</b>

**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.

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 \$287,269,218 for property insurance.

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

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

Such insurance is consistent with the prior year, and at June 30, 2020 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, 2019 through December 31, 2019 and American National Life Insurance Company for the period of January 1, 2020 to December 31, 2020. Stop-loss coverage will be in effect for annual individual claims exceeding \$125,000, and annual aggregate losses exceeding approximately \$8,231,397 and \$9,253,529 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, 2020.

Liability, beginning of period	\$ 477,408
Claims incurred during the period	7,987,270
Payments on claims	(6,762,499)
Liability, end of period	\$ 1,702,179

*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 periods ending June 30, 2020, 2019, and for the ten months ended June 30, 2018, were estimated at \$322,213, \$242,400, and \$186,842, 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, 2020 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.

## Sharyland Independent School District Notes to Financial Statements

### NOTE 14 – PENSION PLAN OBLIGATIONS (*Continued*)

#### *B. Pension Plan Fiduciary Net Position*

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2019.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2019.pdf), selecting *About TRS* then *Publications* then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

#### *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.

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

#### *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.

## Sharyland Independent School District Notes to Financial Statements

### NOTE 14 – PENSION PLAN OBLIGATIONS *(Continued)*

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. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	<u>Contribution Rates</u>	<u>2019</u>	<u>2020</u>
Member		7.7%	7.7%
Non-Employer Contributing Entity (State)		6.8%	7.5%
Employers		6.8%	7.5%

District's 2020 FY Employer Contributions	\$ 2,077,313
District's 2020 FY Member Contributions	\$ 5,185,796
2019 measurement year NECE On-behalf Contributions	\$ 3,144,159

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 situations:

- 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 or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non (OASDI) surcharge that was in effect in fiscal year 2019.

## Sharyland Independent School District Notes to Financial Statements

### NOTE 14 – PENSION PLAN OBLIGATIONS *(Continued)*

#### Contributions (Continued)

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

- 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. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.
- 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.

#### *E. Actuarial Assumptions*

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as Of August 2019	2.63%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases Including Inflation	3.5% to 9.05%
Ad hoc post-employment benefit changes	None

## Sharyland Independent School District Notes to Financial Statements

### NOTE 14 – PENSION PLAN OBLIGATIONS *(Continued)*

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

#### *F. Discount Rate*

A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. 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)**

*F. Discount Rate (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, 2019 are summarized below:

Asset Class	Target Allocation <sub>1</sub>	New Target Allocation <sub>2</sub>	Long-Term Expected Geometric Real Rate of Return <sub>3</sub>
<b>Global Equity</b>			
U.S.	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	-	-
Private Equity	13.00%	14.00%	8.40%
<b>Stable Value</b>			
U.S. Treasuries <sub>4</sub>	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Absolute Return	0.00%	0.00%	0.00%
<b>Real Return</b>			
Global Inflation Linked Bonds <sub>4</sub>	3.00%	-	-
Real Estate	14.00%	15.00%	8.50%
Energy, Natural Resources and Infrastructure	5.00%	6.00%	7.30%
Commodities	0.00%	0.00%	0.00%
<b>Risk Parity</b>			
Risk Parity	5.00%	8.00%	5.80%/6.50% <sub>5</sub>
Leverage			
Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	-	-6.00%	2.70%
<b>Expected Return</b>	<b>100%</b>	<b>100%</b>	<b>7.23%</b>

*1 Target allocations are based on the Strategic Asset Allocation as of FY2019*

*2 New allocations are based on the Strategic Asset Allocation to be implemented FY2020*

*3 10-year annualized geometric nominal returns include the real rate of return and inflation of 2.1%*

*4 New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds*

*5 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility*

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

**NOTE 14 – PENSION PLAN OBLIGATION (Continued)**

*G. Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2019 Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the Net pension liability:	\$ 42,868,275	\$ 27,888,239	\$ 15,751,519

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

At June 30, 2020, the District reported a liability of \$ 27,882,239 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	\$ 27,888,239
State's proportionate share that is associated with District	<u>46,698,431</u>
Total	<u><u>\$ 74,586,670</u></u>

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

At August 31, 2019, the measurement date, the employer's proportion of the collective net pension liability was 0.0536486383% which was a decrease of (0.0020575633%) from its proportion measured as of August 31, 2018.

**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 single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the year ended June 30, 2020, the District recognized pension expense of \$13,106,609 and revenue of \$7,335,666 for support provided by the State.

At June 30, 2020, 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	\$ 117,156	\$ 968,324
Changes in actuarial assumptions	8,652,301	3,575,540
Difference between projected and actual investment earnings	280,030	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,738,999	656,826
Total as of August 31, 2019 measurement date	11,788,486	5,200,690
Contributions paid to TRS subsequent to the measurement date	1,790,515	-
Total as of fiscal year-end	\$ 13,579,001	\$ 5,200,690

Contributions of \$1,790,515 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:

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

**NOTE 14 – PENSION PLAN OBLIGATION (Continued)**

Year ended June 30,	Pension Expense Amount
2021	\$ 1,949,506
2022	1,588,125
2023	1,536,411
2024	1,415,027
2025	399,945
Thereafter	(301,218)

The net pension liability activity for the year ended June 30, 2020 were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$ 30,662,045	\$ (896,039)	\$ 1,877,767	\$ 27,888,239

**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 [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2019.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2019.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

*C. Benefits Provided*

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension System. Optional dependent coverage is available for an additional fee. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan

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

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

and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees 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 Premium Rates			
	Medicare	Non-Medicare	
Retiree or Surviving Spouse	\$ 135	\$ 200	
Retiree and Spouse	529	689	
Retiree or Surviving Spouse and Children	468	408	
Retiree and Family	1,020	999	

*D. Contributions*

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25 percent of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65 percent of salary. 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 employer. 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 2019. The following table shows contributions to the TRS-Care plan by type of contributor.

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

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

	<u>Contribution Rates</u>	<u>2019</u>	<u>2020</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 2020 FY Employer Contributions		\$	564,240
District's 2020 FY Member Contributions		\$	437,762
2019 measurement year NECE on-behalf		\$	714,064

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

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

*E. Actuarial Assumptions*

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability	

## Sharyland Independent School District Notes to Financial Statements

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

#### Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Acuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases Including Inflation	3.05% to 9.05%, including inflation
Ad hoc post-employment benefit changes	None

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

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30 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.

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

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

*F. Discount Rate*

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06 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. 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 (2.63%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.63%)	Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District’s proportionate share of the Net OPEB liability	\$ 43,234,026	\$ 35,809,886	\$ 30,001,979

*H. 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	\$ 29,212,451	\$ 35,809,886	\$ 44,647,425



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

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

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

At June 30, 2020, the District reported a liability of \$35,809,886 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	\$ 35,809,886
State's proportionate share that is associated with District	47,583,332
Total	\$ 83,393,218

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net OPEB liability was 0.0757220571% which was a decrease of (0.0009357064%) from its proportion measured as of August 31, 2018.

**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 (TOL) since the prior measurement period:

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

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

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

For the period ended June 30, 2020, the District recognized OPEB expense of \$2,383,549 and revenue of \$1,254,101 for support provided by the State.

At June 30, 2020, 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	\$ 1,756,779	\$ 5,859,908
Changes in actuarial assumptions	1,988,960	9,631,981
Difference between projected and actual investment earnings	3,864	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	2,194,649	518,216
Total as of August 31, 2019 measurement date	\$ 5,944,252	\$ 16,010,105
Contributions paid to TRS subsequent to the measurement date	478,842	-
Total as of fiscal year-end	\$ 6,423,094	\$ 16,010,105

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,	Pension Expense Amount
2021	\$ (1,728,538)
2022	(1,728,538)
2023	(1,729,789)
2024	(1,730,504)
2025	(1,730,308)
Thereafter	(1,418,176)

The net OPEB liability activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 38,275,923	\$ (1,928,620)	\$ 537,417	\$ 35,809,886

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

**NOTE 16 – CONSTRUCTION COMMITMENTS**

At June 30, 2020, the District had the following construction commitments.

Project name	Contract amount	Architect/Civil Amount	Amount expended	Warranted expended	Remaining commitment
Hinojosa Elementary HVAC & Controls Update	\$ 1,491,533	\$ 89,492	\$ 1,556,795	\$ -	\$ 24,230
Sharyland High Roofing Bldg. 200	293,200	17,592	290,679	-	20,113
Sharyland High School Track Resurfacing	398,282	22,018	22,018	-	398,282
B.L. Gray JH Track	468,705	26,010	26,010	-	468,705
Sharyland North JH Track	432,846	25,021	25,021	-	432,846
Sharyland North JH Chiller	350,000	32,375	291,943	-	90,432
B.L. Gray JH Chiller	317,000	19,020	15,216	-	320,804
Bentsen Elementary HVAC Central Plant Upgrades	1,401,500	84,090	67,750	-	1,417,840
Garza Elementary Track*	-	13,130	13,130	-	-
Hinojosa Elementary Track*	-	15,003	15,003	-	-
<b>Total</b>	<b>\$ 5,153,066</b>	<b>\$ 343,751</b>	<b>\$ 2,323,565</b>	<b>\$ -</b>	<b>\$ 3,173,252</b>

\*Projects in Construction in Progress but not committed yet.

**NOTE 17 – OPERATING LEASE COMMITMENTS**

Rental expenditures during the period totaled \$309,309 for governmental activities. The District has operating leases for office equipment. Commitments under lease agreements as of June 30, 2020 provide for future minimum lease obligations as follows:

Year ending June 30,	Governmental Activities
2021	\$ 267,840
2022	256,653
2023	255,237
2024	38,336
	<b>\$ 818,066</b>

**NOTE 18 – PRIOR PERIOD ADJUSTMENT**

A prior period entry was proposed to remove the accretion on bonds in the amount of \$685,000 and employee longevity pay in the amount of \$2,306,183.

The net effect of these two adjustments will only be on the government wide net position. It decreases the Due in more than one year and increases the net position.

## Sharyland Independent School District Notes to Financial Statements

### NOTE 19 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 9, 2020, which is the date these financial statement were available to be issued. The following items occurred:

Due to the pandemic with regarding to attendance and enrollment, TEA has provided information through the SY 20-21 Attendance and Enrollment FAQ to the District. They are implementing an ADA grace period for the first two six weeks of attendance reporting periods. For state funding purposes, the aggregate attendance rate for eligible students at the LEA for 20-2021 school year will be capped at the level of aggregated attendance rate for eligible students at the LEA from the 2018-2019 school year. Additional information can be found on the TEA website.

In August 2020, the Board approved the issuance refunding of Bond Series 2011 and 2012 in the amount of \$35,440,000 to be amortized over 15 years.

In July 2020, the Board approved the sale of two properties: (1) NWC – Bentsen Road & Dove Ave., McAllen, Texas, 14.66 acres and (2) 6.5 N Shary Road, Mission, Texas, 20.47 acres for a total of \$2,307,000.

In October 2020, the Board approved the sale of property: 3,547 square foot on Taylor Rd between Brentwood Dr. and 2 mile road for a total of \$35,000.



**REQUIRED SUPPLEMENTARY  
INFORMATION**

(This page intentionally left blank)

SHARYLAND ISD  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 36,082,087	\$ 37,029,277	\$ 37,230,763	\$ 201,486
5800 State Program Revenues	63,358,277	62,658,218	62,703,455	45,237
5900 Federal Program Revenues	1,559,581	1,559,581	1,426,616	(132,965)
5020 Total Revenues	100,999,945	101,247,076	101,360,834	113,758
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	59,274,308	58,622,023	53,843,040	4,778,983
0012 Instructional Resources and Media Services	1,067,687	1,150,000	1,074,839	75,161
0013 Curriculum and Instructional Staff Development	515,454	690,000	548,790	141,210
0021 Instructional Leadership	2,280,633	2,415,000	2,370,981	44,019
0023 School Leadership	5,750,812	5,900,000	5,877,513	22,487
0031 Guidance, Counseling, and Evaluation Services	3,471,218	3,720,000	3,671,502	48,498
0032 Social Work Services	40,787	46,000	44,862	1,138
0033 Health Services	730,677	790,000	786,518	3,482
0034 Student (Pupil) Transportation	3,684,855	3,900,000	3,826,067	73,933
0035 Food Services	100,000	550,000	302,102	247,898
0036 Extracurricular Activities	7,000,458	7,319,000	7,001,039	317,961
0041 General Administration	3,436,679	3,430,000	3,148,772	281,228
0051 Facilities Maintenance and Operations	9,418,514	10,318,305	10,102,579	215,726
0052 Security and Monitoring Services	1,026,100	1,080,000	1,013,184	66,816
0053 Data Processing Services	952,177	980,000	981,013	(1,013)
0061 Community Services	8,740	7,740	4,497	3,243
Debt Service:				
0071 Principal on Long-Term Debt	454,602	493,000	490,000	3,000
0072 Interest on Long-Term Debt	-	119,602	119,485	117
0073 Bond Issuance Cost and Fees	-	7,398	-	7,398
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,192,796	4,065,416	2,963,568	1,101,848
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	-	32,000	20,529	11,471
0099 Other Intergovernmental Charges	475,000	500,000	479,011	20,989
6030 Total Expenditures	100,881,497	106,135,484	98,669,891	7,465,593
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	118,448	(4,888,408)	2,690,943	7,579,351
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	-	-	57,058	57,058
7915 Transfers In	7,592,671	8,648,183	-	(8,648,183)
8911 Transfers Out (Use)	(8,491,447)	(8,782,380)	-	8,782,380
7080 Total Other Financing Sources (Uses)	(898,776)	(134,197)	57,058	191,255
1200 Net Change in Fund Balances	(780,328)	(5,022,605)	2,748,001	7,770,606
0100 Fund Balance - July 1 (Beginning)	29,666,571	29,666,571	29,666,571	-
3000 Fund Balance - June 30 (Ending)	\$ 28,886,243	\$ 24,643,966	\$ 32,414,572	\$ 7,770,606

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, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Pension Liability (Asset)	0.053648638%	0.055706202%	0.053833165%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 27,888,239	\$ 30,662,045	\$ 17,212,946
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	46,698,431	50,417,067	29,553,002
Total	<u>\$ 74,586,670</u>	<u>\$ 81,079,112</u>	<u>\$ 46,765,948</u>
District's Covered Payroll	\$ 63,696,089	\$ 62,609,369	\$ 59,733,574
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	43.78%	48.97%	28.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

Note: GASB Codification, Vol. 2, P20.183 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, 2019 for year 2020, 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 year 2015.

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.



<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.053277561%	0.0553427%	0.0283796%
\$ 20,132,798	\$ 19,562,908	\$ 7,580,584
36,360,594	34,659,893	30,726,532
<u>\$ 56,493,392</u>	<u>\$ 54,222,801</u>	<u>\$ 38,307,116</u>
\$ 58,753,125	\$ 56,328,129	\$ 52,936,190
34.27%	34.73%	14.32%
78.00%	78.43%	83.25%

SHARYLAND ISD  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 2,077,313	\$ 1,884,733	\$ 1,580,557
Contribution in Relation to the Contractually Required Contribution	(2,077,313)	(1,884,733)	(1,580,557)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 67,348,004	\$ 63,667,224	\$ 52,342,178
Contributions as a Percentage of Covered Payroll	3.08%	2.96%	3.02%

Note: GASB Codification, Vol. 2, P20.183 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.

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.

	2017	2016	2015
\$	1,764,337	\$ 1,692,763	\$ 1,638,730
	(1,764,337)	(1,692,763)	(1,638,730)
\$	-	\$ -	\$ -
\$	59,733,574	\$ 58,753,125	\$ 56,328,129
	2.95%	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, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.075722057%	0.076657764%	0.072085823%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 35,809,886	\$ 38,275,923	\$ 31,347,420
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	47,583,332	52,506,786	45,889,160
Total	<u>\$ 83,393,218</u>	<u>\$ 90,782,709</u>	<u>\$ 77,236,580</u>
District's Covered Payroll	\$ 63,696,089	\$ 62,609,369	\$ 59,733,574
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	56.22%	61.13%	52.48%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	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 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. 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.

SHARYLAND ISD  
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 564,240	\$ 535,369	\$ 443,946
Contribution in Relation to the Contractually Required Contribution	(564,240)	(535,369)	(443,946)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 67,348,004	\$ 63,667,224	\$ 52,342,178
Contributions as a Percentage of Covered Payroll	0.84%	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.

## 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 17, 2019. 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 30th. 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.

The Education Stabilization Fund (ESSER) is a major special revenue fund, however, because the District is not required to legally adopt a budget for this grant fund, presentation of budgetary comparison information is not required.

### **B. Encumbrances**

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30th, 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 single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

## Sharyland Independent School District Notes to Required Supplementary Information

### **D. Other Post-Employment Benefits:**

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

**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:

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

(This page intentionally left blank)





**OTHER INFORMATION**

(This page intentionally left blank)

(This page intentionally left blank)

SHARYLAND ISD  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED JUNE 30, 2020

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ Various
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	1.170000	0.205500	3,229,002,272
2020 (School year under audit)	1.068400	0.230300	3,397,479,887
1000 TOTALS			

(10) Beginning Balance 7/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2020
\$ 691,165	\$ -	\$ 11,966	\$ 1,422	\$ (396)	\$ 677,381
63,354	-	2,589	398	-	60,367
78,063	-	5,663	1,337	-	71,063
84,980	-	5,860	578	(227)	78,315
144,039	-	32,441	4,589	(9,801)	97,208
233,755	-	61,973	8,766	803	163,819
374,032	-	123,834	21,750	9,037	237,485
505,937	-	136,815	24,031	(55,727)	289,364
1,628,037	-	769,375	135,133	(143,802)	579,727
-	43,423,624	33,985,962	7,325,878	(353,070)	1,758,714
<u>\$ 3,803,362</u>	<u>\$ 43,423,624</u>	<u>\$ 35,136,478</u>	<u>\$ 7,523,882</u>	<u>\$ (553,183)</u>	<u>\$ 4,013,443</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, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,202,928	\$ 1,202,928	\$ 867,595	\$ (335,333)
5800 State Program Revenues	-	28,000	27,391	(609)
5900 Federal Program Revenues	5,065,769	5,565,769	5,767,111	201,342
5020 Total Revenues	6,268,697	6,796,697	6,662,097	(134,600)
EXPENDITURES:				
Current:				
0035 Food Services	6,176,945	6,698,366	6,489,972	208,394
0051 Facilities Maintenance and Operations	207,200	227,200	210,657	16,543
0052 Security and Monitoring Services	3,000	5,000	2,381	2,619
6030 Total Expenditures	6,387,145	6,930,566	6,703,010	227,556
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(118,448)	(133,869)	(40,913)	92,956
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	118,448	133,869	-	(133,869)
1200 Net Change in Fund Balances	-	-	(40,913)	(40,913)
0100 Fund Balance - July 1 (Beginning)	228,625	228,625	228,625	-
3000 Fund Balance - June 30 (Ending)	\$ 228,625	\$ 228,625	\$ 187,712	\$ (40,913)

SHARYLAND ISD  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND (Unaudited)  
FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 6,589,512	\$ 7,489,512	\$ 7,671,297	\$ 181,785
5800 State Program Revenues	935,949	935,949	795,971	(139,978)
5020 Total Revenues	7,525,461	8,425,461	8,467,268	41,807
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	8,305,789	4,205,000	4,205,000	-
0072 Interest on Long-Term Debt	-	4,213,619	4,127,362	86,257
0073 Bond Issuance Cost and Fees	-	140,000	195,078	(55,078)
6030 Total Expenditures	8,305,789	8,558,619	8,527,440	31,179
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(780,328)	(133,158)	(60,172)	72,986
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued	-	7,465,000	7,465,000	-
7915 Transfers In	780,328	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	568,158	623,905	55,747
8949 Other (Uses)	-	(7,900,000)	(7,898,956)	1,044
7080 Total Other Financing Sources (Uses)	780,328	133,158	189,949	56,791
1200 Net Change in Fund Balances	-	-	129,777	129,777
0100 Fund Balance - July 1 (Beginning)	647,861	647,861	647,861	-
3000 Fund Balance - June 30 (Ending)	\$ 647,861	\$ 647,861	\$ 777,638	\$ 129,777

(This page intentionally left blank)





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

(This page intentionally left blank)



Carr, Riggs & Ingram, LLC  
4100 N. 23rd St.  
McAllen, TX 78504  
  
(956) 686-3701  
(956) 686-6830 (fax)  
CRlcpa.com

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2020.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

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

McAllen, Texas  
December 9, 2020



Carr, Riggs & Ingram, LLC  
4100 N. 23rd St.  
McAllen, TX 78504  
  
(956) 686-3701  
(956) 686-6830 (fax)  
CRlcpa.com

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, 2020. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the 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, 2020.

## 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.

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

McAllen, Texas  
December 9, 2020

(This page intentionally left blank)

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

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes     X  no

#### *Federal Awards*

**Internal control over major programs:**

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

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

\_\_\_\_\_ yes     X  no

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

Unmodified

**Identification of major programs:**

CFDA number (s)

Name of Federal Program or Cluster

84.010  
84.425

Title I Grants to Local Educational Agencies  
Education Stabilization Fund (ESSER)

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**

None reported.

**Federal Award Findings and Questioned Costs**

None reported.

SHARYLAND ISD  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2020

(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
<b>US DEPARTMENT OF AGRICULTURE</b>				
<u>Passed Through State Department of Education</u>				
*School Breakfast Program	10.553	806780706	\$ -	\$ 903,238
*COVID-19 School Breakfast Program	10.553	806780706	-	750,922
Total CFDA Number 10.553			<u>-</u>	<u>1,654,160</u>
*National School Lunch Program - Cash Assistance	10.555	806780706	-	2,309,599
*COVID-19 National School Lunch Program - Cash Assistance	10.555	806780706	-	1,191,915
*National School Lunch Program - Non-Cash Assistance	10.555	806780706	-	10,282
Total CFDA Number 10.555			<u>-</u>	<u>3,511,796</u>
Total Passed Through State Department of Education			<u>-</u>	<u>5,165,956</u>
Total Child Nutrition Cluster			<u>-</u>	<u>5,165,956</u>
<u>Passed Through Texas Department of Agriculture</u>				
Child and Adult Care Food Program	10.558	806780706	-	531,156
National School Lunch Program Equipment Assistance Grants	10.579	6TX300355	-	70,000
Total Passed Through State Department of Agriculture			<u>-</u>	<u>601,156</u>
<b>TOTAL US DEPARTMENT OF AGRICULTURE</b>			<u>-</u>	<u>5,767,112</u>
<b>US DEPARTMENT OF DEFENSE</b>				
<u>Direct Programs:</u>				
JUNIOR RESERVE OFFICER TRAINING CORPS	12.U01	108-911	-	85,615
<b>TOTAL US DEPARTMENT OF DEFENSE</b>			<u>-</u>	<u>85,615</u>
<b>US DEPARTMENT OF EDUCATION</b>				
<u>Passed Through State Department of Education</u>				
Title I Grants to Local Educational Agencies	84.010	19610101108911	-	246,437
Title I Grants to Local Educational Agencies	84.010	20610101108911	-	2,238,709
Total CFDA Number 84.010			<u>-</u>	<u>2,485,146</u>
Migrant Education State Grant Program	84.011	19615001108911	-	33,864
Migrant Education State Grant Program	84.011	20615001108911	-	86,409
Total CFDA Number 84.011			<u>-</u>	<u>120,273</u>
*Special Education Grants to States	84.027	196600011089116000	-	52,032
*Special Education Grants to States	84.027	206600011089116000	-	1,462,120

(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
Total CFDA Number 84.027			-	1,514,152
*Special Education Preschool Grants	84.173	196600011089116000	-	9,758
*Special Education Preschool Grants	84.173	206610011089116000	-	11,710
Total CFDA Number 84.173			-	21,468
Total Special Education Cluster (IDEA)			-	1,535,620
Career and Technical Education Basic Grants to States	84.048	19420006108911	-	3,189
Career and Technical Education Basic Grants to States	84.048	20420006108911	-	107,870
Total CFDA Number 84.048			-	111,059
English Language Acquisition State Grants	84.365	19671001108911	-	6,233
English Language Acquisition State Grants	84.365	20671001108911	-	278,083
Total CFDA Number 84.365			-	284,316
Supporting Effective Instruction State Grants	84.367	19694501108911	-	5,003
Supporting Effective Instruction State Grants	84.367	20694501108911	-	283,443
Total CFDA Number 84.367			-	288,446
Grants for State Assessments and Related Activities	84.369	69551902	-	13,357
Student Support and Academic Enrichment Grants	84.424	19680101108911	-	1,514
Student Support and Academic Enrichment Grants	84.424	20680101108911	-	121,504
Total CFDA Number 84.424			-	123,018
COVID-19 Education Stabilization Fund (ESSER)	84.425	20521001	-	1,975,968
Total Passed Through State Department of Education			-	6,937,203
<b>TOTAL US DEPARTMENT OF EDUCATION</b>			-	6,937,203
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ -	\$ 12,789,930

\*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.

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	\$ 12,789,930
SHARS	1,064,191
E-rate infrastructure	129,475
Exhibit C-3	<u>\$ 13,983,596</u>

### **Note 2 - Indirect Cost Rate**

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

### **Note 3 – Sub-Recipients**

During the year ended June 30, 2020, the District had no pass-through to sub-recipients.

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

During the year ended June 30, 2020, the District had no outstanding federal loans payable or loan guarantees.

### **Note 5 – Federally Funded Insurance**

During the year ended June 30, 2020, the District had no federally funded insurance.

### **Note 6 – Noncash Awards**

During the year ended June 30, 2020, the District received \$10,282 as non-cash assistance under the National School Lunch Program.



Required Communications for the  
Board of Trustees of

**Sharyland Independent  
School District**

December 9, 2020

## Required Communications

As discussed with management during our planning process and communication to the Board of Trustees in our engagement letter dated January 20, 2020, 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, 2020;
- 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.
- Perform federal single audit services as required by Title US Code of Federal Regulations Part 20 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("The Uniform Guidance").



## Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<b>Client's responsibility</b>	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 and results of operations in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.
<b>Planned scope and timing of the audit</b>	Our initial audit plan was not significantly altered during our fieldwork.
<b>Management judgments and accounting estimates</b> <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>	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."
<b>Potential effect on the financial statements of any significant risks and exposures</b> <i>Major risks and exposures facing the District and how they are disclosed.</i>	The most significant risks and exposures of the District are described in Note 12 "Risk Management" to the financial statements.
<b>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</b> <ul style="list-style-type: none"> <li>• <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></li> </ul>	<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 2020, the District adopted GASB Statement No. 95, Postponement of the <i>Effective Dates of Certain Authoritative Guidance</i>. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or were scheduled to become effective</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	
<p><b>Disagreements with management</b>  <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><b>Other findings or issues</b>  <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><b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management.</b>  <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	<p>None Noted.</p>
<p><b>Corrected and uncorrected misstatements</b>  <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</i></p>	<p>Please see the following section titled "Summary of Audit Adjustments" for corrected misstatements. There were no uncorrected misstatements.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Supplementary information in relation to the financial statements as a whole</b></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><b>Other information in documents containing audited financial statements</b></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"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <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  
and CRI Comments on Quality**

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS AND SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY AND APPLICATION
<p>Claims Liabilities – Self-insured Worker’s Compensation and Health and Dental Insurance</p>	<p>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.</p>	<p>Yes</p>	<p>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.</p>	<p>The District’s policies are in accordance with applicable accounting guidelines.</p>

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

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS AND SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY AND APPLICATION
Accounts Receivable – Allowance for Uncollectible Property Taxes	Management's estimate for the allowance for uncollectible property tax receivables is an average collection rate based on the historical experience in collecting property taxes over a 10 year period.	Yes	<p>Management's estimate for the allowance of uncollectible property taxes is based on percentages of historical collections of prior years' tax levies.</p> <p>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.</p>	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 "Summary of Audit Adjustments" for a summary of those differences at June 30, 2020.

### 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.

## Management Representation Letter



SISD SUPERINTENDENT  
Dr. Maria M. Vidaurri  
BOARD OF TRUSTEES  
Keith Padilla – President  
Dr. Nore Oliveira – Vice President  
Hector Rivera – Secretary  
Jose "Pepe" Garcia – Asst. Secretary  
Ricky Longoria – Member  
Melissa Smith – Member  
Alejandro Rodriguez – Member

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

December 9, 2020

Carr, Riggs & Ingram, LLC  
4100 North 23<sup>rd</sup> Street  
McAllen, TX 78504

This representation letter is provided in connection with your audit of the financial statements of Sharyland Independent School District, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, 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 December 9, 2020, 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 January 20, 2020, 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.

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

Trust • Communication • Collective Responsibility • Care • Pride

## Management Representation Letter

- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the names of the school district's related parties and all the related party relationships and transactions, including any side agreements.

### Government-specific

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) 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.
- 20) 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.
- 21) 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.
- 22) 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.
- 23) We have identified and disclosed to you all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 24) 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 immaterial to the financial statements or other financial data significant to the audit objectives.
- 25) 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.
- 26) As part of your audit, you assisted with preparation of the financial statements and disclosures and schedule of expenditures of federal awards and assisted with the preparation of GASB adjusting 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 Finance Director, 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

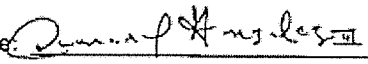


## Management Representation Letter

- 44) 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.
- 45) 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.
- 46) 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.
- 47) With respect 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 are 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.
- 48) 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 disclosures 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) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.

## Management Representation Letter

- o) 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.
- p) 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.
- q) 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.
- r) 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.
- s) 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.
- t) We have charged costs to federal awards in accordance with applicable cost principles.
- u) 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.
- v) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- w) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- x) 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.
- y) 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

<b>IP =</b> Improvement Point	<b>D =</b> Control Deficiency	<b>SD =</b> Significant Deficiency	<b>MW =</b> Material Weakness
----------------------------------	----------------------------------	---------------------------------------	----------------------------------

CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION
1	IP	Debt and debt service expenditures	There is no physical evidence indicating review of semiannual outstanding debt reconciliation.	The person reviewing the semi-annual outstanding debt reconciliation should sign off to evidence review.
2	IP	Budget	Oversight in the process to monitor revenues and expenditures over budget appropriations.	The District should establish a process to review the budget to actual.
3	D	Grant Revenue	A federal grant was recorded as state revenue.	The District should review accounts to ensure proper coding to the correct object code.
4	D	Revenues/ Expenditures	The District's proportional share per HB1, GASB 85, and GASB 24 Medicare Part D amounts were not recorded.	Obtain District's proportional share amount and record to the District's general ledger.
5	D	Capital Assets and Depreciation Expense	Depreciation expense was incorrectly coded to function 81.	Review support for depreciation by function for proper coding.
6	IP	Capital Expenditures	An expense related to installation was incorrectly coded to object 6246.	Repairs and maintenance accounts should be reviewed to ensure that any items requiring capitalization are properly reported.
7	D	Procurement	The District's procurement policy was not followed for two vendors with purchases exceeding \$50,000.	Monitor accumulated purchases by vendor on a regular basis throughout the year.