Sharyland Independent School District

FINANCIAL STATEMENTS

June 30, 2021

(This page intentionally left blank)

Table of Contents

INTRODUCTORY SECTION

(This page intentionally left blank)

Sharyland Independent School District
Principal Officials
June 30, 2021

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 __________ disappointed

for the year ended June 30, 2021 at the meeting of the Board of Trustees of such school district on the____15th____ day of November, 2021.

President, Board of Trustees

Secretary, Board of Trustees

FINANCIAL SECTION

(This page intentionally left blank)

Carr, Riggs & Ingram, LLC
4100 N. 23rd St.
McAllen, TX 78504

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

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sharyland Independent School District

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, 2021, 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, 2021, 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

As described in Note 2 to the financial statements, the prior year financial statements have been restated in the amount of $818,525 in the custodial funds related to the implementation of GASB Statement No. 84, *Fiduciary 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 and exhibit J-3 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021, 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, Texas
November 12, 2021

(This page intentionally left blank)

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, 2021. 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 and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent period by $33,474,408 *(net position).*

- The District's expenses for the year for governmental activities were $123,537,483 that accounted for $8,316,160 less than revenues of $131,853,643.

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $39,752,600. Approximately 88 percent of this total amount, $35,017,411 is *available for spending* at the District's discretion *(unassigned fund balance).*

- At the end of the current fiscal year, unassigned fund balance for the general fund was $34,876,880 or 35 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 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, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

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

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 the Education Stabilization Fund (ESSER) reported as Major Special Revenue 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.*

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 25-65 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 66-73 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $33,474,408 as of June 30, 2021 and by $25,195,033 as of June 30, 2020.

The District's Net Position

	Governmental Activities		Business- Type Activites		Total	
	June 2021	June 2020	June 2021	June 2020	June 2021	June 2020
Current assets	$ 55,211,813	$ 48,541,945	$ 62,996	$ 81,016	$ 55,274,809	$ 48,622,961
Noncurrent assets	156,784,115	159,369,324	129,625	148,897	156,913,740	159,518,221
Total assets	211,995,928	207,911,269	192,621	229,913	212,188,549	208,141,182
Deferred outflows of resources	18,845,616	22,643,234	-	-	18,845,616	22,643,234
Current liabilites	16,542,235	14,019,768	289	796	16,542,524	14,020,564
Long-term liabilites	154,498,195	170,358,024	-	-	154,498,195	170,358,024
Total liabilites	171,040,430	184,377,792	289	796	171,040,719	184,378,588
Deferred inflows of resources	26,519,038	21,210,795	-	-	26,519,038	21,210,795
Net Position						
Net investment in capital assets	57,804,998	54,869,393	129,625	148,898	57,934,623	55,018,291
Restricted	2,694,267	266,101	-	-	2,694,267	266,101
Unrestricted	(27,217,189)	(30,169,578)	62,707	80,219	(27,154,482)	(30,089,359)
Total Net Position	$ 33,282,076	$ 24,965,916	$ 192,332	$ 229,117	$ 33,474,408	$ 25,195,033

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 and OPEB balances, the unrestricted net position would be $39,477,518 which may be used to meet the District's ongoing obligations.

Governmental activities. The District's total net position increased by $8,316,160 in 2021 and decreased by $493,539 in 2020. The total cost of all *governmental activities* these years was $123,537,483 in 2021 and $129,824,071 in 2020. The amount that our taxpayers paid for these activities through property taxes was $45,514,223 or 37% in 2021 and $43,428,852 or 33% in 2020.

Business activities. The District's total net position decreased $36,784 in 2021 and decreased $20,951 in 2020. The total cost of all *business activities* these years was $50,969 in 2021 and $208,523 in 2020.

Changes in the District's Net Position

	Governmental Activities		Business Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues						
Charges for services	$ 648,287	$ 2,036,668	$ 14,185	$ 187,572	$ 662,472	$ 2,224,240
Op.grants and contributions	24,741,022	23,678,775	-	-	24,741,022	23,678,775
General revenues						
Property Taxes	45,514,223	43,428,852	-	-	45,514,223	43,428,852
State Aid - Formula	58,576,664	59,265,474	-	-	58,576,664	59,265,474
Investment Earnings	595,518	628,946			595,518	628,946
Other	1,777,929	291,817	-	-	1,777,929	291,817
Total Revenues	131,853,643	129,330,532	14,185	187,572	131,867,828	129,518,104
EXPENSES						
Instruction	68,793,959	69,875,752	-	-	68,793,959	69,875,752
Instr.Resources & Media Svcs.	1,228,097	1,333,559	-	-	1,228,097	1,333,559
Curriculum and Staff Dev.	543,781	981,282	-	-	543,781	981,282
Instructional Leadership	2,681,651	2,863,085	-	-	2,681,651	2,863,085
School Leadership	6,092,472	6,583,792	-	-	6,092,472	6,583,792
Guidance, Counseling & Eval.Svcs.	5,043,239	5,366,401	-	-	5,043,239	5,366,401
Social Work Services	44,032	48,847	-	-	44,032	48,847
Health Services	1,272,437	2,609,203	-	-	1,272,437	2,609,203
Student Transportation	3,713,759	4,173,920	-	-	3,713,759	4,173,920
Food Services	7,751,255	7,005,971	-	-	7,751,255	7,005,971
Extracurricular Activities	6,408,813	7,770,376	-	-	6,408,813	7,770,376
General Administration	3,555,459	3,453,881	-	-	3,555,459	3,453,881
Facilities Maintenance and Operations	9,871,511	10,694,783	-	-	9,871,511	10,694,783
Security and Monitoring Services	1,240,756	1,074,356	-	-	1,240,756	1,074,356
Data Processing Services	1,096,282	1,130,679	-	-	1,096,282	1,130,679
Community Services	448,272	393,693	50,969	208,523	499,241	602,216
Debt Service-Interest on Long Term Debt	2,842,954	3,769,873	-	-	2,842,954	3,769,873
Debt Service-Bond Issuance Cost and Fees	396,282	195,078	-	-	396,282	195,078
Payments to JJAEP	15,000	20,529	-	-	15,000	20,529
Other Governmental Charges	497,472	479,011	-	-	497,472	479,011
Total Expenses	123,537,483	129,824,071	50,969	208,523	123,588,452	130,032,594
Total Increase in Net Position	8,316,160	(493,539)	(36,784)	(20,951)	8,279,376	(514,490)
Beginning, Net Position	24,965,916	22,468,272	229,116	250,068	25,195,032	22,718,340
Prior period adjustments	-	2,991,183	-	-	-	2,991,183
Ending, Net Position	$ 33,282,076	$ 24,965,916	$ 192,332	$ 229,117	$ 33,474,408	$ 25,195,033

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.

	Cost			Net Cost		
	2021	2020	% Change	2021	2020	% Change
Instruction	68,793,959	69,875,752	-1.5%	57,883,690	57,662,317	0.4%
Facilities Maintenance and Operations	9,871,511	10,694,783	-7.7%	9,225,856	10,042,989	-8.1%
Food Services	7,751,255	7,005,971	10.6%	(1,450,596)	308,790	-569.8%
Extracurricular Activities	6,408,813	7,770,376	-17.5%	5,797,614	6,747,270	-14.1%
School Leadership	6,092,472	6,583,792	-7.5%	5,642,912	5,776,147	-2.3%

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 $39,752,600 an increase of $5,822,435. Approximately 88 percent of this total amount ($35,017,411) constitutes *unassigned fund balance.* The remainder of fund balance is *nonspendable* or *restricted* or *committed* to indicate that it is not available for new spending. The District reported fund balance as nonspendable for inventories ($467,373), for endowment principal ($10,000) and for prepaid items ($139,036). The District reported restricted fund balance for federal and state fund grants ($2,237,124) and to pay debt service ($1,555,798). District also committed fund balance for campus activities by $325,858 as of June 30, 2021.

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 $34,876,880 while the total fund balance was $35,400,440. 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 35 percent of the total general fund expenditures, while total fund balance represents 36 percent of that same amount.

The fund balance of the District's general fund increased by $2,985,868 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. The unrestricted net position of the enterprise fund at June 30, 2021, amounted to $62,707. During the year, the funds had a decrease in net position of $36,784.

General Fund Budgetary Highlights

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

- Amendments to revise estimates for local and state revenue based on the latest information on student attendance numbers and favorable current and delinquent tax collection rates.

- Amendments during the year for unexpected occurrences.

- Amendments throughout the year for renovation/construction projects.

The District made the following amendments to increase budgeted revenue:

Revenues from Local and Intermediate Sources	$ 1,481,055
State Program Revenues	(404,180)
Federal Progeam Revenues	(500,000)

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

Instructional and Instructional Related Services	$ 2,712,553
Instructional and School Leadership	118,049
Support Services -Student (Pupil)	876,762
Administrative Support Services	204,686
Support Services - Non Student Based	374,772
Ancillary Services	13,410
Debt Services	1,000
Capital Outlay	2,554,020
Other	15,000

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2021, amounts to $156,784,115 (net of accumulated depreciation), a decrease of 1.65% over prior year. This investment in capital assets includes land, buildings, etc. as listed below.

District's Capital Assets
(net of depreciation)

	2021	2020
Land	$ 11,671,562	$ 12,496,717
Buildings and improvements	135,818,999	134,961,737
Furniture and equipment	7,600,475	7,913,136
Capital Lease-Furniture and equipment	697,124	759,772
Infrastructure Assets-Roads	354,102	381,170
Infrastructure Assets-Networks and Subsystems	365,181	390,958
Construction in Progress	276,672	2,465,834
Total capital assets	$ 156,784,115	$ 159,369,324

Additional information on the District's capital assets can be found in Note 7 on pages 44-45 of this report.

Long-term debt. At the end of June 30, 2021, the District had $101,686,341 in long-term obligations including general obligation bonds, capital lease payable, and maintenance tax notes. Long-term obligations presented a decreased of $4,973,558 over 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 $349,816,366, 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 46-49 of this report.

Economic Factors and Next Year's Budgets and Rates

- Previously very rapid enrollment growth has subsided to a more sustainable pace, and anticipated future enrollment gains should position the district for additional state funding growth. The District's budget was prepared using prior year's ADA.

- Taxable assessed valuation continues to register gains primarily due 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 2021 experienced a 7.7% growth when compared to 2020.

- The District has estimated revenues and appropriated expenditures in the 2021-22. General Fund officially adopted budget of $100,728,236.

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 statues, 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.

Awards

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

REQUESTS FOR INFORMATION

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

Jaime Ortega
Chief Financial Officer
Sharyland ISD
1200 N. Shary Road
Mission, Texas 78572

(This page intentionally left blank)

SHARYLAND ISD

STATEMENT OF NET POSITION

JUNE 30, 2021

EXHIBIT A-1

Data Control Codes		1 Governmental Activities	2 Business Type Activities	3 Total
		Primary Government		
	ASSETS			
1110	Cash and Cash Equivalents	$ 31,042,756	$ 62,996	$ 31,105,752
1120	Investments	2,912,661	-	2,912,661
1225	Property Taxes Receivable, Net	1,403,778	-	1,403,778
1240	Due from Other Governments	19,118,060	-	19,118,060
1250	Accrued Interest	55,886	-	55,886
1290	Other Receivables, Net	72,263	-	72,263
1300	Inventories	467,373	-	467,373
1410	Prepayments	139,036	-	139,036
	Capital Assets:			
1510	Land	11,671,562	-	11,671,562
1520	Buildings, Net	135,818,999	90,106	135,909,105
1530	Furniture and Equipment, Net	7,600,475	39,519	7,639,994
1550	Leased Property Under Capital Leases, Net	697,124	-	697,124
1580	Construction in Progress	276,672	-	276,672
1590	Infrastructure, Net	719,283	-	719,283
1000	Total Assets	211,995,928	192,621	212,188,549
	DEFERRED OUTFLOWS OF RESOURCES			
1701	Deferred Charge for Refunding	2,889,431	-	2,889,431
1705	Deferred Outflow Related to TRS Pension	10,326,460	-	10,326,460
1706	Deferred Outflow Related to TRS OPEB	5,629,725	-	5,629,725
1700	Total Deferred Outflows of Resources	18,845,616	-	18,845,616
	LIABILITIES			
2110	Accounts Payable	1,695,825	289	1,696,114
2140	Interest Payable	1,301,911	-	1,301,911
2150	Payroll Deductions and Withholdings	1,739,266	-	1,739,266
2160	Accrued Wages Payable	7,715,436	-	7,715,436
2200	Accrued Expenses	661,892	-	661,892
2300	Unearned Revenue	107,905	-	107,905
	Noncurrent Liabilities:			
2501	Due Within One Year: Bonds, Note, Leases, etc.	3,320,000	-	3,320,000
	Due in More than One Year:			
2502	Bonds, Notes, Leases, etc.	98,366,341	-	98,366,341
2540	Net Pension Liability (District's Share)	27,583,776	-	27,583,776
2545	Net OPEB Liability (District's Share)	28,548,078	-	28,548,078
2000	Total Liabilities	171,040,430	289	171,040,719
	DEFERRED INFLOWS OF RESOURCES			
2605	Deferred Inflow Related to TRS Pension	4,811,406	-	4,811,406
2606	Deferred Inflow Related to TRS OPEB	21,707,632	-	21,707,632
2600	Total Deferred Inflows of Resources	26,519,038	-	26,519,038
	NET POSITION			
3200	Net Investment in Capital Assets	57,804,998	129,625	57,934,623
	Restricted:			
3820	Restricted for Federal and State Programs	2,237,124	-	2,237,124
3850	Restricted for Debt Service	457,143	-	457,143
3900	Unrestricted	(27,217,189)	62,707	(27,154,482)
3000	Total Net Position	$ 33,282,076	$ 192,332	$ 33,474,408

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

SHARYLAND ISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		1 Expenses	Program Revenues 3 Charges for Services	4 Operating Grants and Contributions
	Primary Government:			
	GOVERNMENTAL ACTIVITIES:			
11	Instruction	$ 68,793,959	$ 242,276	$ 10,667,993
12	Instructional Resources and Media Services	1,228,097	2,451	123,754
13	Curriculum and Instructional Staff Development	543,781	-	106,154
21	Instructional Leadership	2,681,651	-	407,658
23	School Leadership	6,092,472	8,986	440,574
31	Guidance, Counseling, and Evaluation Services	5,043,239	2,594	1,479,230
32	Social Work Services	44,032	-	3,720
33	Health Services	1,272,437	-	138,559
34	Student (Pupil) Transportation	3,713,759	-	224,389
35	Food Services	7,751,255	39,520	9,162,331
36	Extracurricular Activities	6,408,813	350,826	260,373
41	General Administration	3,555,459	1,634	417,090
51	Facilities Maintenance and Operations	9,871,511	-	645,655
52	Security and Monitoring Services	1,240,756	-	183,776
53	Data Processing Services	1,096,282	-	70,719
61	Community Services	448,272	-	409,047
72	Debt Service - Interest on Long-Term Debt	2,842,954	-	-
73	Debt Service - Bond Issuance Cost and Fees	396,282	-	-
95	Payments to Juvenile Justice Alternative Ed. Prg.	15,000	-	-
99	Other Intergovernmental Charges	497,472	-	-
	[TG] Total Governmental Activities:	123,537,483	648,287	24,741,022
	BUSINESS-TYPE ACTIVITIES:			
01	Enterprise Funds - After-School Day Care	50,969	14,185	-
	[TB] Total Business-Type Activities:	50,969	14,185	-
	[TP] TOTAL PRIMARY GOVERNMENT:	$ 123,588,452	$ 662,472	$ 24,741,022

Data Control Codes	
	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (57,883,690)	$ -	$ (57,883,690)
(1,101,892)	-	(1,101,892)
(437,627)	-	(437,627)
(2,273,993)	-	(2,273,993)
(5,642,912)	-	(5,642,912)
(3,561,415)	-	(3,561,415)
(40,312)	-	(40,312)
(1,133,878)	-	(1,133,878)
(3,489,370)	-	(3,489,370)
1,450,596	-	1,450,596
(5,797,614)	-	(5,797,614)
(3,136,735)	-	(3,136,735)
(9,225,856)	-	(9,225,856)
(1,056,980)	-	(1,056,980)
(1,025,563)	-	(1,025,563)
(39,225)	-	(39,225)
(2,842,954)	-	(2,842,954)
(396,282)	-	(396,282)
(15,000)	-	(15,000)
(497,472)	-	(497,472)
(98,148,174)	-	(98,148,174)
-	(36,784)	(36,784)
-	(36,784)	(36,784)
(98,148,174)	(36,784)	(98,184,958)
37,311,042	-	37,311,042
8,203,181	-	8,203,181
58,576,664	-	58,576,664
595,518	-	595,518
1,777,929	-	1,777,929
106,464,334	-	106,464,334
8,316,160	(36,784)	8,279,376
24,965,916	229,116	25,195,032
$ 33,282,076	$ 192,332	$ 33,474,408

SHARYLAND ISD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

Data Control Codes		10 General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ 25,489,941	$ -	$ 4,146,019	$ 29,635,960
1120	Investments	2,875,677	-	36,984	2,912,661
1225	Taxes Receivable, Net	1,166,667	-	237,111	1,403,778
1240	Due from Other Governments	15,954,024	1,789,331	1,374,705	19,118,060
1250	Accrued Interest	45,285	-	7,041	52,326
1260	Due from Other Funds	2,535,737	-	-	2,535,737
1290	Other Receivables	69	-	-	69
1300	Inventories	384,524	-	82,849	467,373
1410	Prepayments	139,036	-	-	139,036
1000	Total Assets	$ 48,590,960	$ 1,789,331	$ 5,884,709	$ 56,265,000
	LIABILITIES				
2110	Accounts Payable	$ 1,287,067	$ -	$ 166,865	$ 1,453,932
2150	Payroll Deductions and Withholdings Payable	1,672,034	-	67,232	1,739,266
2160	Accrued Wages Payable	7,230,469	-	484,967	7,715,436
2170	Due to Other Funds	200,000	1,789,331	546,406	2,535,737
2200	Accrued Expenditures	25,050	-	-	25,050
2300	Unearned Revenue	6,874	-	101,031	107,905
2000	Total Liabilities	10,421,494	1,789,331	1,366,501	13,577,326
	DEFERRED INFLOWS OF RESOURCES				
2601	Deferred Inflow of Resources - Property Taxes	835,265	-	166,048	1,001,313
2602	Deferred Inflow of Resources - Other	1,933,761	-	-	1,933,761
2600	Total Deferred Inflows of Resources	2,769,026	-	166,048	2,935,074
	FUND BALANCES				
	Nonspendable Fund Balance:				
3410	Inventories	384,524	-	82,849	467,373
3425	Endowment Principal	-	-	10,000	10,000
3430	Prepaid Items	139,036	-	-	139,036
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	2,237,124	2,237,124
3480	Retirement of Long-Term Debt	-	-	1,555,798	1,555,798
	Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	325,858	325,858
3600	Unassigned Fund Balance	34,876,880	-	140,531	35,017,411
3000	Total Fund Balances	35,400,440	-	4,352,160	39,752,600
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 48,590,960	$ 1,789,331	$ 5,884,709	$ 56,265,000

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, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	$	39,752,600
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		603,814
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 $239,109,678 and the accumulated depreciation was ($79,740,354). In addition, long-term liabilities, including bonds payable, maintenance tax notes, capital leases and interest payable for ($108,106,871), and deferred charge for refunding of $2,641,139 , 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.		53,903,592
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays and debt principal payments is to increase net position.		9,645,122
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 was a Deferred Resource Outflow in the amount of $10,326,460, a Deferred Resource Inflow in the amount of ($4,811,406) and a net pension liability in the amount of ($27,583,776). This resulted in a decrease in net position.		(22,068,722)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of $5,629,725, a deferred resource inflow in the amount of ($21,707,632), and a net OPEB liability in the amount of ($28,548,078). This resulted in a decrease in net position.		(44,625,985)
6 The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(6,557,215)
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 and certain due from other governments as revenue for $2,935,074, reclassifying the proceeds of refunding bond as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest for ($306,204). The net effect of these reclassifications and recognitions is to increase net position.		2,628,870
19 **Net Position of Governmental Activities**	$	33,282,076

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

SHARYLAND ISD

EXHIBIT C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		10 General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 38,392,853	$ -	$ 8,354,352	$ 46,747,205
5800	State Program Revenues	61,618,778	-	1,484,948	63,103,726
5900	Federal Program Revenues	1,281,209	1,789,331	15,398,710	18,469,250
5020	Total Revenues	101,292,840	1,789,331	25,238,010	128,320,181
	EXPENDITURES:				
	Current:				
0011	Instruction	55,665,272	1,726,221	4,672,657	62,064,150
0012	Instructional Resources and Media Services	1,081,963	-	59,415	1,141,378
0013	Curriculum and Instructional Staff Development	438,534	-	93,125	531,659
0021	Instructional Leadership	2,304,374	23,381	243,568	2,571,323
0023	School Leadership	5,735,075	10,141	73,522	5,818,738
0031	Guidance, Counseling, and Evaluation Services	3,616,945	681	1,208,973	4,826,599
0032	Social Work Services	42,207	-	-	42,207
0033	Health Services	1,154,315	1,596	73,085	1,228,996
0034	Student (Pupil) Transportation	3,566,097	-	-	3,566,097
0035	Food Services	424,811	-	7,078,217	7,503,028
0036	Extracurricular Activities	5,609,644	681	78,563	5,688,888
0041	General Administration	3,397,818	26,630	1,597	3,426,045
0051	Facilities Maintenance and Operations	9,381,750	-	236,022	9,617,772
0052	Security and Monitoring Services	1,044,326	-	183,776	1,228,102
0053	Data Processing Services	998,958	-	-	998,958
0061	Community Services	17,703	-	407,860	425,563
	Debt Service:				
0071	Principal on Long-Term Debt	505,000	-	3,950,000	4,455,000
0072	Interest on Long-Term Debt	110,084	-	3,459,663	3,569,747
0073	Bond Issuance Cost and Fees	-	-	396,282	396,282
	Capital Outlay:				
0081	Facilities Acquisition and Construction	3,667,729	-	-	3,667,729
	Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	15,000	-	-	15,000
0099	Other Intergovernmental Charges	497,472	-	-	497,472
6030	Total Expenditures	99,275,077	1,789,331	22,216,325	123,280,733
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	2,017,763	-	3,021,685	5,039,448
	OTHER FINANCING SOURCES (USES):				
7901	Refunding Bonds Issued	-	-	35,440,000	35,440,000
7912	Sale of Real and Personal Property	2,468,105	-	-	2,468,105
7916	Premium or Discount on Issuance of Bonds	-	-	5,219,558	5,219,558
8911	Transfers Out (Use)	(1,500,000)	-	-	(1,500,000)
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	(40,844,676)	(40,844,676)
7080	Total Other Financing Sources (Uses)	968,105	-	(185,118)	782,987
1200	Net Change in Fund Balances	2,985,868	-	2,836,567	5,822,435
0100	Fund Balance - July 1 (Beginning)	32,414,572	-	1,515,593	33,930,165
3000	Fund Balance - June 30 (Ending)	$ 35,400,440	$ -	$ 4,352,160	$ 39,752,600

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Total Net Change in Fund Balances - Governmental Funds	$	5,822,435
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		683,808
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2021 capital outlays and debt principal payments is to increase net position.		9,645,122
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.		(6,557,215)
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 other revenues unavailable for $816,097, reclassifying the proceeds of refunding bond, and the change in interest payable for ($306,205). The net effect of these reclassifications and recognitions is to increase net position.		509,892
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 $1,817,896. 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 the change in net position totaling ($1,790,515). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net position expense decreased the change in net position by ($2,586,175). The net result is a decrease in the change in net position.		(2,558,794)
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 $482,014. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling ($478,842). Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by $767,740. The net result is an increase in the change in net position.		770,912
Change in Net Position of Governmental Activities	$	8,316,160

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

EXHIBIT D-1

SHARYLAND ISD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-Type Activities - Total Enterprise Funds	Governmental Activities - Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 62,996	$ 1,406,795
Accrued Interest	-	3,560
Other Receivables	-	72,194
Total Current Assets	62,996	1,482,549
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements	176,233	-
Depreciation on Buildings	(86,127)	-
Furniture and Equipment	131,378	-
Depreciation on Furniture and Equipment	(91,859)	-
Total Noncurrent Assets	129,625	-
Total Assets	192,621	1,482,549
LIABILITIES		
Current Liabilities:		
Accounts Payable	289	241,893
Accrued Expenses	-	636,842
Total Liabilities	289	878,735
NET POSITION		
Net Investment in Capital Assets	129,625	-
Unrestricted Net Position	62,707	603,814
Total Net Position	$ 192,332	$ 603,814

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, 2021

	Business-Type Activities - Total Enterprise Funds	Governmental Activities - Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	$ 12,755	$ 9,576,066
State Program Revenues	1,430	-
Total Operating Revenues	14,185	9,576,066
OPERATING EXPENSES:		
Payroll Costs	25,015	-
Professional and Contracted Services	-	1,307,467
Supplies and Materials	939	-
Other Operating Costs	5,743	9,123,387
Depreciation Expense	19,272	-
Total Operating Expenses	50,969	10,430,854
Operating Income (Loss)	(36,784)	(854,788)
NONOPERATING REVENUES (EXPENSES):		
Earnings from Temporary Deposits & Investments	-	38,596
Total Nonoperating Revenues (Expenses)	-	38,596
Income (Loss) Before Transfers	(36,784)	(816,192)
Transfer In	-	1,500,000
Change in Net Position	(36,784)	683,808
Total Net Position - July 1 (Beginning)	229,116	(79,994)
Total Net Position - June 30 (Ending)	$ 192,332	$ 603,814

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, 2021

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
Cash Flows from Operating Activities:		
Cash Received from User Charges	$ 14,185	$ 9,576,066
Cash Received from Assessments - Other Funds	-	(300)
Cash Payments to Employees for Services	(25,015)	(1,169,966)
Cash Payments for Suppliers	(1,447)	-
Cash Payments for Other Operating Expenses	(5,743)	(10,284,822)
Net Cash Used for Operating Activities	(18,020)	(1,879,022)
Cash Flows from Non-Capital Financing Activities:		
Earning from Temporary Deposits and Investments	-	38,596
Operating Transfer In	-	1,500,000
Net Cash Provided by Non-Capital Financing Activities	-	1,538,596
Net Decrease in Cash and Cash Equivalents	(18,020)	(340,426)
Cash and Cash Equivalents at Beginning of Year	81,016	1,747,221
Cash and Cash Equivalents at End of Year	$ 62,996	$ 1,406,795
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:		
Operating Income (Loss):	$ (36,784)	$ (854,788)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:		
Depreciation	19,272	-
Effect of Increases and Decreases in Current Assets and Liabilities:		
Increase (decrease) in Accounts Payable	(508)	137,501
Increase (decrease) in Accrued Interest	-	(300)
Increase (decrease) in Accrued Expenses	-	(1,161,435)
Net Cash Used for Operating Activities	$ (18,020)	$ (1,879,022)
Reconciliation of Total Cash and Cash Equivalents:		
Cash and Cash Equivalents on Balance Sheet	$ 62,996	$ 1,406,795

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

EXHIBIT E-1

SHARYLAND ISD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	$ 158,544	$ 526,081
Investments - Current	-	273,019
Accrued Interest	275	913
Total Assets	158,819	$ 800,013
LIABILITIES		
Accounts Payable	4,650	9,236
Total Liabilities	4,650	9,236
NET POSITION		
Restricted for Campus Activities	-	790,777
Restricted for Scholarships	154,169	-
Total Net Position	$ 154,169	$ 790,777

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, 2021

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Contributions to Student Groups	$ -	$ 21,019
Miscellaneous Revenue - Student Activities	-	212,802
Earnings from Temporary Deposits	3,138	11,514
Contributions, Gifts and Donations	3,800	-
Total Additions	6,938	245,335
DEDUCTIONS:		
Supplies and Materials	-	16,144
Other Deductions	20,850	256,939
Total Deductions	20,850	273,083
Change in Fiduciary Net Position	(13,912)	(27,748)
Total Net Position July 1 (Beginning)	168,081	-
Prior Period Adjustment	-	818,525
Total Net Position June 30 (Ending)	$ 154,169	$ 790,777

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

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sharyland Independent School District ("District") was created in 1921. The District is committed to providing the highest quality education for all students. There are a total of thirteen campuses, which include eight elementary schools, two junior high schools, and three high schools.

Reporting Entity

The Sharyland Independent School 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.

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.

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.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Unearned revenue is reported in the governmental funds when a potential revenue does not meet both the "measureable" 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.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the District's enterprise funds. 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.

As discussed earlier, the District has no discretely presented component unit.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others that cannot be used to support the government's own programs. Custodial funds are purely custodial and do not involve measurement of results of operations.

The District reports the following major governmental funds:

The *General Fund* 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.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

The *Education Stabilization Fund (ESSER) 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:

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than capital projects. 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 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.

After implementation of GASB 84, fiduciary funds are used to report assets held in a trustee or agency capacity for others that cannot be used to support the government's own programs. Custodial funds are purely custodial and do not involve measurement of results of operations.

The *private-purpose trust fund* accounts 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 *custodial funds* 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 District provides accounting services and collect monies on behalf of student groups or others expected to be distributed within three months of receipt, neither of which are held in trust.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and debt service fund. Certain special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund and function. Transfers of appropriations between funds require the approval of the board of trustees. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Excess of expenditures over appropriations

For the year ended June 30, 2021, the District had no expenditures exceeding budgets in the General Fund.

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

Cash and cash equivalents

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.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

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.

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.

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.

Receivable and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal period are referred to as either "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible. Property taxes are levied by October 1st on the assessed value listed as of the prior January 1st for all real and business personal property in the District in conformity with Subtitle E, Texas Property Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1st of the year following

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

the year in which imposed. On January 31st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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

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

Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” within the fund financial statements. Long-term borrowings between funds are classified as “advances to other funds” or “advances from other funds” in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

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.

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.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

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.

Land and construction in progress are not depreciated. The other capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset class	Estimated useful lives
Buildings	50
Building improvements	7-25
Furniture and equipment	5-20
Capital lease - furniture and equipment	12
Infrastructure assets - roads	20
Infrastructure assets - networks and subsystems	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

Note 1 – 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.* Deferred inflows of resources for pension and OPEB are reported in the government-wide financial statement of net position. These deferred inflows result primarily from differences between projected and actual earnings on pension plan investments and on changes in actuarial assumptions in the OPEB plan. These amounts will be amortized between 5.00 and 9.04 years.

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.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

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 activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section I30: *Interest Costs – Imputation,* bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

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.

Pensions

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.

Other Post-Employment Benefits (OPEB) Liability

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.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Government-wide Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The District's net position is composed of the following:

Net Investment in Capital Assets. The component of net position that represents capital assets less capital related debt.

Restricted for State and Federal Programs. The component of net position that reports the difference between assets and liabilities of the Federal and State special revenue programs that consists of assets with constraints placed on their use by the Department of Education, Agriculture, the Texas Education Agency and other federal and state entities.

Restricted for Debt Service. The component of net position that reports the restricted assets set aside in a sinking fund, net of accrued interest, that have constraints placed on their use by the debt covenant.

Unrestricted. The difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not reported in net position invested in capital assets, net position restricted for debt services, or net position restricted for state and federal programs. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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).

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.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

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

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

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

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

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. Estimates that are particularly susceptible to significant change in the near term are related to allowance for doubtful accounts, pension liability, and OPEB liability.

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.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

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.

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.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 12, 2021. See Note 19 for relevant disclosure(s). No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In 2021, the District implemented GASB 84, *Fiduciary Activities,* which 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. See Note 2 for change in accounting principle resulted from this implementation.

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

- Statement No. 87, *Leases*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*

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

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

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.

Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Note 2 – CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*. The District has a prior period adjustment of $818,525 which was required for restating the beginning net position of custodial funds.

Note 3 – COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provision

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

Violations reported	Actions taken
None	Not applicable

B. Expenditures Exceeding Appropriations

For the year ended June 30, 2021, the District did not have expenditures exceeding appropriated amounts.

C. Deficit Fund Balances of Individual Funds or Deficit Net Position

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 ($ 27,217,189) at year end. The result of this

Note 3 – COMPLIANCE AND ACCOUNTABILITY (*Continued*)

negative balance is due to activities related to 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.

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, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $31,788,678 and the bank balance was $32,891,369. The District's cash deposits at June 30, 2021 and for the year ended June 30, 2021, 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 reconcilement of cash and investments as shown on the Statement of Net Position for the primary government are as follows:

Note 4 – DEPOSITS AND INVESTMENTS *(Continued)*

Cash on hand	$	1,699
Carrying amount deposit		31,788,678
Investments		3,185,680
Less: statement of fiduciary net assets		(957,644)
Cash and investments statement of net position	$	34,018,413

Exhibit A-1		
Cash and cash equivalents	$	31,105,752
Investments		2,912,661
Cash and investments statement of net position	$	34,018,413

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

a. Depositories: BBVA Compass Bank

b. The market value of securities and letters of credit as of the date of the highest combined balance on deposit was $53,933,926.

c. The highest combined balance of cash, saving and time deposits accounts amounted to $49,625,003 occurred during the month of January 2021.

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

Note 4 – DEPOSITS AND INVESTMENTS *(Continued)*

the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

At June 30, 2021, the District's investments are summarized below:

	Weighted average maturity	Reported amount
Logic Investment Pool	55 days average	$ 439,667
TexPool Investments	30 days average	1,080,035
TexPool Prime Investments	45 days average	661,649
Lone Star Investment	47 days average	1,004,329
Total		$ 3,185,680

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	$ 439,667	AAA-m	14%
TexPool Investments	1,080,035	AAA-m	34%
TexPool Prime Investments	661,649	AAA-m	21%
Lone Star Investment	1,004,329	AAA-m	32%
Total	$ 3,185,680		

Note 4 – DEPOSITS AND INVESTMENTS *(Continued)*

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.

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

The 2020 assessed valuation was $3,498,163,661.

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, 2021, the rates were $1.0492 and $.2316, respectively, per $100 of assessed value.

	General fund	Debt service fund	Total
Total taxes receivable	$ 3,013,365	$ 561,467	$ 3,574,832
Less: allowance for uncollectible	(1,846,698)	(324,356)	(2,171,054)
Property taxes receivable, net	$ 1,166,667	$ 237,111	$ 1,403,778

Due From Other Governments

Amounts due from other governments and agencies are as follows:

Note 5 – RECEIVABLES *(Continued)*

	General fund	Major Special Revenue fund	Other funds	Total
Due from other governments				
Texas Education Agency	$ 13,798,685	$ 1,789,331	$ 1,330,374	$ 16,918,390
Medicaid program (SHARS)	1,933,761	-	-	1,933,761
Other	221,578	-	44,331	265,909
Total	$ 15,954,024	$ 1,789,331	$ 1,374,705	$ 19,118,060

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	$ 6,874	$ -	$ 6,874
State grants	-	101,031	101,031
	$ 6,874	$ 101,031	$ 107,905

Note 6 – DISAGGREGATION OF OTHER RECEIVABLE AND ACCRUED LIABILITIES

Other receivables and accrued liabilities as of June 30, 2021 for the District’s individual major, nonmajor, and internal service funds in the aggregate are as follows:

Other receivables	General fund	Other funds	Internal service fund	Total
Miscellaneous	$ 69	$ -	$ 72,194	$ 72,263
Total	$ 69	$ -	$ 72,194	$ 72,263
Accrued expenses				
Wages payable	$ 7,230,469	$ 484,967	$ -	$ 7,715,436
Claims payable	-	-	636,842	636,842
Total	$ 7,230,469	$ 484,967	$ 636,842	$ 8,352,278

Note 7 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021, are as follows:

	Balance at 7/1/2020	Increases	Reclassify	Decreases	Balance at 6/30/2021
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 12,496,717	$ -	$ -	$ (825,155)	$ 11,671,562
Construction in progress	2,465,834	3,667,729	(5,856,891)	-	276,672
Total capital assets, not being depreciated	14,962,551	3,667,729	(5,856,891)	(825,155)	11,948,234
Capital assets, being depreciated:					
Building and improvements	196,360,478	-	5,856,891	-	202,217,369
Furniture and equipment	25,643,992	1,129,432	-	(379,615)	26,393,809
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	224,147,127	1,129,432	5,856,891	(379,615)	230,753,835
Less accumulated depreciation for:					
Building and improvements	(61,398,741)	(4,999,629)	-	-	(66,398,370)
Furniture and equipment	(17,730,856)	(1,442,093)	-	379,615	(18,793,334)
Capital lease - furniture and equipment	(152,731)	(62,648)	-	-	(215,379)
Infrastructure asset - roads	(160,187)	(27,068)	-	-	(187,255)
Infrastructure asset - networks and subsystems	(297,839)	(25,777)	-	-	(323,616)
Total accumulated depreciation	(79,740,354)	(6,557,215)	-	379,615	(85,917,954)
Total capital assets, being depreciated, net	144,406,773	(5,427,783)	5,856,891	-	144,835,881
Governmental activities, capital asssets, net	$ 159,369,324	$ (1,760,054)	$ -	$ (825,155)	$ 156,784,115
Business-type activities:					
Capital assets, being depreciated:					
Buildings	$ 176,233	$ -	$ -	$ -	$ 176,233
Furniture and equipment	131,378	-	-	-	131,378
Total capital assets, being depreciated	307,611	-	-	-	307,611
Less accumulated depreciation for:					
Buildings	(74,177)	(11,950)	-	-	(86,127)
Furniture and equipment	(84,537)	(7,322)	-	-	(91,859)
Total accumulated depreciation	(158,714)	(19,272)	-	-	(177,986)
Total capital assets, being depreciated, net	148,897	(19,272)	-	-	129,625
Business-type activities capital assets, net	$ 148,897	$ (19,272)	$ -	$ -	$ 129,625

Note 7 – CAPITAL ASSETS *(Continued)*

Depreciation was charged to functions as follows:

Instruction	$ 4,836,784
Instructional resources and media services	44,888
Instructional leadership	16,868
School leadership	48,191
Student transportation	537,223
Food services	137,232
Co-curricular/extracurricular activities	698,503
General administration	22,961
Plant maintenance and operations	135,687
Security and monitoring services	12,654
Data processing services	66,224
Total depreciation expenses - governmental activities	$ 6,557,215

Business-type activities:	
Instruction	$ 19,272
Total depreciation expenses - business-type activities	$ 19,272

Note 8 – INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2021 is as follows:

Due to		Due from	
General fund	$ 2,535,737	Major special revenue fund	$ 1,789,331
Nonmajor funds		General fund (clearing funds)	200,000
Capital projects fund	-	Nonmajor Funds	
Special revenue funds	-	Special revenue funds	546,406
Totals	$ 2,535,737	Totals	$ 2,535,737

Funds:	Transfers in	Transfers out
General fund	$ -	$ 1,500,000
Internal service fund	(1,500,000)	-
Totals	$ (1,500,000)	$ 1,500,000

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, 2021, the governmental funds reported deferred inflows of resources for unavailable property taxes in the amount of $1,001,313 and unavailable School Health and Related Services (SHARS) revenues in the amount of $1,933,761.

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, 2021, the amount of deferred charges on refunding of bonds reported as deferred outflows of resources was $2,889,431, net of cumulative amortization of $580,568 and addition of $828,860 related to refunding of bond in current year. Deferred outflows of resources related to pension and OPEB are $10,326,460 and $5,629,725, respectively. Deferred inflows of resources related to pensions and OPEB are $4,811,406 and $21,707,632, 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, 2021.

Note 10 – LONG TERM OBLIGATIONS (*Continued*)

General obligation and capital appreciation bonds payable at June 30, 2021 are summarized as follows:

Date of issue	Original issue	Final maturity	Interest rate	Outstanding balance
2012 Ref	7,790,000	2031	2.0%-4.0%	$ 5,455,000
2013 Ref	3,990,000	2022	2.0%-4.0%	550,000
2014 Ref	6,180,000	2030	2.0%-4.0%	3,980,000
2015 Ref	29,745,000	2036	2.0%-5.0%	24,315,000
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
2020 Ref	35,440,000	2041	3.0%-5.0%	35,440,000
			Total	$ 85,015,000

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

Year ending June 30	Principal	Interest	Total
2022	$ 2,805,000	$ 3,410,013	$ 6,215,013
2023	2,345,000	3,310,838	5,655,838
2024	2,715,000	3,212,938	5,927,938
2025	3,865,000	3,095,263	6,960,263
2026	4,160,000	2,907,325	7,067,325
2027-2031	26,230,000	11,100,375	37,330,375
2032-2036	26,610,000	5,548,600	32,158,600
2037-2041	16,285,000	1,461,300	17,746,300
Total	$ 85,015,000	$ 34,046,652	$ 119,061,652

B. Tax Notes

Tax notes outstanding at June 30, 2021 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%	$ 1,825,000

Note 10 – LONG TERM OBLIGATIONS (*Continued*)

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%	1,635,000
	$ 3,460,000

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

Year ending June 30	Principal	Interest	Total
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	400,000	58,245	458,245
2027-2031	1,265,000	138,652	1,403,652
2032-2033	315,000	14,725	329,725
Totals	$ 3,460,000	$ 551,219	$ 4,011,219

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. Current Year Refunding

The District issued $35,440,000 with interest rates of 3% to 5%. The current interest serial bonds mature in the years 2020 through 2041 in installments ranging from $1.3 million to $3.5 million. The refunding bonds were due in varying installments of $20,000 to $3 million with a final payment in 2041. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all debt service payments on the Unlimited Tax Refunding School Building Bonds Series 2011 and the Unlimited Tax School Building Bonds, Series 2012. Issuance costs were paid out of bonds proceeds.

The refunding was undertaken to reduce total debt service payments over the next 21 years by $10,046,700 to obtain an economic gain (difference between the present value of the debt service payment of the refunded and refunding bonds) of $9,207,671.

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, 2021, the amount of defeased debt outstanding was $39,960,000.

Note 10 – LONG TERM OBLIGATIONS (*Continued*)

D. Capital Lease Payable

Capital lease outstanding at June 30, 2021 consisted of a capital lease for District scoreboard (with lease term of October 2021 through October 2022; no interest) in the amount of $320,000.

Annual capital lease payments are as follows:

Year ending June 30,	Principal
2022	$ 160,000
2023	160,000
Total	$ 320,000

Long-term debt liabilities activity for the governmental activities for the year ended June 30, 2021, are as follows:

	Beginning Balance	Additions	Reductions	Defeased	Ending balance	Due within one year
General obligation bonds	$ 93,485,000	$ 35,440,000	$ 3,950,000	$ 39,960,000	$ 85,015,000	$ 2,805,000
Unamortized bond premium	8,889,491	5,219,558	1,217,708	-	12,891,341	-
Capital lease payable	480,408	-	160,408	-	320,000	160,000
Maintenance Tax notes	3,805,000	-	345,000	-	3,460,000	355,000
Total long term liabilities	$ 106,659,899	$ 40,659,558	$ 5,673,116	$ 39,960,000	$ 101,686,341	$ 3,320,000

Note 11 – GENERAL FUND FEDERAL SOURCE REVENUES

General fund federal sources revenues for the year ended June 30, 2021 were as follows:

Programs or source	Number	Amount
School Health & Relation Services	Not Applicable	$ 602,732
TDEM	Not Applicable	407,060
Junior Reserve Officers' Training Corps	12.U01	82,248
Indirect Costs:		
Title I Grants to Local Educational Agencies	84.010	101,188
Migrant Education-State Grant Program	84.011	2,409
Special Education-Grants to States	84.027	58,847
Career and Technical Education - Basic Grants to State	84.048	5,029
Special Education-Preschool Grants	84.173	94
Supporting Effective Instruction State Grants	84.367	7,897
English Language Acquisition State Grants	84.365	4,647
CRRSA ESSER II	84.425	8,138
Student Support and Academic Enrichment Program	84.424	920
Total for general fund		$ 1,281,209

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 $288,899,298 for property insurance.

Such insurance is consistent with the prior year, and at June 30, 2021 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.

At June 30, 2021, the District reported $109,124 of claim liabilities for workers compensation.

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, 2020 through December 31, 2020 and American National Life Insurance Company for the period of January 1, 2021 to December 31, 2021. Stop-loss coverage will be in effect for annual individual claims exceeding $125,000, and annual aggregate losses exceeding approximately $9,253,529 and $10,861,157 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, 2021.

Liability, beginning of period	$ 1,702,179
Claims incurred during the period	8,777,836
Payments on claims	(9,952,297)
Liability, end of period	$ 527,718

Note 12 – RISK MANAGEMENT (*Continued)*

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

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

The amount of subsidy reimbursement received by TRS on-behalf of the District for the periods ending June 30, 2021, 2020, and 2019, were $318,284, $322,213, and $242,400, 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, 2021 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.

Note 14 – PENSION PLAN OBLIGATIONS *(Continued)*

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

B. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.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.

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.

Contribution Rates	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%

District's 2021 FY Employer Contributions	$ 2,152,395
District's 2021 FY Member Contributions	$ 5,173,714
2020 measurement year NECE On-behalf Contributions	$ 3,783,711

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.

Note 14 – PENSION PLAN OBLIGATIONS *(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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Acuarial 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 2020	2.33%. 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)	2119
Inflation	2.30%
Salary Increases Including Inflation	3.5% to 9.05%
Ad hoc post-employment benfit changes	None

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, 2019. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

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 2020 session. It is assumed that future employer and state contributions will be 7.50 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.

Note 14 – PENSION PLAN OBLIGATIONS *(Continued)*

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:

Asset Class	Target Allocation[1]	Long-Term Expected Geometric Real Rate of Return[2]	Expected Contributed to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	-0.70%	-0.05%
Absolute Return (Including Credit Sensitive Investments)	0.00%	1.80%	0.00%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.02%
Energy, Natural Resources and Infrastructure	6.00%	6.00%	0.42%
Commodities	0.00%	0.80%	0.00%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Asset Allocation Leverage			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag[3]			-0.67%
Expected Return	100%		7.33%

1 Target allocations are based on the FY2020 policy model.
2 Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).
3 The volatility drag results from the conversion between arithmetic and geometric mean returns.

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 2020 net pension liability.

Note 14 – PENSION PLAN OBLIGATION *(Continued*)

	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:	$ 42,533,689	$ 27,583,776	$ 15,437,299

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

At June 30, 2021, the District reported a liability of $ 27,583,776 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	$ 27,583,776
State's proportionate share that is associated with District	49,114,601
Total	$ 76,698,377

The net pension liability was measured as of August 31, 2020 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, 2019 thru August 31, 2020.

At August 31, 2020, the employer's proportion of the collective net pension liability was 0.0515026643% which was a decrease of (0.0021459740%) from its proportion measured as of August 31, 2019.

Changes Since the Prior Actuarial Valuation – There have been no changes to the actuarial assumptions and methods since the prior valuation period.

For the year ended June 30, 2021, the District recognized pension expense of $10,284,086 and revenue of $5,907,396 for support provided by the State.

At June 30, 2021, 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:

Note 14 – PENSION PLAN OBLIGATION *(Continued)*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 50,366	$ 769,790
Changes in actuarial assumptions	6,400,417	2,721,413
Difference between projected and actual investment earnings	558,410	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,499,371	1,320,203
Total as of August 31, 2020 measurement date	8,508,564	4,811,406
Contributions paid to TRS subsequent to the measurement date	1,817,896	-
Total as of fiscal year-end	$ 10,326,460	$ 4,811,406

Contributions of $1,817,896 paid to TRS subsequent to the measurement date are classified as deferred outflows of resources and will reduce pension liability in the next fiscal year. The remaining deferred inflows of resources and deferred outflows of resources related to pensions noted above will be amortized and recognized in pension expense in the government-wide financial statements as follows:

Year ended June 30,	Pension Expense Amount
2022	$ 1,421,695
2023	1,333,719
2024	1,214,687
2025	238,046
2026	(460,533)
Thereafter	(50,456)

The net pension liability activity for the year ended June 30, 2021 were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	$ 27,888,239	$ 1,820,551	$ 2,125,014	$ 27,583,776

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

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

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_2020.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 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,

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

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 2020. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates	2020	2021
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 2021 FY Employer Contributions	$ 573,336
District's 2021 FY Member Contributions	$ 436,741
2020 measurement year NECE on-behalf	$ 767,002

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 $230.8 million in fiscal year 2020.

E. Actuarial Assumptions

The total OPEB liability in the August 31, 2019 actuarial valuation was rolled forward to August 31, 2020. 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, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Acuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% 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 benfit 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.

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

F. Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of .30 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 (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of the Net OPEB liability	$ 34,257,628	$ 28,548,078	$ 24,038,352

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	$ 23,320,122	$ 28,548,078	$ 35,510,976

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, 2021, the District reported a liability of $28,548,078 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	$ 28,548,078
State's proportionate share that is associated with District	38,361,773
Total	$ 66,909,851

The net OPEB liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net OPEB liability was 0.075097833% which was a decrease of (0.000624224%) from its proportion measured as of August 31, 2019.

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 2.63 percent as of August 31, 2019 to 2.33 percent, as of August 31, 2020. This change increased the TOL.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change decreased the TOL.
- The ultimate health care trend assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This 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.

For the period ended June 30, 2021, the District recognized OPEB expense of ($555,268) and revenue of ($266,370) for support provided by the State.

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

At June 30, 2021, 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	$ 1,494,766	$ 13,065,060
Changes in actuarial assumptions	1,760,823	7,839,450
Difference between projected and actual investment earnings	9,277	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,882,845	803,122
Total as of August 31, 2019 measurement date	$ 5,147,711	$ 21,707,632
Contributions paid to TRS subsequent to the measurement date	482,014	-
Total as of fiscal year-end	$ 5,629,725	$ 21,707,632

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
2022	$ (2,735,492)
2023	(2,736,732)
2024	(2,737,441)
2025	(2,737,247)
2026	(1,974,724)
Thereafter	(3,638,285)

The net OPEB liability activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	$ 35,809,886	$ (6,691,012)	$ 570,796	$ 28,548,078

Note 16 – CONSTRUCTION COMMITMENTS

At June 30, 2021, the District had the following construction commitments.

Project name	Contract amount	Architect/Civil Amount	Amount expended	Remaining commitment
B.L. Gray JH Chiller	$ 317,000	$ 19,020	$ 276,672	$ 59,348
Total	$ 317,000	$ 19,020	$ 276,672	$ 59,348

NOTE 17 – OPERATING LEASE COMMITMENTS

Rental expenditures during the period totaled $315,468 for governmental activities. The District has operating leases for office equipment. Commitments under lease agreements as of June 30, 2021 provide for future minimum lease obligations as follows:

Year ending June 30,	Governmental Activities
2022	$ 289,013
2023	288,264
2024	48,730
	$ 626,007

NOTE 18 – UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and result of the workforce. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects of the economy overall, all of which are uncertain as of November 12, 2021.

NOTE 19 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 12, 2021, which is the date these financial statement were available to be issued. The following items occurred:

In July 2021, the Board approved to purchase replacement chrome books for student use from cooperative approved vendors, CDWG, in the amount of $949,125.

In July 2021, the Board approved to purchase four passenger school buses and one 54 passenger special education school bus from cooperative approved vendor, Longhorn Bus Sales in the amount of $537,916.

(This page intentionally left blank)

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, 2021

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 36,289,341	$ 37,770,396	$ 38,392,853	$ 622,457
5800	State Program Revenues	63,098,580	62,694,400	61,618,778	(1,075,622)
5900	Federal Program Revenues	1,560,179	1,060,179	1,281,209	221,030
5020	Total Revenues	100,948,100	101,524,975	101,292,840	(232,135)
	EXPENDITURES:				
	Current:				
0011	Instruction	56,986,272	59,934,224	55,665,272	4,268,952
0012	Instructional Resources and Media Services	1,043,824	1,084,116	1,081,963	2,153
0013	Curriculum and Instructional Staff Development	764,517	488,826	438,534	50,292
0021	Instructional Leadership	2,374,695	2,458,287	2,304,374	153,913
0023	School Leadership	5,886,484	5,920,941	5,735,075	185,866
0031	Guidance, Counseling, and Evaluation Services	3,718,248	3,847,674	3,616,945	230,729
0032	Social Work Services	41,092	43,883	42,207	1,676
0033	Health Services	911,693	1,225,944	1,154,315	71,629
0034	Student (Pupil) Transportation	3,970,815	4,033,661	3,566,097	467,564
0035	Food Services	-	426,893	424,811	2,082
0036	Extracurricular Activities	7,059,752	7,000,307	5,609,644	1,390,663
0041	General Administration	3,536,396	3,741,082	3,397,818	343,264
0051	Facilities Maintenance and Operations	9,892,708	10,201,779	9,381,750	820,029
0052	Security and Monitoring Services	1,185,308	1,189,192	1,044,326	144,866
0053	Data Processing Services	947,519	1,009,336	998,958	10,378
0061	Community Services	7,650	21,060	17,703	3,357
	Debt Service:				
0071	Principal on Long-Term Debt	616,127	505,000	505,000	-
0072	Interest on Long-Term Debt	-	110,127	110,084	43
0073	Bond Issuance Cost and Fees	-	2,000	-	2,000
	Capital Outlay:				
0081	Facilities Acquisition and Construction	1,500,000	4,054,020	3,667,729	386,291
	Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	30,000	15,000	15,000	-
0099	Other Intergovernmental Charges	475,000	505,000	497,472	7,528
6030	Total Expenditures	100,948,100	107,818,352	99,275,077	8,543,275
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(6,293,377)	2,017,763	8,311,140
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	-	2,468,105	2,468,105
7915	Transfers In	7,191,486	7,292,882	-	(7,292,882)
8911	Transfers Out (Use)	(7,191,486)	(8,792,882)	(1,500,000)	7,292,882
7080	Total Other Financing Sources (Uses)	-	(1,500,000)	968,105	2,468,105
1200	Net Change in Fund Balances	-	(7,793,377)	2,985,868	10,779,245
0100	Fund Balance - July 1 (Beginning)	32,414,572	32,414,572	32,414,572	-
3000	Fund Balance - June 30 (Ending)	$ 32,414,572	$ 24,621,195	$ 35,400,440	$ 10,779,245

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, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.051520664%	0.053648638%	0.055706202%
District's Proportionate Share of Net Pension Liability (Asset)	$ 27,583,776	$ 27,888,239	$ 30,662,045
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	49,114,601	46,698,431	50,417,067
Total	$ 76,698,377	$ 74,586,670	$ 81,079,112
District's Covered Payroll	$ 67,936,378	$ 63,696,089	$ 62,609,369
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	40.60%	43.78%	48.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

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, 2020 for year 2021, 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.

FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.053833165%	0.053277561%	0.0553427%	0.0283796%
$ 17,212,946	$ 20,132,798	$ 19,562,908	$ 7,580,584
29,553,002	36,360,594	34,659,893	30,726,532
$ 46,765,948	$ 56,493,392	$ 54,222,801	$ 38,307,116
$ 59,733,574	$ 58,753,125	$ 56,328,129	$ 52,936,190
28.82%	34.27%	34.73%	14.32%
82.17%	78.00%	78.43%	83.25%

SHARYLAND ISD

SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS

TEACHER RETIREMENT SYSTEM OF TEXAS

FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	$ 2,152,395	$ 2,077,313	$ 1,884,733
Contribution in Relation to the Contractually Required Contribution	(2,152,395)	(2,077,313)	(1,884,733)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 67,191,109	$ 67,348,004	$ 63,667,224
Contributions as a Percentage of Covered Payroll	3.20%	3.08%	2.96%

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.

2018	2017	2016	2015
$ 1,580,557	$ 1,764,337	$ 1,692,763	$ 1,638,730
(1,580,557)	(1,764,337)	(1,692,763)	(1,638,730)
$ -	$ -	$ -	$ -
$ 52,342,178	$ 59,733,574	$ 58,753,125	$ 56,328,129
3.02%	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, 2021

	FY 2021 Plan Year 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	0.075097833%	0.075722057%	0.076657764%	$ 0.072085823%
District's Proportionate Share of Net OPEB Liability (Asset)	$ 28,548,078	$ 35,809,886	$ 38,275,923	$ 31,347,420
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	38,361,773	47,583,332	52,506,786	$ 45,889,160
Total	$ 66,909,851	$ 83,393,218	$ 90,782,709	$ 77,236,580
District's Covered Payroll	$ 67,936,378	$ 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	42.02%	56.22%	61.13%	52.48%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	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 2021 are for the measurement date of August 31, 2020. The amounts 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 2021

	2021	2020	2019	2018
Contractually Required Contribution	$ 573,336	$ 564,240	$ 535,369	$ 443,946
Contribution in Relation to the Contractually Required Contribution	(573,336)	(564,240)	(535,369)	(443,946)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 67,191,109	$ 67,348,004	$ 63,667,224	$ 52,342,178
Contributions as a Percentage of Covered Payroll	0.85%	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.

A. *Budgets*

The official school original budget was prepared for adoption for required Governmental Fund Types by June 22, 2020. 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 Information section of the financial statements.

The Education Stabilization Fund (ESSER II) 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. E*ncumbrances*

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 – There have been no changes to the actuarial assumptions and methods since the prior valuation period.

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 2.63 percent as of August 31, 2019 to 2.33 percent, as of August 31, 2020. This change increased the total OPEB liability (TOL).
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change decreased the TOL.
- The ultimate health care trend assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This changes decreased the TOL.

OTHER INFORMATION

(This page intentionally left blank)

SHARYLAND ISD
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2021

Last 10 Years	(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2012 and prior years	Various	Various	$ Various
2013	1.040000	0.24550	2,571,598,518
2014	1.040000	0.11550	2,709,775,536
2015	1.170000	0.16550	2,711,846,739
2016	1.170000	0.16550	2,899,657,284
2017	1.170000	0.20550	3,095,956,202
2018	1.170000	0.20550	3,160,662,252
2019	1.170000	0.20550	3,229,002,272
2020	1.068400	0.23030	3,397,479,887
2021 (School year under audit)	1.049200	0.23160	3,498,163,661
1000 TOTALS			

(10) Beginning Balance 7/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2021
$ 737,748	$ -	$ 39,795	$ 5,495	$ (42,951)	$ 649,507
71,063	-	7,268	1,716	(838)	61,241
78,315	-	8,672	856	(838)	67,949
97,208	-	13,048	1,846	(906)	81,408
163,819	-	31,967	4,522	(15,682)	111,648
237,485	-	53,850	9,458	(1,291)	172,886
289,364	-	88,121	15,478	10,066	195,831
579,727	-	204,773	35,967	(36,752)	302,235
1,758,714	-	944,288	203,547	(91,712)	519,167
-	44,000,759	35,242,633	7,779,445	434,279	1,412,960
$ 4,013,443	$ 44,000,759	$ 36,634,415	$ 8,058,330	$ 253,375	$ 3,574,832

SHARYLAND ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 1,226,476	$ 52,336	$ 58,291	$ 5,955
5800	State Program Revenues	-	28,500	28,326	(174)
5900	Federal Program Revenues	5,019,611	9,601,346	9,351,409	(249,937)
5020	Total Revenues	6,246,087	9,682,182	9,438,026	(244,156)
	EXPENDITURES:				
	Current:				
0035	Food Services	6,035,887	9,449,482	7,078,217	2,371,265
0051	Facilities Maintenance and Operations	207,200	229,700	227,548	2,152
0052	Security and Monitoring Services	3,000	3,000	-	3,000
6030	Total Expenditures	6,246,087	9,682,182	7,305,765	2,376,417
1200	Net Change in Fund Balances	-	-	2,132,261	2,132,261
0100	Fund Balance - July 1 (Beginning)	187,712	187,712	187,712	-
3000	Fund Balance - June 30 (Ending)	$ 187,712	$ 187,712	$ 2,319,973	$ 2,132,261

SHARYLAND ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 7,410,592	$ 8,075,592	$ 8,200,897	$ 125,305
5800	State Program Revenues	456,197	566,197	568,326	2,129
5020	Total Revenues	7,866,789	8,641,789	8,769,223	127,434
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Debt	7,886,789	3,950,000	3,950,000	-
0072	Interest on Long-Term Debt	-	3,459,663	3,459,663	-
0073	Bond Issuance Cost and Fees	-	919,680	396,282	523,398
6030	Total Expenditures	7,886,789	8,329,343	7,805,945	523,398
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,000)	312,446	963,278	650,832
	OTHER FINANCING SOURCES (USES):				
7901	Refunding Bonds Issued	-	35,440,000	35,440,000	-
7916	Premium or Discount on Issuance of Bonds	-	5,092,230	5,219,558	127,328
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(40,844,676)	(40,844,676)	-
7080	Total Other Financing Sources (Uses)	-	(312,446)	(185,118)	127,328
1200	Net Change in Fund Balances	(20,000)	-	778,160	778,160
0100	Fund Balance - July 1 (Beginning)	777,638	777,638	777,638	-
3000	Fund Balance - June 30 (Ending)	$ 757,638	$ 777,638	$ 1,555,798	$ 778,160

Carr, Riggs & Ingram, LLC
4100 N. 23rd St.
McAllen, TX 78504

(956) 686-3701
(956) 686-6830 (fax)
CRIcpa.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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2021.

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.

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

McAllen, Texas
November 12, 2021

Carr, Riggs & Ingram, LLC
4100 N. 23rd St.
McAllen, TX 78504

(956) 686-3701
(956) 686-6830 (fax)
CRIcpa.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, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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, 2021.

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
November 12, 2021

(This page intentionally left blank)

Section I - Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:
   a. Material weakness(es) identified? _____ yes __X_ no
   b. Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ yes __X_ none reported

   c. Noncompliance material to financial statements noted? _____ yes __X_ no

Federal Awards

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

2. Internal control over major programs:
   a. Material weakness(es) identified? ____ yes __X_ no
   b. Significant deficiency (ies) identified that are not considered to be material weaknesses? ____ yes __X_ none reported

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

4. Identification of major programs:

Assistance Listing number (s)		Name of Federal Program or Cluster
10.553/10.555		Child Nutrition Cluster
10.558		Child and Adult Care Food Program
21.019	COVID-19	Coronavirus Relief Fund
84.425D	COVID-19	Education Stabilization Fund (ESSER)

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

Auditee qualified as low-risk under 2CFR 200.520? _X_ yes ____ no

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None noted that were required to be reported.

Financial Statement Findings:

None reported.

Federal Award Findings:

None reported.

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, 2021

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Assistance Listing Number	(3) Pass-Through Entity Identifying Number	Pass Through to Subrecipients	(4) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Texas Education Agency				
*School Breakfast Program	10.553	806780706	$ -	$ 68,006
*COVID-19 School Breakfast Program	10.553	806780706	-	2,434,390
*SSO COVID-19 School Breakfast Program	10.553	806780706	-	289,947
Total Assistance Listing Number 10.553			-	2,792,343
National School Lunch Program	10.555	806780706	-	108,514
COVID-19 National School Lunch Program	10.555	806780706	-	3,951,598
SSO COVID19 National School Lunch Program	10.555	806780706	-	478,282
Total Assistance Listing Number 10.555			-	4,538,394
Total Child Nutrition Cluster			-	7,330,737
*Commodity Supplemental Food Program - Non-Cash Assistance	10.565	806780706	-	31,833
Total Food Distribution Cluster			-	31,833
Passed Through Texas Department of Agriculture				
Child and Adult Care Food Program	10.558	806780706	-	1,988,840
Total Passed Through Texas Department of Agriculture			-	1,988,840
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	9,351,410
U.S DEPARTMENT OF DEFENSE				
Direct Programs:				
Junior Reserve Officer Training Corps	12.U01	108-911	-	82,249
TOTAL U.S. DEPARTMENT OF DEFENSE			-	82,249
U.S. DEPARTMENT OF EDUCATION				
Passed Through Texas Education Agency				
Title I Grants to Local Educational Agencies	84.010	20610101108911	-	366,412
Title I Grants to Local Educational Agencies	84.010	21610101108911	-	2,518,022
Total Assistance Listing Number 84.010			-	2,884,434
Migrant Education State Grant Program	84.011	20615001108911	-	43,717
Migrant Education State Grant Program	84.011	21615001108911	-	42,859
Total Assistance Listing Number 84.011			-	86,576
*Special Education Grants to States	84.027	206600011089116600	-	61,255
*Special Education Grants to States	84.027	216600011089116600	-	1,481,898
Total Assistance Listing Number 84.027			-	1,543,153
*Special Education Preschool Grants	84.173	206610011089116610	-	3,964
*Special Education Preschool Grants	84.173	216610011089116610	-	5,129
Total Assistance Listing Number 84.173			-	9,093
Total Special Education Cluster (IDEA)			-	1,552,246
Career and Technical Education Basic Grants to States	84.048	20420006108911	-	1,544
Career and Technical Education Basic Grants to States	84.048	21420006108911	-	135,860
Total Assistance Listing Number 84.048			-	137,404
English Language Acquisition State Grants	84.365	20671001108911	-	3,812
English Language Acquisition State Grants	84.365	21671001108911	-	236,982
Total Assistance Listing Number 84.365			-	240,794
Supporting Effective Instruction State Grants	84.367	20694501108911	$ -	$ 121,461
Supporting Effective Instruction State Grants	84.367	21694501108911	-	230,661
Total Assistance Listing Number 84.367			-	352,122

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Assistance Listing Number	Pass-Through Entity Identifying Number	Pass Through to Subrecipients	Federal Expenditures
Student Support and Academic Enrichment Grants	84.424	20680101108911	-	42,054
Student Support and Academic Enrichment Grants	84.424	21680101108911	-	127,411
Total Assistance Listing Number 84.424			-	169,465
COVID-19 Education Stabilization Fund - ESSER I	84.425D	20521001108911	-	60,456
COVID-19 Education Stabilization Fund - ESSER II (PPRP)	84.425D	52102135	-	1,797,470
Total Assistance Listing Number 84.425D			-	1,857,926
Total Passed Through Texas Education Agency			-	7,280,967
TOTAL U.S. DEPARTMENT OF EDUCATION			-	7,280,967
U.S. DEPARMENT OF TREASURY				
Passed through Texas Department of Emergency Management (TDEM)				
COVID-19 Coronavirus Relief Fund	21.019	2020-CF-21019	-	407,060
COVID-19 Coronavirus Relief Fund	21.019	20522001	-	360,697
Total Passed Through Texas Division of Emergency Management (TDEM)			-	767,757
Passed through Texas Education Agency				
COVID-19 Coronavirus Relief Fund	21.019	52202002	-	180,348
Passed through Hidalgo County				
COVID-19 Coronavirus Relief Fund	21.019	2020-HID-CRF-SISD-35	-	180,348
TOTAL U.S. DEPARMENT OF TREASURY			-	1,128,453
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Direct Program				
COVID-19 Provider Relief Fund	93.498	108-911	-	23,436
TOTAL US DEPARTMENT OF HEALTH & HUMAN SERVICES			-	23,436
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 17,866,515

*Clustered Programs

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sharyland Independent School District. 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.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Compliance Supplement, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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	$	17,866,515
SHARS		602,735
Exhibit C-3	$	18,469,250

Note 3 - Indirect Cost Rate

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

Note 4 – Sub-Recipients

During the year ended June 30, 2021, the District had no pass-through to sub-recipients.

Note 5 – Federal Loans and Loan Guarantees

During the year ended June 30, 2021, the District had no outstanding federal loans payable or loan guarantees.

Note 6 – Federally Funded Insurance

During the year ended June 30, 2021, the District had no federally funded insurance.

Note 7 – Noncash Awards

During the year ended June 30, 2021, the District received $31,833 as non-cash assistance under the Commodity Supplemental Food Program.

Note 8 – Contingencies

Grant monies received and disbursed by the District are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the District does not believe that such disallowance, if any, would have a material effect on the financial position of the District.

Note 9 – Federal Pass-through Funds

The District is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as pass-through are considered to be direct.

Required Communications for
the Board of Trustees and Management of

Sharyland Independent School District

November 12, 2021

Carr, Riggs & Ingram, LLC
4100 N. 23rd St.
McAllen, TX 78504

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

November 12, 2021

Board of Trustees and Management of
Sharyland Independent School District

We are pleased to present the results of our audit of the financial statements of Sharyland Independent School District (the "District") for the year ended June 30, 2021.

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

Our audit was designed, primarily, to express an opinion on the District's financial statements for the fiscal year ended June 30, 2021. We considered the District's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the District, expect. We received the full support and assistance of the District's personnel.

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

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

We appreciate this opportunity to work with you. If you have any questions or comments, please contact Esmeralda Yniguez at 956-686-3701 or email eyniguez@cricpa.com.

Very truly yours,

Esmeralda Yniguez, CPA
Partner

As discussed with management during our planning process and communicated to the Board of Trustees in our engagement letter dated January 13, 2021, 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, as requested by the Board of Trustees, 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 and with the types of requirements described in the Uniform Guidance in order to express an opinion on the District's financial statements for the year ended June 30, 2021*;*

- 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*; and Uniform Guidance 2 CFR Part 200 in order to express an opinion on compliance with requirements applicable to each major federal program;

- Report on internal control over compliance with the types of compliance requirements described in Uniform Guidance 2CFR Part 200 and the OMB compliance Supplement;

- Communicate directly with the Board of Trustees and management regarding the results of our procedures;

- Address with the Board of Trustees and management any accounting and financial reporting issues;

- Anticipate and respond to concerns of the Board of Trustees and management; and

- Address other audit-related projects as they arise and upon request.

We have audited the financial statements of the District for the year ended June 30, 2021, and have issued our report thereon dated November 12, 2021. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Auditors' responsibility under Generally Accepted Auditing Standards (GAAS), *Government Auditing Standards (GAGAS),* and the Uniform Guidance	As stated in our engagement letter dated January 13, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP) and *Government Auditing Standards* issued by the Comptroller General of the United States. Our audit of the financial statements does not relieve you or management of your responsibilities. Required supplementary information, such as management's discussion and analysis, is required by generally accepted accounting principles and was subjected to certain limited procedures, but was not audited. As part of our audit, we considered the internal control of the District and internal controls related to major federal programs and an opinion on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have direct and material effect on each federal program in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
Client's responsibility	Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud. Management is responsible for overseeing nonaudit services by designating an individual, preferably from senior management, with

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
	suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork.
Management judgments and accounting estimates *The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.*	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."
Potential effect on the financial statements of any significant risks and exposures *Major risks and exposures facing the District and how they are disclosed.*	The most significant risks and exposure of the District are described in Note 12 "Risk Management" to the financial statements.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
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 • *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;* • *The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of the District's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures;* • *Critical accounting policies and practices applied by the District in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;* • *Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor;* • *Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.*	The significant accounting policies used by the District are described in Note 1 to the financial statements. New accounting policies were adopted during the fiscal year as a result of the following recently issued accounting pronouncement: • Statement No. 84, *Fiduciary Activities* (GASB 84) The adoption of GASB Statements No. 84 restated the beginning balance of net position of custodial funds by $818,525. We noted no transactions entered into by the District during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were: The disclosure of deficit net position in Note 3 to the financial statements shows a negative unrestricted net position in the Governmental Activities Statement at year-end due mainly to the activity resulted from GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The disclosure of Long-Term Obligations in Note 10 to the financial statements outlines the District's outstanding debt and its ability to repay the debt as it becomes due. The Disclosure of the prior period adjustment in Note 2 to the financial statements addresses the change in principle due to the implementation of GASB Statement No. 84. Further, the disclosures in the District's financial statements are neutral, consistent, and clear.
Significant difficulties encountered in the audit *Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.*	We encountered no significant difficulties in dealing with management in performing and completing our audit.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Disagreements with management *Disagreements, whether or not subsequently resolved, about matters significant to the financial accounting, reporting, or auditing matter, that could be significant to the financial statements or the auditors' report. This does not include those that came about based on incomplete facts or preliminary information.*	We are pleased to report that no such disagreements arose during the course of our audit.
Other findings or issues *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.*	Refer to the Schedule of Findings and Questioned Costs included in the financial report package.
Matters arising from the audit that were discussed with, or the subject of correspondence with, management *Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.*	None noted.
Corrected and uncorrected misstatements *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 Board of Trustees about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that contributed to the misstatements should be identified.*	See "Summary of Audit Adjustments" section.
Major issues discussed with management prior to retention *Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.*	Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Consultations with other accountants *When management has consulted with other accountants about significant accounting or auditing matters.*	To our knowledge, there were no such consultations with other accountants.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Written representations *A description of the written representations the auditor requested (or a copy of the representation letter).*	See "Management Representation Letter" section.
Internal control deficiencies *Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditors' attention during the audit.*	See "Management Communication Letter" section.
Fraud and illegal acts *Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.*	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Supplementary Information in relation to the financial statements as a whole *The auditors' responsibility for supplementary information accompanying the financial statements, as well as any procedures performed and the results.*	We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, 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.
Significant unusual accounting transactions *Auditor communication with governance to include auditors' views on policies and practices management used, as well as the auditors' understanding of the business purpose.*	No significant unusual accounting transactions were noted during the year.
Other information in documents containing audited financial statements *The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.*	Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether: • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Required Supplementary Information *The auditors' responsibility for required supplementary information accompanying the financial statements, as well as any procedures performed and the results.*	We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We are required to communicate our judgments about the quality, not just the acceptability, of the District's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Board of Trustees and management may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

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

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

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITORS' CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Pensions and Other Post-Employment Benefits – Net Pension/ OPEB Liability and related Deferred Outflows and Inflows of Resources	The District is a member employer of the Teacher Retirement System of Texas (TRS) pension plan. The fiduciary net position of the TRS plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension / OPEB 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.	X	According to state statute, contributions for all employers are actuarially determined each year and the total pension liability is determined based on an actuarial valuation as of the measurement date. The District records its proportionate share based on an actuarial valuation as of the measurement date. We evaluated the key factors and assumptions used to record the District's net pension liability, OPEB liability and related balances in determining that they are reasonable in relation to the financial statements taken as a whole.	Our procedures did not identify any instances of noncompliance with applicable accounting guidelines.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITORS' CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Accounts Receivable – Allowance for Uncollectible Property Taxes	Management's estimate for the allowance for uncollectible property tax receivables is an average collection rate based on the historical experience in collecting property taxes over a 10 year period.	X	Management's estimate for the allowance of uncollectible property taxes is based on percentages of historical collections of prior years' tax levies. We evaluated the key factors and assumptions used to develop the allowance for uncollectible accounts in determining that it is reasonable in relation to the financial statements taken as a whole.	The District's policies are in accordance with applicable accounting guidelines.
Deferred inflow of resources – School Health and Related Services (SHARS)	Management's estimate for SHARS is estimated based on an average of prior years' collections.	X	Management's estimate for SHARS is estimated based on an average of prior year's collections. We evaluated the key factors and assumptions used to develop the SHARS estimate in determining that it is reasonable to the financial statements as a whole.	The District's policies are in accordance with applicable accounting guidelines.

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 reporting guidelines. Those adjustments are either recorded (corrected) by the District or passed (uncorrected). Uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even if, in the auditors' judgment, such uncorrected misstatements are immaterial to the financial statements under audit. See "Schedule of Adjusting Journal Entries" on the next page for a summary of those differences at June 30, 2021.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, 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 net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area 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 compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.

Sharyland Independent School District
Schedule of Adjusting Journal Entries
For the Year Ended June 30, 2021

Adjusting Entry	Debit	Credit
Adjusting Entry Number: 12		
199-00-2161	35,460.72	
240-00-2161	5,707.46	
199-51-6142	36.43	(4,351.83)
199-34-6128		(1,258.52)
199-34-6129		(1,288.95)
199-34-6141		(36.57)
199-34-6142		(146.28)
199-34-6143		(168.27)
199-34-6146		(19.11)
199-41-6114		(90.00)
199-41-6141		(1.21)
199-41-6143		(0.68)
199-51-6128		(61.90)
199-51-6129		(26,947.95)
199-51-6141		(380.58)
199-51-6143		(397.32)
199-51-6146		(202.58)
199-53-6129		(141.29)
199-53-6141		(1.99)
199-53-6143		(1.43)
199-53-6146		(0.69)
240-35-6128		(103.55)
240-35-6129		(5,383.38)
240-35-6141		(79.47)
240-35-6142		(36.57)
240-35-6143		(63.34)
240-35-6146		(41.15)
	41,204.61	(41,204.61)

Reversal of prior year 10 days accrual: 6/29-30 Inc W/ PPE 7/10/20

Adjusting Entry	Debit	Credit
Adjusting Entry Number: 13		
183-00-1411	22,371.67	
183-36-6429		(22,371.67)
199-00-1411	116,664.66	
199-51-6429		(116,664.66)
	139,036.33	(139,036.33)

To reclassify insurance expenses to pre-paid for student athletic, school and automobile, property & casualty, and flood insurance.

Adjusting Entry	Debit	Credit
Adjusting Entry Number: 16		
199-00-1101	761,295.90	
199-00-2155		(761,295.90)
	761,295.90	(761,295.90)

To record June TRS payment made after year-end as a payable as of June 30, 2021.

SHARYLAND
INDEPENDENT SCHOOL DISTRICT
Excellence is our Tradition

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

November 12, 2021

Carr, Riggs & Ingram, LLC
4100 North 23rd 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, 2021, 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 November 12, 2021, 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 13, 2021, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) We are in agreement and approve the fund level adjusting journal entries you have proposed, and they have been posted to the accounts. We are also in agreement and approve the government wide entries that are posted to the government wide financial statements.

8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the school district is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the school district from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the school district and involves:

- Management,
- Employees who have significant roles in internal control, or
- Others where the fraud could have a material effect on the financial statements.

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

Government-specific

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
21) 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.
22) 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.
23) We have identified and disclosed to you all instances that have occurred, or are likely to have occurred, of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts and grant agreements that we believe has 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.
24) 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.
25) 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.
26) 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.

27) 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 Director of Finance, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures and schedule of expenditures of federal awards and assisted with the preparation of GASB adjusting entries.

28) In regard to the preparation of the financial statements and disclosures and schedule of expenditures of federal awards and assisted with the preparation of GASB adjusting entries services performed by you, we have—

    1) Assumed all management responsibilities.

    2) Designated Jaime Ortega, who has suitable skill, knowledge, or experience to oversee the services.

    3) Evaluated the adequacy and results of the services performed.

    4) Accepted responsibility for the results of the services.

29) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.

30) The school district made timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies.

31) The school district has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

32) The school district has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

33) There are no component units or joint ventures with an equity interest that must be included in our financial statements.

34) The financial statements include all fiduciary activities required by GASBS No. 84 .

35) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 , as amended.

36) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

37) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

38) Investments are properly valued.

39) Provisions for uncollectible receivables have been properly identified and recorded.

40) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

41) Revenues are appropriately classified in the statement of activities within program revenues, general revenues.

42) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

43) Deposits and investment securities are properly classified as to risk and are properly disclosed.

44) Capital assets, including intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

45) 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.

46) 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.

47) 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.

48) With respect to the required supplementary information and other information:

    a) We acknowledge our responsibility for presenting the required supplementary Information and other information 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 required supplementary information and other 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.

49) 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.

d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

f) We are responsible for establishing, designing, implementing, and maintaining, and have established, designed, implemented, and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

h) We have received no requests from a federal agency to audit one or more specific programs as a major program.

i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement* (including its Addendum), relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.

j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).

m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

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 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: Maria M. Vidaurri

Title: Superintendent

Signature:

Title: Chief Financial Officer

PASSED ADJUSTMENTS

GOVERMENTAL ACTIVITIES

				Financial Statement Effect—Amount of Over- (Under-) Statement of:						
Description (Nature) of Audit Difference (AD)	**Factual (F), Judgmental (J), or Projected (P)**	**Cause**	**W/P Ref.**	**Total Assets**	**Total Liabilities**	**Working Cap.**	**Fund Balance/Net Position**	**Revenues**	**Expen.**	**Change in Fund Balance/ Net Position**
Cash and investment balances of two activities are improperly recorded as custodial fund instead of special revenue fund.	J	Due to implementation of GASB 84	7105.1	-82,442			-82,442	-26,955	-14,106	-12,849
CRI noted for Fund 770 the District did not amortize and capitalize two months of insurance premium for excess workers compensation. $17,669 should have been recorded as a prepaid asset and not in expenditures.	Factual	The District's policies did not include a review of insurance policies to determine if any months covered are outside the fiscal year-end.	5401 Insurance_Prepaid Tab	-17,669			-17,669		17,669	17,669
CRI noted for Fund 753 the District did not review lag report for September and October 2021. Per the report, $97,214 should have been recorded as a liability and expensed in the current audit year.	Factual	The District received lag report for September 2021 at the beginning of October 2021.	5420 Accrued Expenses Tab		-97,214		97,214		-97,214	97,214
			Total	-100,111	-97,214	0	-2,897	-26,955	-93,651	102,034

AGGREGATE REMAINING FUND

				Financial Statement Effect—Amount of Over- (Under-) Statement of:						
Description (Nature) of Audit Difference (AD)	**Factual (F), Judgmental (J), or Projected (P)**	**Cause**	**W/P Ref.**	**Total Assets**	**Total Liabilities**	**Working Cap.**	**Fund Balance/Net Position**	**Revenues**	**Expen.**	**Change in Fund Balance/ Net Position**
Cash and investment balances of two activities are improperly recorded as custodial fund instead of special revenue fund	J	Due to implementation of GASB 84	7105.1	82,442			82,442	26,955	14,106	12,849
Cash and investment balances of two activities are improperly recorded as custodial fund instead of special revenue fund	J	Due to implementation of GASB 84	7105.1	-82,442			-82,442	-26,955	-14,106	-12,849
CRI noted for Fund 770 the District did not amortize and capitalize two months of insurance premium for excess workers compensation. $17,669 should have been recorded as a prepaid asset and not in expenditures.	F	The District's policies did not include a review of insurance policies to determine if any months covered are outside the fiscal year-end.	5401 Insurance_Prepaid Tab	-17,669			-17,669		17,669	17,669
CRI noted for Fund 753 the District did not review lag report for September and October 2021. Per the report, $97,214 should have been recorded as a liability and expensed in the current audit year.	F	The District received lag report for September 2021 at the beginning of October 2021.	5420 Accrued Expenses Tab		-97,214		97,214		-97,214	97,214
			Total	-17,669	-97,214	0	79,545	0	-79,545	114,883

MAJOR SPECIAL REVENUE FUND 281 ESSER

				Financial Statement Effect—Amount of Over- (Under-) Statement of:						
Description (Nature) of Audit Difference (AD)	**Factual (F), Judgmental (J), or Projected (P)**	**Cause**	**W/P Ref.**	**Total Assets**	**Total Liabilities**	**Working Cap.**	**Fund Balance/Net Position**	**Revenues**	**Expen.**	**Change in Fund Balance/ Net Position**
CRI noted expenditures related to CIP that were incurred prior to 6/30/2021 were not included in the 6/30/2021 AP listing at WP 5103 and retainage payable. $8741.21 should have been recorded as AP and $460.07 should have been recorded as retainage payable.	Factual	The District only reviewed subsequent disbursements up to August 2021. The payment for this expenditure was paid out on 9/22/2021.	5106	-9,201	-9,201					0
			Total	-9,201	-9,201	0	0	0	0	0

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

In planning and performing our audit 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, 2021, in accordance with auditing standards generally accepted in the United States of America, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. We included the accompanying chart of internal control recommendations for management's consideration. This letter does not affect our report, dated, November 12, 2021, on the financial statements of Sharyland Independent School District.

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

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

McAllen, Texas
November 12, 2021

The following legend should be used in conjunction with reviewing the "Rating" of each of the identified internal control items:

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness

CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION
2021-001	D	Cash, Accrued Liability	An outstanding check noted in the District's bank reconciliation was found to have been issued after year-end and as such, should have been recorded as a liability. As a result assets and liabilities were misstated by $761,296.	The District should review its bank reconciliation procedures to ensure outstanding checks are reviewed for cutoff and determine if they should be recorded as payables.
2021-002	IP	Payroll/ System Access Controls	Although the District uses a Change of Assignment Form to document approval of changes in pay rates, it was noted that certain employees in HR, Payroll, Finance and IT departments have access to change employees' pay rates in the District's system.	The District should revisit their system access controls to restrict access to change pay rates to designated staff to strengthen their controls in this area.
2021-003	D	Prepaid Items	Prepaid assets in the amount of $139,036 related to the portion of insurance covering months subsequent to year end were expensed during the year causing a misstatement to assets and expenditures.	The District should review the coverage dates on insurance policies to determine if the recording of a prepaid expense balance is required.
2021-004	D	State Compliance - Mandated Program	The District did not spend the required percentage of allotment for PIC Code 22 (Career and Technology Education) and PIC Code 25 (Bilingual Program). As a result, the District will need to rely on indirect costs to compensate for shortage when the reporting requirements become due.	The District should monitor spending in all mandated programs to ensure State compliance.

CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION
2021-005	IP	Financial Reporting – GASB No. 84	The District implemented GASB No. 84 during the current year. However, the District classified certain accounts as custodial funds which might have been required to be reported as special revenue funds instead as the District seemed to have administrative control. The likely misclassification has a total impact of $82,000 to Assets and Fund Balance/Net Position and $12,800 to Change in Fund Balance/Net Position.	The District should revisit the distinctions between custodial and special revenue funds and reassess account classifications to ensure proper reporting under new pronouncement.
2021-006	IP	Construction in Progress, Accounts Payable, and Retainage Payable	The District incurred expenditures prior to year-end that should have been included in accounts payable and retainage payable year-end balances. As a result, total assets and total liabilities were misstated in the amount of $9,201 in the major special revenue fund.	The District should extend the period it monitors subsequent disbursements to ensure completeness of year-end accounts payable and retainage payable balances.
2021-007	IP	Payroll Expenses and Accrued Wages	The District did not reverse a prior year payroll accrual during the current year. As a result, liabilities and expenditures were misstated by $41,205.	The District should monitor all payroll accruals from the prior year to ensure that they are reversed during the current year.