

SONORA INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended August 31, 2021

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CERTIFICATE OF THE BOARD

SONORA INDEPENDENT SCHOOL DISTRICT

Name of School District

SUTTON

County

218-901

County -
District
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and

X approved ___ disapproved for the year ended August 31, 2021, at a meeting of the Board of Trustees of such School District
(Check One)

on the 13th day of December, 2021.


Signature of Board Secretary


Signature of Board President

If the Board of Trustees disapproved the annual financial report, the reason(s) for disapproving it is (are) (attach list as necessary):

FINANCIAL SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA
Megan Solsbery, CPA

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Members of
American Institute of CPAs
Texas Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sonora Independent School District
807 South Concho
Sonora, TX 76950-3999

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonora Independent School District as of and for the year ended August 31, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 District'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 District'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, each major fund, and the aggregate remaining fund information of the Sonora Independent School District as of August 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, described in Note I., N. to the financial statements . As a result, the District reported a restatement of the custodial funds' beginning net position for the change in accounting principle, as described in Note IV., K. to the financial statements. Our opinion is not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information and net OPEB liability and contributions information for the Teacher Retirement System of Texas on pages 4 through 8, 43, and 44 through 50, respectively, 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 Sonora Independent School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards 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 information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021, on our consideration of the Sonora Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sonora Independent School 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 Sonora Independent School District's internal control over financial reporting and compliance.

Eckert & Company, LLP

Sonora Independent School District

807 S. Concho Avenue Sonora, Texas 76950 (325)387-6940 (325)387-5090 Fax
Michael Kissire, Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Sonora Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2021. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of the current year by \$22,439,484 (net position). Of this amount, \$6,876,531 (unrestricted) may be used to meet the District's ongoing obligations.

The District's total net position decreased by \$768,275 or 3%. This amount consists of a \$586,856 decrease attributable to current year operations and a \$181,419 decrease attributable to prior period adjustments described in Note IV., K. to the financial statements. The District's statement of activities shows total revenues of \$11,312,632 and total expenses of 11,899,488.

The total fund balance of the General Fund is \$13,332,838 which is an increase of \$45,267 or less than 1% compared to the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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 and liabilities/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.



MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The statement of activities presents information showing how the District's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District

The District has no component units.

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 legal requirements. All of the funds of the District can be divided into two categories: governmental 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 current year.

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 District'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 Special Revenue Fund - COVID-19 CRRSA ESSER II Grant Fund, both of which are considered to be a major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund, Food Service Special Revenue Fund, and Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget for each fund.

Fiduciary Funds - Fiduciary Funds account for assets held by the District in a trustee capacity or 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.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the District's net position is presented below:

NET POSITION

	Governmental Activities	
	August 31,	
	2021	2020
Current and Other Assets	\$ 14,793,841	\$ 14,178,292
Capital Assets	16,463,967	17,656,490
Total Assets	\$ 31,257,808	\$ 31,834,782
Deferred Outflows of Resources	\$ 1,186,428	\$ 1,520,313
Long-Term Liabilities Outstanding	\$ 5,682,160	\$ 6,845,159
Other Liabilities	1,142,537	585,637
Total Liabilities	\$ 6,824,697	\$ 7,430,796
Deferred Inflows of Resources	\$ 3,180,055	\$ 2,716,540
Net Position		
Net Investment in Capital Assets	\$ 15,505,624	\$ 16,390,111
Restricted	57,329	35,982
Unrestricted	6,876,531	6,781,666
Total Net Position	\$ 22,439,484	\$ 23,207,759

A large portion of the District's net position (\$15,505,624) reflects the District's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; 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 (\$57,329) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$6,876,531) may be used to meet the District's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities decreased the District's net position by \$586,856 and \$585,151 for the fiscal years ended August 31, 2021 and 2020, respectively. Key elements of these decreases are as follows:

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>Year Ended August 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenues		
Program Revenues		
Charges for Services	\$ 352,322	\$ 390,326
Operating Grants and Contributions	2,373,283	1,760,135
General Revenues		
Maintenance and Operations Taxes	5,959,477	5,828,186
Debt Service Taxes	347,678	354,457
State Aid - Formula Grants	2,023,984	3,029,966
Investment Earnings	19,647	168,014
Other	<u>236,241</u>	<u>147,270</u>
Total Revenues	<u>\$ 11,312,632</u>	<u>\$ 11,678,354</u>
Expenses		
Instruction and Instructional-Related Services	\$ 6,754,832	\$ 6,950,471
Instructional and School Leadership	652,846	685,773
Support Services - Student (Pupil)	1,986,357	2,101,365
Administrative Support Services	476,197	502,182
Support Services - Nonstudent Based	1,813,723	1,791,561
Debt Service	27,248	35,770
Intergovernmental Charges	<u>188,285</u>	<u>196,383</u>
Total Expenses	<u>\$ 11,899,488</u>	<u>\$ 12,263,505</u>
Change in Net Position	\$ (586,856)	\$ (585,151)
Net Position - Beginning	23,207,759	23,793,330
Prior Period Adjustments	<u>(181,419)</u>	<u>(420)</u>
Net Position - Ending	<u>\$ 22,439,484</u>	<u>\$ 23,207,759</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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. The unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the current year.

The District's governmental funds reported combined ending fund balances of \$13,503,270, an increase of \$48,727 or less than 1% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$13,332,838. Of this balance \$6,000,000 is assigned for capital expenditures for equipment.

Special Revenue Funds \$118,161. Of this balance \$11,887 is restricted for use in the Food Service Fund and \$106,274 is committed for use by the Campus Activity Funds of the District.

Debt Service Fund \$39,053. This balance is restricted for payment of long-term debt principal and interest.

Capital Projects Fund \$13,218. This balance is restricted for construction costs.

General Fund Budget

The original budget for the General Fund was \$9,823,466, and the final amended budget was \$9,499,201 which represents a \$324,265 decrease in appropriations. Variances between the original budget and the final amended budget are reflected in Exhibit E-1 in the required supplementary information section of the audit report.

The District has adopted a budget for the General Fund in the amount of \$9,140,844 for the fiscal year 2022, which is a decrease of \$358,357 from the fiscal year 2021.

Capital Assets and Debt

Capital Assets - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2021.

Long-Term Debt - Financial statement footnote III., H. discloses the District's debt activity for the year ended August 31, 2021.

Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Michael Kissire, Superintendent, Sonora Independent School District, 807 South Concho, Sonora, TX 76950-3999.

Basic Financial Statements

SONORA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2021

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 13,787,229
1220 Property Taxes - Delinquent	295,988
1230 Allowance for Uncollectible Taxes	(147,078)
1240 Due from Other Governments	857,702
Capital Assets:	
1510 Land	176,444
1520 Buildings, Net	15,628,168
1530 Furniture and Equipment, Net	659,355
1000 Total Assets	31,257,808
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	852,599
1706 Deferred Outflow Related to TRS OPEB	333,829
1700 Total Deferred Outflows of Resources	1,186,428
LIABILITIES	
2110 Accounts Payable	27,673
2140 Interest Payable	876
2160 Accrued Wages Payable	333,713
2200 Accrued Expenses	7,577
2300 Unearned Revenue	772,698
Noncurrent Liabilities:	
2501 Due Within One Year: Bonds	315,933
Due in More than One Year:	
2502 Bonds	655,628
2540 Net Pension Liability (District's Share)	2,258,688
2545 Net OPEB Liability (District's Share)	2,451,911
2000 Total Liabilities	6,824,697
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	668,569
2606 Deferred Inflow Related to TRS OPEB	2,511,486
2600 Total Deferred Inflows of Resources	3,180,055
NET POSITION	
3200 Net Investment in Capital Assets	15,505,624
Restricted:	
3820 Restricted for Federal and State Programs	11,887
3850 Restricted for Debt Service	45,442
3900 Unrestricted	6,876,531
3000 Total Net Position	\$ 22,439,484

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

SONORA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1	Program Revenues		6	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 6,284,080	\$ 78,583	\$ 1,062,922	\$ (5,142,575)
12	Instructional Resources and Media Services	141,019	-	37,405	(103,614)
13	Curriculum and Instructional Staff Development	329,733	-	145,259	(184,474)
21	Instructional Leadership	167,882	-	12,156	(155,726)
23	School Leadership	484,964	-	36,166	(448,798)
31	Guidance, Counseling, and Evaluation Services	421,836	-	30,357	(391,479)
33	Health Services	62,419	-	67,689	5,270
34	Student (Pupil) Transportation	276,980	-	21,200	(255,780)
35	Food Services	516,277	70,445	379,607	(66,225)
36	Extracurricular Activities	708,845	107,682	25,515	(575,648)
41	General Administration	476,197	-	22,129	(454,068)
51	Facilities Maintenance and Operations	1,475,741	95,612	466,958	(913,171)
52	Security and Monitoring Services	29,560	-	3,282	(26,278)
53	Data Processing Services	308,422	-	62,638	(245,784)
72	Debt Service - Interest on Long-Term Debt	27,248	-	-	(27,248)
99	Other Intergovernmental Charges	188,285	-	-	(188,285)
[TP]	TOTAL PRIMARY GOVERNMENT:	\$ 11,899,488	\$ 352,322	\$ 2,373,283	(9,173,883)
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes			5,959,477	
DT	Property Taxes, Levied for Debt Service			347,678	
SF	State Aid - Formula Grants			2,023,984	
IE	Investment Earnings			19,647	
MI	Miscellaneous Local and Intermediate Revenue			236,241	
TR	Total General Revenues			8,587,027	
CN	Change in Net Position			(586,856)	
NB	Net Position - Beginning			23,207,759	
PA	Prior Period Adjustments			(181,419)	
NE	Net Position - Ending			\$ 22,439,484	

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

SONORA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes	10 General Fund	CRRSA ESSER II Grant	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 13,613,932	\$ -	\$ 173,297	\$ 13,787,229
1220 Property Taxes - Delinquent	283,926	-	12,062	295,988
1230 Allowance for Uncollectible Taxes	(142,281)	-	(4,797)	(147,078)
1240 Due from Other Governments	201,433	350,761	305,508	857,702
1260 Due from Other Funds	589,374	-	-	589,374
1000 Total Assets	<u>\$ 14,546,384</u>	<u>\$ 350,761</u>	<u>\$ 486,070</u>	<u>\$ 15,383,215</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ 27,673	\$ 27,673
2160 Accrued Wages Payable	296,181	-	37,532	333,713
2170 Due to Other Funds	-	350,761	238,613	589,374
2200 Accrued Expenditures	4,317	-	3,260	7,577
2300 Unearned Revenue	771,403	-	1,295	772,698
2000 Total Liabilities	<u>1,071,901</u>	<u>350,761</u>	<u>308,373</u>	<u>1,731,035</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	141,645	-	7,265	148,910
2600 Total Deferred Inflows of Resources	<u>141,645</u>	<u>-</u>	<u>7,265</u>	<u>148,910</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	11,887	11,887
3480 Retirement of Long-Term Debt	-	-	39,053	39,053
3490 Other Restricted Fund Balance	-	-	13,218	13,218
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	106,274	106,274
Assigned Fund Balance:				
3570 Capital Expenditures for Equipment	6,000,000	-	-	6,000,000
3600 Unassigned Fund Balance	7,332,838	-	-	7,332,838
3000 Total Fund Balances	<u>13,332,838</u>	<u>-</u>	<u>170,432</u>	<u>13,503,270</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 14,546,384</u>	<u>\$ 350,761</u>	<u>\$ 486,070</u>	<u>\$ 15,383,215</u>

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

SONORA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	13,503,270
1 Capital assets net of accumulated depreciation used in governmental activities are not reported in governmental funds.		16,463,967
2 Deferred outflows of resources related to pensions are not reported in governmental funds.		852,599
3 Deferred outflows of resources related to other postemployment benefits are not reported in governmental funds.		333,829
4 Accrued interest payable on long-term debt is not reported in governmental funds.		(876)
5 Long-term debt, including unamortized premiums, is not reported in governmental funds.		(971,561)
6 Recognition of the District's proportionate share of the net pension liability is not reported in governmental funds.		(2,258,688)
7 Recognition of the District's proportionate share of the net other postemployment benefit liability is not reported in governmental funds.		(2,451,911)
8 Deferred inflows of resources related to pensions are not reported in governmental funds.		(668,569)
9 Deferred inflows of resources related to other postemployment benefits are not reported in governmental funds.		(2,511,486)
10 Property taxes unavailable to pay for current period expenditures are deferred in governmental funds.		148,910
19 Net Position of Governmental Activities	\$	<u>22,439,484</u>

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

SONORA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	10 General Fund	CRRSA ESSER II Grant	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 6,336,208	\$ -	\$ 564,255	\$ 6,900,463
5800 State Program Revenues	2,483,816	-	101,275	2,585,091
5900 Federal Program Revenues	370,038	350,761	997,606	1,718,405
5020 Total Revenues	<u>9,190,062</u>	<u>350,761</u>	<u>1,663,136</u>	<u>11,203,959</u>
EXPENDITURES:				
Current:				
0011 Instruction	4,902,601	44,511	546,936	5,494,048
0012 Instructional Resources and Media Services	92,572	2,000	29,251	123,823
0013 Curriculum and Instructional Staff Development	156,771	-	129,627	286,398
0021 Instructional Leadership	142,793	-	2,029	144,822
0023 School Leadership	412,548	-	5,072	417,620
0031 Guidance, Counseling, and Evaluation Services	334,263	-	33,174	367,437
0033 Health Services	53,648	-	1,014	54,662
0034 Student (Pupil) Transportation	256,010	-	1,014	257,024
0035 Food Services	13,366	-	470,994	484,360
0036 Extracurricular Activities	548,177	-	105,695	653,872
0041 General Administration	422,950	-	3,044	425,994
0051 Facilities Maintenance and Operations	1,169,941	258,643	26,296	1,454,880
0052 Security and Monitoring Services	25,002	3,282	-	28,284
0053 Data Processing Services	233,915	42,325	5,733	281,973
Debt Service:				
0071 Principal on Long-Term Debt	-	-	308,267	308,267
0072 Interest on Long-Term Debt	-	-	27,584	27,584
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	480	480
Intergovernmental:				
0099 Other Intergovernmental Charges	188,285	-	-	188,285
6030 Total Expenditures	<u>8,952,842</u>	<u>350,761</u>	<u>1,696,210</u>	<u>10,999,813</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>237,220</u>	<u>-</u>	<u>(33,074)</u>	<u>204,146</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	26,000	-	-	26,000
7915 Transfers In	-	-	35,000	35,000
8911 Transfers Out (Use)	(35,000)	-	-	(35,000)
7080 Total Other Financing Sources (Uses)	<u>(9,000)</u>	<u>-</u>	<u>35,000</u>	<u>26,000</u>
1200 Net Change in Fund Balances	228,220	-	1,926	230,146
0100 Fund Balance - September 1 (Beginning)	13,287,571	-	166,972	13,454,543
1300 Increase (Decrease) in Fund Balance	(182,953)	-	1,534	(181,419)
3000 Fund Balance - August 31 (Ending)	<u>\$ 13,332,838</u>	<u>\$ -</u>	<u>\$ 170,432</u>	<u>\$ 13,503,270</u>

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

SONORA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	230,146
Capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements.		12,080
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.		(1,183,919)
Disposal of capital assets is reported net of depreciation in the government-wide financial statements.		(20,684)
Long-term debt principal payments are expenditures in governmental funds but are shown as reductions in long-term debt in the government-wide financial statements.		308,267
Interest is accrued on outstanding long-term debt in the government-wide financial statements but is reported as an expenditure in governmental funds when due.		336
Changes in the net pension liability and related deferred outflows and inflows are recognized in the government-wide financial statements but are not reported in governmental funds.		(132,163)
Changes in the net other postemployment benefit liability and related deferred outflows and inflows are recognized in the government-wide financial statements but are not reported in governmental funds.		189,495
Revenues from property taxes are deferred in governmental funds until they are considered available to finance current expenditures. In the government-wide financial statements, revenues are recognized when assessed, net of an allowance for uncollectible taxes.		9,586
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(586,856)</u>

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

SONORA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2021

	Total Custodial Funds
<hr/>	
ASSETS	
Restricted Assets	\$ 79,234
Total Assets	<u>79,234</u>
LIABILITIES	
Other Liabilities - Current	<u>1,968</u>
Total Liabilities	<u>1,968</u>
NET POSITION	
Restricted for Student Organizations	<u>77,266</u>
Total Net Position	<u><u>\$ 77,266</u></u>

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

SONORA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	Total Custodial Funds
ADDITIONS:	
Student Activities	\$ 70,276
Total Additions	<u>70,276</u>
DEDUCTIONS:	
Student Activities	78,341
Total Deductions	<u>78,341</u>
Change in Fiduciary Net Position	(8,065)
Total Net Position - September 1 (Beginning)	-
Prior Period Adjustment	<u>85,331</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 77,266</u></u>

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

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sonora Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally, the District complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the *Resource Guide*) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Sonora Independent School District (the primary government). There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the District and (2) grants and contributions - payments from organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function or segment of the District. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net position.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included in the balance sheet. 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 enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

within 60 days of the end 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 compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, revenues received from the state, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received they are recorded as unearned revenue until related and authorized expenditures have been made.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Fund - COVID-19 CRRSA ESSER II Grant Fund accounts for resources used to provide local educational agencies (LEAs) with emergency relief funds to address the impact of COVID-19.

Additionally, the government reports the following fund types:

Debt Service Fund - This Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Capital Projects Fund - This Fund accounts for financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

Special Revenue Funds - These Funds account for resources restricted to, or committed for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds account for assets held by the District in a trustee capacity or 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 has the following Fiduciary Funds:

Custodial Funds - These Funds report resources that are held by the District for other parties. These Funds are used to account for the District's student activity funds.

D. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Receivables and Payables

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year.

F. Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Vehicles	5-10
Furniture and Equipment	5-10

G. Restricted Assets

Restricted assets consist of cash held by the District in a trustee capacity for student organizations.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. Pensions

In accordance with accounting guidance prescribed by GASB Statement No. 68, the fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Other Postemployment Benefits (OPEB)

In accordance with accounting guidance prescribed by GASB Statement No. 75, the fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment 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.

K. Compensated Absences

The District pays auxiliary 12-month employees for their unused vacation leave upon termination of employment. The accumulated vacation leave cannot exceed 20 days.

A liability for these amounts is reported in governmental funds only if they are payable as a result of employee resignations and retirements.

L. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Federal and State Programs - This component of net position represents the balance of the Child Nutrition Program.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - This is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets, Restricted for Federal and State Programs, or Restricted for Debt Service.

M. Fund Balances/Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

Assigned - Amounts that are intended for a specific purpose but do not meet the definition of restricted or committed. The intent can be expressed by the Board of Trustees or by a Board designee.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Fund Balances/Equity - Continued

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

In the General Fund, the District strives to maintain a yearly fund balance in the general operating fund in which the total fund balance is five months of operating expenditures which includes unassigned fund balance of two months of operating expenditures.

Restricted net position for Fiduciary Funds represents custodial funds held by the District in a trustee capacity for student organizations.

N. Implementation of New Accounting Standard

The District implemented the provisions of GASB Statement No. 84, Fiduciary Activities. This statement changes the definition of fiduciary activities, providing more refined guidance on how to determine if an activity is fiduciary in nature and, therefore, should be reported as such. The statement defines types of fiduciary funds, eliminating agency funds and replacing them with custodial funds. Under this guidance, fiduciary funds will now report a net position and a statement of changes in net position.

O. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. 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.

P. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

The official school budget is prepared for adoption for required governmental fund types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Food Service Special Revenue Fund, and the Debt Service Fund. The remaining Special Revenue Funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District 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 rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted 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 deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the District's name.

Concentration of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The District is not exposed to this risk as described in the preceding paragraph

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2021, the District was not significantly exposed to credit risk.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

At August 31, 2021, the District's investments with respective maturities and credit ratings consisted of the following:

	<u>Fair Value</u>	<u>Percent</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
<u>Public Funds Investment Pools</u>				
TexPool	\$ 6,814,254	58%	31 Days	AAAm
TexPool <i>Prime</i>	<u>4,903,225</u>	<u>42%</u>	54 Days	AAAm
Total Public Funds Investment Pools	<u>\$ 11,717,479</u>	<u>100%</u>		

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAAM 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.

The District’s investment in Pools is reported at an amount determined by the fair value per share of the Pool’s underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940.

B. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from other governments are summarized as follows:

	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 0	\$ 194,633	\$ 6,800	\$ 201,433
Special Revenue Funds	16,414	639,501	0	655,915
Debt Service Fund	<u>0</u>	<u>0</u>	<u>354</u>	<u>354</u>
Totals	<u>\$ 16,414</u>	<u>\$ 834,134</u>	<u>\$ 7,154</u>	<u>\$ 857,702</u>

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS – Continued

C. Interfund Balances and Transfers

1. The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Major Special Revenue Fund	\$ 350,761	\$ 0	Operating Advance
Nonmajor Governmental Funds	<u>238,613</u>	<u>0</u>	Operating Advance
	\$ 589,374	\$ 0	
Major Special Revenue Fund			
General Fund	0	350,761	Operating Advance
Nonmajor Governmental Funds			
General Fund	<u>0</u>	<u>238,613</u>	Operating Advance
Totals	<u>\$ 589,374</u>	<u>\$ 589,374</u>	

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 35,000</u>	Subsidize Food Services

D. Capital Assets

Capital asset activity for the year ended August 31, 2021, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital Assets					
Land	\$ 176,444	\$ 0	\$ 0	\$ 0	\$ 176,444
Buildings and Improvements	39,446,617	11,600	0	916,161	40,374,378
Furniture and Equipment	4,444,616	0	450,290	0	3,994,326
Construction in Progress	<u>936,083</u>	<u>480</u>	<u>20,402</u>	<u>(916,161)</u>	<u>0</u>
Total Capital Assets	<u>\$ 45,003,760</u>	<u>\$ 12,080</u>	<u>\$ 470,692</u>	<u>\$ 0</u>	<u>\$ 44,545,148</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (23,716,607)	\$ (1,029,603)	\$ 0	\$ 0	\$ (24,746,210)
Furniture and Equipment	<u>(3,630,663)</u>	<u>(154,316)</u>	<u>(450,008)</u>	<u>0</u>	<u>(3,334,971)</u>
Total Accumulated Depreciation	<u>\$ (27,347,270)</u>	<u>\$ (1,183,919)</u>	<u>\$ (450,008)</u>	<u>\$ 0</u>	<u>\$ (28,081,181)</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,656,490</u>	<u>\$ (1,171,839)</u>	<u>\$ 20,684</u>	<u>\$ 0</u>	<u>\$ 16,463,967</u>

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets - Continued

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 766,113
Instructional Resources and Media Services	17,020
Curriculum and Instructional Staff Development	43,219
Instructional Leadership	22,469
School Leadership	65,251
Guidance, Counseling, and Evaluation Services	52,105
Health Services	7,448
Student (Pupil) Transportation	19,013
Food Services	31,398
Extracurricular Activities	53,590
General Administration	48,876
Facilities Maintenance and Operations	31,001
Security and Monitoring Services	1,276
Data Processing Services	25,140
Total	\$ 1,183,919

E. Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period.

A deferred inflow of resources is an acquisition of a government's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period.

Deferred outflows and inflows of resources are reported as described below:

Deferred Outflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred outflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred outflows as detailed in financial statement footnote IV., B.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Deferred Outflows and Inflows of Resources - Continued

Deferred Inflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred inflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred inflows as detailed in financial statement footnote IV., B.

Deferred Inflows (Balance Sheet - Governmental Funds)

Unavailable revenue - property taxes.

F. Unearned Revenue

Unearned revenue at year end consisted of the following:

	General Fund	Special Revenue Funds	Total
State Entitlements	\$ 771,203	\$ 1,295	\$ 772,498
Other	200	0	200
Totals	\$ 771,403	\$ 1,295	\$ 772,698

G. Commitments Under Noncapitalized Leases

There were no formal commitments under operating lease agreements as of August 31, 2021.

Rental expenditures during the year ended August 31, 2021, were \$50,757.

H. Long-Term Debt

The District's long-term liabilities consist of bonded indebtedness, net pension liability, and net other postemployment benefits liability. The current requirements for general obligation bonds principal and interest are accounted for in the Debt Service Fund. The current requirements for the net pension liability and net other postemployment benefits liability are accounted for in the General and Special Revenue Funds.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

H. Long-Term Debt - Continued

The following is a summary of changes in long-term debt for the year ended August 31, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
General Obligation Bonds (Direct Placement)	\$ 1,279,828	\$ 0	\$ 308,267	\$ 971,561	\$ 315,933
Subtotals	\$ 1,279,828	\$ 0	\$ 308,267	\$ 971,561	\$ 315,933
Net Pension Liability	2,324,353	249,152	314,817	2,258,688	-
Net OPEB Liability	<u>3,240,978</u>	<u>237,263</u>	<u>1,026,330</u>	<u>2,451,911</u>	<u>-</u>
Totals	<u>\$ 6,845,159</u>	<u>\$ 486,415</u>	<u>\$ 1,649,414</u>	<u>\$ 5,682,160</u>	<u>\$ 315,933</u>

The District's outstanding bond issue, which is payable from the Debt Service Fund, is as follows:

Sonora Independent School District Unlimited Tax School Building Bonds, Series 2019 (Direct Placement). Issued for the construction, renovation, acquisition, and equipment of school buildings; the purchase of new vehicles; and to pay the costs of issuance of the bonds in the original amount of \$1,567,307. Due in variable installments through February 15, 2024, with an interest rate of 2.456%.¹ \$ 971,561

¹ During each year while bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. In case of default by the District in the payment of principal of and/or interest on the bonds, and in accordance with Texas Education Code 45.061, the Comptroller will withhold the amount paid, plus interest, under guarantee, from the first state money payable to the District in the following order: foundation school fund, available school fund.

The annual debt service requirements are as follows:

Year Ending <u>August 31,</u>	<u>General Obligation Bonds (Direct Placement)</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2022	\$ 315,933	\$ 19,982	\$ 335,915
2023	323,788	12,126	335,914
2024	<u>331,840</u>	<u>4,075</u>	<u>335,915</u>
Totals	<u>\$ 971,561</u>	<u>\$ 36,183</u>	<u>\$ 1,007,744</u>

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

I. Outstanding Encumbrances

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

J. Revenues from Local and Intermediate Sources

Local and intermediate source revenues consists of the following:

	General Fund	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total
Property Taxes	\$ 6,093,109	\$ 0	\$ 0	\$ 356,043	\$ 6,449,152
Other Local Sources	223,342	49,363	249	231	273,185
Cocurricular, Enterprising Services, or Activities	19,757	158,369	0	0	178,126
Totals	<u>\$ 6,336,208</u>	<u>\$ 207,732</u>	<u>\$ 249</u>	<u>\$ 356,274</u>	<u>\$ 6,900,463</u>

K. General Fund Federal Source Revenues

<u>Program or Source</u>	<u>Federal Assistance Listing Number</u>	<u>Amount</u>
COVID-19 ESSER I Grant	84.425D	\$ 92,952
COVID-19 CRRSA ESSER II Grant	84.425D	164,633
COVID-19 ARP ESSER III Grant	84.425U	30,000
COVID-19 LEA Reimbursement Program (TDEM)	21.019	19,806
School Health and Related Services (SHARS) Program	--	<u>62,647</u>
Total		<u>\$ 370,038</u>

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description - The Sonora Independent School District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan 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.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

Pension Plan Fiduciary Net Position - Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512)542-6592.

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 benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits. State law requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payment to the retirees. 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. These increases immediately made the pension fund actuarially sound and the Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018, received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

Contributions - Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the System during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements if it increases the period of TRS' unfunded actuarial liability to greater than 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. Senate Bill 12 in the 86th Legislature set contribution rates for fiscal year 2020 and fiscal year 2021. Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution of 1.5%.

Contribution Rates

	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
District's 2021 Employer Contributions		\$ 181,944
District's 2021 Member Contributions		455,364
District's 2020 NECE On-Behalf Contributions		540,466

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. 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, 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 Plan during the fiscal year reduced by the employer contributions. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source.

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

- Employers must contribute 1.5% of the member's salary ("the Public Education Employer Surcharge").
- 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.

Actuarial Assumptions -

Roll Forward - The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017, and were adopted in July 2018.

The active mortality rates were based on 90% of the RP 2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale U-MP.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

The following table discloses the assumptions that were applied to this measurement period:

Valuation Date	August 31, 2019 Rolled Forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Rate	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	3.05% to 9.05% Including Inflation
Ad hoc Postemployment Benefit Changes	None

The actuarial methods and assumptions 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 TRS actuarial valuation report dated November 14, 2019.

Discount Rate - The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the statutorily required rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.5% of payroll in fiscal year 2020 gradually increasing to 9.66% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020, are presented in the following Asset Allocations table:

<u>Asset Class</u>	<u>Target Allocation¹ %</u>	<u>Long-Term Expected Geometric Real Rate of Return²</u>	<u>Expected Contribution to Long-Term Portfolio Returns</u>
Global Equity			
USA	18.0%	3.9%	0.99%
Non-U.S. Developed	13.0%	5.1%	0.92%
Emerging Markets	9.0%	5.6%	0.83%
Private Equity	14.0%	6.7%	1.41%
Stable Value			
Government Bonds	16.0%	-0.7%	-0.05%
Absolute Return (Including Credit Sensitive Investments)	0.0%	1.8%	0.00%
Stable Value Hedge Funds	5.0%	1.9%	0.11%
Real Return			
Real Estate	15.0%	4.6%	1.02%
Energy, Natural Resources, and Infrastructure	6.0%	6.0%	0.42%
Commodities	0.0%	0.8%	0.00%
Risk Parity			
Risk Parity	8.0%	3.0%	0.30%
Asset Allocation Leverage			
Cash	2.0%	-1.5%	-0.03%
Asset Allocation Leverage	-6.0%	-1.3%	0.08%
Inflation Expectation			2.00%
Volatility Drag ³			-0.67%
Expected Return	100.0%		7.33%

¹ Target Allocation are based on the FY 2020 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of August 31, 2020).

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

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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:

	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	\$ 3,482,856	\$ 2,258,688	\$ 1,264,078

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2021, the Sonora Independent School District reported a net pension liability of \$2,258,688 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 2,258,688
State's Proportionate Share that is Associated with the District	4,493,485
Total	\$ 6,752,173

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 August 31, 2019 rolled forward to August 31, 2020. 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 through August 31, 2020.

At August 31, 2020, the employer's proportion of the collective net pension liability was 0.0042172770% which was a decrease of 0.0002540833% from its proportion measured as of August 31, 2019.

Changes Since the Prior Actuarial Valuation - There were no changes in assumptions since the prior measurement date.

Changes of Benefit Terms - There were no changes of benefit terms since the prior measurement date.

Benefit Change - 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. The increases immediately made the pension fund actuarially sound, and the Legislature approved funding for a 13th check.

All eligible members retired as of December 31, 2018, received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

For the year ended August 31, 2021, the Sonora Independent School District recognized pension expense of \$540,466 and revenue of \$540,466 for support provided by the State in the government-wide statement of activities.

At August 31, 2021, the Sonora Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Actuarial Experience	\$ 4,124	\$ 63,034
Changes in Actuarial Assumptions	524,096	222,842
Net Difference Between Projected and Actual Investment Earnings	45,725	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	96,710	382,693
Contributions Paid to TRS Subsequent to the Measurement Date	<u>181,944</u>	<u>-</u>
Totals	<u>\$ 852,599</u>	<u>\$ 668,569</u>

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized by the District in pension expense as follows:

<u>Year Ending August 31,</u>	<u>Pension Expense Amount</u>
2022	\$ 42,793
2023	17,374
2024	19,720
2025	(24,353)
2026	(47,705)
Thereafter	(5,743)

B. Defined Other Postemployment Benefit Plans

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

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

OPEB Plan Fiduciary Net Position - Detailed information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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 plan. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. 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 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 General Appropriations Act passed by the 86th Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86th Legislature also passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$277,490,586 as of August 31, 2020.

The premium rates for retirees are presented in the following table:

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

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

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

Texas Insurance Code, Section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% 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	
	<u>2020</u>	<u>2021</u>
Active Employee	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 Employer Contributions		\$ 53,412
District's 2021 Member Contributions		38,440
District's 2020 NECE On-Behalf Contributions		(22,878)

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 to TRS-Care a monthly surcharge of \$535 per retiree.

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide \$2,208,137 for fiscal year 2020 and \$3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding will be in fiscal year 2021.

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, 2020 TRS pension actuarial valuation:

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

The active mortality rates were based on 90% of the RP-2014 Employee Mortality tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 Rolled Forward to August 31, 2020
Actuarial 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	3.05% to 9.05% Including Inflation
Ad hoc Postemployment Benefit Changes	None

The initial medical trend rates were 9% for Medicare retirees and 7.3% for non-Medicare retirees. There was an initial prescription drug trend rate of 9% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Discount Rate - A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.3% 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.

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.33%) in measuring the net OPEB liability:

	<u>1% Decrease in Discount Rate (1.33%)</u>	<u>Discount Rate (2.33%)</u>	<u>1% Increase in Discount Rate (3.33%)</u>
District's Proportionate Share of the Net OPEB Liability	<u>\$ 2,942,287</u>	<u>\$ 2,451,911</u>	<u>\$ 2,064,584</u>

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed healthcare cost trend rate:

	<u>1% Decrease</u>	Current Healthcare Cost Trend Rate	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability	<u>\$ 2,002,897</u>	<u>\$ 2,451,911</u>	<u>\$ 3,049,934</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At August 31, 2021, the Sonora Independent School District reported a liability of \$2,451,911 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net OPEB Liability	\$ 2,451,911
State's Proportionate Share that is Associated with the District	<u>3,294,781</u>
Total	<u>\$ 5,746,692</u>

The net OPEB liability was measured as of 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 the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020, the employer's proportion of the collective net OPEB liability was 0.0064499333% which was a decrease of 0.0004033020% from its proportion measured as of August 31, 2019.

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

- The discount rate changed from 2.63% as August 31, 2019, to 2.33% as of August 31, 2020. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 50% to 40%. This change lowered the total OPEB liability.
- The ultimate health care trend assumption was lowered from 4.5% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the total OPEB liability.

Changes of Benefit Terms - There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2021, the Sonora Independent School District recognized OPEB expense of \$(22,878) and revenue of \$(22,878) for support provided by the State.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

At August 31, 2021, the Sonora Independent School District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	\$ 128,381	\$ 1,122,120
Changes in Actuarial Assumptions	151,232	673,307
Net Difference Between Projected and Actual Investment Earnings	797	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	7	716,059
Contributions Paid to TRS Subsequent to the Measurement Date	53,412	-
Totals	\$ 333,829	\$ 2,511,486

The net amounts of the employer’s balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized by the District in OPEB expense as follows:

Year Ending August 31,	OPEB Expense Amount
2022	\$ (354,111)
2023	(354,218)
2024	(354,280)
2025	(354,265)
2026	(288,772)
Thereafter	(525,423)

C. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2021, August 31, 2020, and August 31, 2019, the subsidy payments received by TRS-Care on behalf of the District were \$26,163, \$24,878, and \$24,427, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

D. Health Care Coverage

The District participates in TRS-Active Care sponsored by the Teacher Retirement System of Texas. TRS-Active Care (the Plan) provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the Plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The Plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

E. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, for which the District participated in a public entity risk pool. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding coverage for each of the past three fiscal years.

F. Property and Liability Coverage

During the year ended August 31, 2021, the District met its property and casualty obligations through participation in the Public Educators Association of Texas (PEAT). PEAT was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in PEAT execute Interlocal Agreements that define the responsibilities of the parties. PEAT provides statutory property and casualty benefits to its members.

PEAT and its members are protected against higher than expected claims costs through the purchase of fully funded reinsurance. The pool is reviewed by PEAT's reinsurance partners, who then set the actuarial stop loss fund amount.

PEAT engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by PEAT's Board of Trustees. PEAT's audited financial statements as of August 31, 2020, are available at PEAT's offices.

G. Unemployment Compensation Coverage

During the year ended August 31, 2021, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2021, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available on the TASB Risk Management Fund website.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

H. Workers' Compensation Insurance

During the year ended August 31, 2021, the District met its statutory workers' compensation obligations through participation in the Deep East Texas Self Insurance Fund (the Fund), a public entity risk pool, which is self-sustained through member premiums. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, of the Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claim costs through the purchase of stop-loss coverage for any claims in excess of the Fund's self-insured retention of \$1,000,000. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2021, the Fund carries a discounted reserve of \$6,141,097 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2021, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on June 30. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of June 30, 2020, are available at the Fund's offices.

I. Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

J. Shared Services Arrangements

The District participates in several shared services arrangements for various federal programs with the Education Service Center Region XV. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The Education Service Center Region XV is the fiscal agent manager and is responsible for all financial activities of these shared services arrangements.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

K. Adjustments to Net Position/Fund Balances

The financial statements reflect the following prior period adjustments:

	Net Position <u>Exhibit B-1</u>	Fund Balances <u>Exhibit C-3</u>	Net Position <u>Exhibit D-2</u>
General Fund			
Foundation Adjustment	\$ (182,953)	\$ (182,953)	\$ 0
Special Revenue Fund (Campus Activity Fund)			
Reclassify Prior Year's Due to Student Groups	1,534	1,534	0
Fiduciary Funds			
Reclassify Prior Year's Due to Student Groups	<u>0</u>	<u>0</u>	<u>85,331</u>
Totals	<u>\$ (181,419)</u>	<u>\$ (181,419)</u>	<u>\$ 85,331</u>

L. Commitments

The District issued bonds during the 2019 fiscal year for the purpose of construction, renovation, acquisition, and equipment of school buildings; the purchase of new vehicles; and to pay the costs of issuance of the bonds. The District received proceeds of \$1,567,307. As of August 31, 2021, the District has \$13,218 remaining to be expended on these projects.

M. Subsequent Events

The Sonora Independent School District entered into an agreement with the state enabling it to reduce its wealth per weighted student by purchasing attendance credits for the 2021-2022 school year.

The District's management has evaluated subsequent events through December 2, 2021, the date which the financial statements were available for issue.

Required Supplementary Information

SONORA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 6,213,042	\$ 6,297,927	\$ 6,336,208	\$ 38,281
5800 State Program Revenues	2,720,157	3,059,539	2,483,816	(575,723)
5900 Federal Program Revenues	110,000	208,862	370,038	161,176
5020 Total Revenues	9,043,199	9,566,328	9,190,062	(376,266)
EXPENDITURES:				
Current:				
0011 Instruction	5,172,046	5,044,282	4,902,601	141,681
0012 Instructional Resources and Media Services	95,310	96,310	92,572	3,738
0013 Curriculum and Instructional Staff Development	195,328	159,002	156,771	2,231
0021 Instructional Leadership	144,145	144,145	142,793	1,352
0023 School Leadership	415,365	415,365	412,548	2,817
0031 Guidance, Counseling, and Evaluation Services	372,293	336,828	334,263	2,565
0033 Health Services	55,326	54,326	53,648	678
0034 Student (Pupil) Transportation	276,476	260,476	256,010	4,466
0035 Food Services	15,546	17,046	13,366	3,680
0036 Extracurricular Activities	611,462	559,162	548,177	10,985
0041 General Administration	424,481	426,981	422,950	4,031
0051 Facilities Maintenance and Operations	1,480,574	1,451,034	1,169,941	281,093
0052 Security and Monitoring Services	51,089	31,429	25,002	6,427
0053 Data Processing Services	296,890	279,530	233,915	45,615
Intergovernmental:				
0099 Other Intergovernmental Charges	185,135	188,285	188,285	-
6030 Total Expenditures	9,791,466	9,464,201	8,952,842	511,359
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(748,267)	102,127	237,220	135,093
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	26,000	26,000	-
8911 Transfers Out (Use)	(32,000)	(35,000)	(35,000)	-
7080 Total Other Financing Sources (Uses)	(32,000)	(9,000)	(9,000)	-
1200 Net Change in Fund Balances	(780,267)	93,127	228,220	135,093
0100 Fund Balance - September 1 (Beginning)	13,287,571	13,287,571	13,287,571	-
1300 Increase (Decrease) in Fund Balance	-	-	(182,953)	(182,953)
3000 Fund Balance - August 31 (Ending)	\$ 12,507,304	\$ 13,380,698	\$ 13,332,838	\$ (47,860)

SONORA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 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)	0.004217277%	0.00447136%	0.004851863%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,258,688	\$ 2,324,353	\$ 2,670,583
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	4,493,485	4,663,548	5,598,194
Total	<u>\$ 6,752,173</u>	<u>\$ 6,987,901</u>	<u>\$ 8,268,777</u>
District's Covered Payroll	\$ 5,947,142	\$ 5,916,545	\$ 6,315,895
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	37.98%	39.29%	42.28%
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	
0.005448346%		0.005976515%		0.0063402%		0.0035715%	
\$	1,742,088	\$	2,258,436	\$	2,241,176	\$	953,997
3,629,372		4,659,739		4,598,223		3,958,383	
\$	5,371,460	\$	6,918,175	\$	6,839,399	\$	4,912,380
\$	6,771,380	\$	7,039,134	\$	6,971,739	\$	6,725,457
25.73%		32.08%		32.15%		14.18%	
82.17%		78.00%		78.43%		83.25%	

SONORA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 181,944	\$ 173,869	\$ 155,255
Contribution in Relation to the Contractually Required Contribution	(181,944)	(173,869)	(155,255)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 5,913,803	\$ 5,947,142	\$ 5,916,545
Contributions as a Percentage of Covered Payroll	3.08%	2.92%	2.62%

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
\$	163,895	\$ 176,415	\$ 189,889	\$ 187,735
	(163,895)	(176,415)	(189,889)	(187,735)
\$	-	\$ -	\$ -	\$ -
\$	6,315,895	\$ 6,771,380	\$ 7,039,134	\$ 6,971,739
	2.59%	2.61%	2.70%	2.69%

SONORA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 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	0.006449933%	0.006853235%	0.007506482%	0.007928623%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 2,451,911	\$ 3,240,978	\$ 3,748,055	\$ 3,447,861
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	3,294,781	4,306,536	5,396,394	5,301,963
Total	<u>\$ 5,746,692</u>	<u>\$ 7,547,514</u>	<u>\$ 9,144,449</u>	<u>\$ 8,749,824</u>
District's Covered Payroll	\$ 5,947,142	\$ 5,916,545	\$ 6,315,895	\$ 6,771,380
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	41.23%	54.78%	59.34%	50.92%
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.

SONORA INDEPENDENT SCHOOL DISTRICT
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	\$ 53,412	\$ 49,024	\$ 48,644	\$ 51,829
Contribution in Relation to the Contractually Required Contribution	(53,412)	(49,024)	(48,644)	(51,829)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 5,913,803	\$ 5,947,142	\$ 5,916,545	\$ 6,315,895
Contributions as a Percentage of Covered Payroll	0.90%	0.82%	0.82%	0.82%

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.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Required Supplementary Information
August 31, 2021

Note A - TRS Pension Plan

Changes of Benefit Terms

There were no changes of benefit terms since the prior measurement date.

Benefit Change - 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. The increases immediately made the pension fund actuarially sound, and the Legislature approved funding for a 13th check.

All eligible members retired as of December 31, 2018, received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

Changes of Assumptions

There were no changes in assumptions since the prior measurement date.

Note B - TRS OPEB Plan

Changes of Benefit Terms

There were no changes of benefit terms since the prior measurement date.

Changes of Assumptions

The following assumptions, methods, and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The discount rate changed from 2.63% as August 31, 2019, to 2.33% as of August 31, 2020. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 50% to 40%. This change lowered the total OPEB liability.
- The ultimate health care trend assumption was lowered from 4.5% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the total OPEB liability.

Other Supplementary Information

SONORA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2021

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ Various
2013	1.040000	0.050000	725,008,444
2014	1.040000	0.050000	610,253,586
2015	1.040000	0.050000	604,062,522
2016	1.040000	0.046370	572,173,916
2017	1.040000	0.034440	508,409,120
2018	1.040000	0.000000	515,430,881
2019	1.060000	0.000000	507,043,303
2020	0.990000	0.060000	578,716,073
2021 (School year under audit)	0.937100	0.054500	625,043,908
1000 TOTALS			

(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$ 14,514	\$ -	\$ 892	\$ 57	\$ (154)	\$ 13,411
2,145	-	5	-	-	2,140
9,549	-	15	1	-	9,533
16,007	-	236	11	-	15,760
19,011	-	2,021	90	-	16,900
27,192	-	4,416	146	1	22,631
36,949	-	5,258	-	-	31,691
40,437	-	7,876	-	300	32,861
88,047	-	37,486	2,272	-	48,289
-	6,339,557	5,891,279	345,506	-	102,772
<u>\$ 253,851</u>	<u>\$ 6,339,557</u>	<u>\$ 5,949,484</u>	<u>\$ 348,083</u>	<u>\$ 147</u>	<u>\$ 295,988</u>

SONORA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 81,647	\$ 69,647	\$ 70,354	\$ 707
5800 State Program Revenues	1,800	1,800	1,889	89
5900 Federal Program Revenues	332,956	344,956	342,607	(2,349)
5020 Total Revenues	416,403	416,403	414,850	(1,553)
EXPENDITURES:				
Current:				
0035 Food Services	448,403	462,607	451,579	11,028
6030 Total Expenditures	448,403	462,607	451,579	11,028
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,000)	(46,204)	(36,729)	9,475
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	32,000	35,000	35,000	-
1200 Net Change in Fund Balances	-	(11,204)	(1,729)	9,475
0100 Fund Balance - September 1 (Beginning)	13,616	13,616	13,616	-
3000 Fund Balance - August 31 (Ending)	\$ 13,616	\$ 2,412	\$ 11,887	\$ 9,475

SONORA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 336,115	\$ 336,115	\$ 356,274	\$ 20,159
5020 Total Revenues	336,115	336,115	356,274	20,159
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	308,267	308,267	308,267	-
0072 Interest on Long-Term Debt	27,648	27,648	27,584	64
0073 Bond Issuance Cost and Fees	200	200	-	200
6030 Total Expenditures	336,115	336,115	335,851	264
1200 Net Change in Fund Balances	-	-	20,423	20,423
0100 Fund Balance - September 1 (Beginning)	18,630	18,630	18,630	-
3000 Fund Balance - August 31 (Ending)	\$ 18,630	\$ 18,630	\$ 39,053	\$ 20,423

SONORA INDEPENDENT SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2021

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
<hr/>		
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
<hr/>		
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	721376
<hr/>		
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	312711
<hr/>		

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
<hr/>		
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
<hr/>		
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	59404
<hr/>		
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	43783
<hr/>		

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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INDEPENDENT AUDITOR'S 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*

Board of Trustees
Sonora Independent School District
807 South Concho
Sonora, TX 76950-3999

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, each major fund, and the aggregate remaining fund information of the Sonora Independent School District as of and for the year ended August 31, 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 December 2, 2021.

Internal Control Over Financial Reporting

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

Eckert & Company, LLP

December 2, 2021



A Limited Liability Partnership

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

Board of Trustees
Sonora Independent School District
807 South Concho
Sonora, TX 76950-3999

Report on Compliance for Each Major Federal Program

We have audited the Sonora Independent School District's 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 Sonora Independent School District's major federal programs for the year ended August 31, 2021. The Sonora Independent School 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Sonora Independent School 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 Sonora Independent School 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 Sonora Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sonora Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

Report on Internal Control Over Compliance

Management of the Sonora Independent School 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 Sonora Independent School 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 our 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.

Purpose of This Report

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.

Eckert & Company, LLP

December 2, 2021

SONORA INDEPENDENT SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended August 31, 2021

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X None Reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X None Reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ___ Yes X No

Identification of Major Programs

CFDA <u>Number</u>	<u>Name of Federal Program or Cluster</u>
	Education Stabilization Cluster - COVID-19
84.425D	COVID-19 ESSER I
84.425D	COVID-19 ESSER II
84.425U	COVID-19 ESSER III

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee? ___ Yes X No

B. Findings - Financial Statements Audit

None

SONORA INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Continued
Year Ended August 31, 2021

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

D. Findings - State Compliance

None

SONORA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Small, Rural School Achievement Program	84.358A	S358A203040	\$ 26,715
Small, Rural School Achievement Program	84.358A	S358A214062	3,875
Total Assistance Listing Number 84.358A			30,590
Total Direct Programs			30,590
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101218901	18,534
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101218901	142,077
Total Assistance Listing Number 84.010A			160,611
*IDEA - Part B, Formula	84.027	206600012189016600	102,510
*IDEA - Part B, Formula	84.027	216600012189016600	53,848
Total Assistance Listing Number 84.027			156,358
*IDEA - Part B, Preschool	84.173	216610012189016610	5,531
*IDEA - Part B, Preschool	84.173	226610012189016610	592
Total Assistance Listing Number 84.173			6,123
Total Special Education Cluster (IDEA)			162,481
ESEA, Title II, Part A - Supporting Effective Inst	84.367A	20694501218901	2,887
ESEA, Title II, Part A - Supporting Effective Inst	84.367A	21694501218901	18,340
ESEA, Title II, Part A - Supporting Effective Inst	84.367A	22694501218901	1,991
Total Assistance Listing Number 84.367A			23,218
ESEA, Title IV, Part A, Subpart 1	84.424A	21680101218901	11,616
ESEA, Title IV, Part A, Subpart 1	84.424A	22680101218901	977
Total Assistance Listing Number 84.424A			12,593
ESF: COVID-19 ESSER I Grant	84.425D	20521001218901	3,704
ESF: COVID-19 ESSER I Grant (PPRP)	84.425D	52102035	51,048
ESF: COVID-19 CRRSA ESSER II Grant	84.425D	21521001218901	350,761
ESF: COVID-19 ARP ESSER III Grant	84.425U	21528001218901	197,581
Total Assistance Listing Number 84.425			603,094
Total Passed Through State Department of Education			961,997
TOTAL U.S. DEPARTMENT OF EDUCATION			992,587
 U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through State Department of Agriculture</u>			
*School Breakfast Program (Cash)	10.553	21-218901	108,095
*National School Lunch Program (Cash)	10.555	21-218901	186,830
*National School Lunch Program (Non-Cash)	10.555	21-218901	29,830
*COVID-19 National School Lunch Prog. (Cash) (EOC)	10.555	21-218901	17,852

SONORA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
Total Assistance Listing Number 10.555			234,512
*Summer Feeding Program (Cash)	10.559	21-218901	13,173
Total Child Nutrition Cluster			355,780
Total Passed Through State Department of Agriculture			355,780
TOTAL U.S. DEPARTMENT OF AGRICULTURE			355,780
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,348,367

*Clustered Programs

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
August 31, 2021

Note A - Summary of Significant Accounting Policies

The District utilizes the fund types specified in the Texas Education Agency's *Financial Accountability System Resource Guide*.

Federal and state awards generally are accounted for in a Special Revenue Fund, a component of the governmental fund types. A Special Revenue Fund is used to account for resources restricted to, or committed for, specific purposes by a grantor.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds represent increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District has elected to not use the ten percent de minimis indirect cost rate allowed under Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note B - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2021. The information in this schedule is presented in accordance with the requirements the 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 C - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards programs per the schedule of expenditures of federal awards and federal revenues reported on Exhibit C-3:

Total Expenditures of Federal Awards	\$ 1,348,367
COVID-19 ESSER Grant Revenue for FY 2020 Expenditures	92,952
COVID-19 CRRSA ESSER II Grant Revenue for FY 2020 Expenditures	164,633
COVID-19 ARP ESSER II Grant Revenue for FY 2020 Expenditures	30,000
COVID-19 LEA Reimbursement Program Revenue for FY 2020 Expenditures (TDEM)	19,806
School Health and Related Services (SHARS) Program	<u>62,647</u>
Federal Program Revenues Per Exhibit C-3	<u><u>\$ 1,718,405</u></u>

SCHOOLS FIRST QUESTIONNAIRE

SONORA INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2021

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	