

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND  
COMPLIANCE REPORT

FOR THE YEAR ENDED  
JUNE 30, 2022



SINGLETON, CLARK  
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS



SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED JUNE 30, 2022

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CERTIFICATE OF BOARD

Sierra Blanca Independent School District  
Name of School District

Hudspeth  
County

115-902  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved \_\_\_\_\_ disapproved for the year ended June 30, 2022, at a meeting of the Board of Trustees of such school district on the 17 day of October, 2022.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

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

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Sierra Blanca Independent School District

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sierra Blanca Independent School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Sierra Blanca Independent School District's basic financial statements as listed in the table of contents.

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 Sierra Blanca Independent School District, as of June 30, 2022, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sierra Blanca Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sierra Blanca Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sierra Blanca Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sierra Blanca Independent School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension and other post-employment benefits liabilities related schedules following the notes to the financial statements be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sierra Blanca Independent School District's basic financial statements. The accompanying combining schedules of non-major governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining schedules of non-major governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

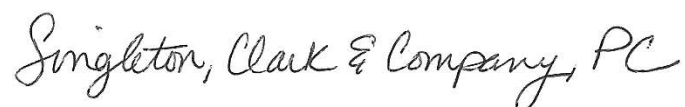
### ***Other Information***

Management is responsible for the other information included within the annual report. The other information comprises exhibits required by the Texas Education Agency which present property tax collection and receivable information, budget-to-actual comparisons for the Child Nutrition Fund and Debt Service Fund, and information related to expenditure levels of selected state funding allotments. Our opinions on the basic financial statements do not cover this other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2022 on our consideration of Sierra Blanca 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sierra Blanca 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 Sierra Blanca Independent School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC".

Singleton, Clark & Company, PC  
Alpine, Texas

September 9, 2022

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SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022

## MANAGEMENT’S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Sierra Blanca Independent School District (the “District”) discuss and analyze the financial performance of the District for the fiscal year ended June 30, 2022. Please read this information in conjunction with the District’s basic financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The District’s net position for governmental activities increased by \$720,315 as a result of this year’s current operations, to end at \$2,210,197.
- Total governmental funds of the District (the General Fund plus all Special Revenue Funds, the Capital Projects Fund, and the Debt Service Fund) reported an overall fund balance decrease of \$1,066,763, to end at \$9,910,166.
- The General Fund of the District reported a fund balance increase of \$352,797 for the year, to end at \$1,978,738.

## OVERVIEW OF THE FINANCIAL SECTION

The Financial Section is the most substantial part of this Annual Financial and Compliance Report. It consists of the independent auditor’s report, management’s discussion and analysis (this section), a set of basic financial statements with required note disclosures, and finally, required supplementary information and other supporting statements and schedules as applicable.

### Independent Auditor’s Report

State law requires the District’s financial statements to be audited by an independent certified public accountant each year. The primary purpose of the annual audit is for the auditor to express an opinion as to whether the financial statements of the District appear to be free from material misstatement. The audit is required to be conducted 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. The District received an *Unmodified* opinion on its financial statements this year.

### Management’s Discussion and Analysis

The Management’s Discussion and Analysis (MD&A) section of the report is intended to introduce the financial statements and to provide discussion and analysis regarding the financial performance of the District during the year. The MD&A is written by management of the District and provides for a less formal presentation of the financial activities of the District than is found within the basic financial statements themselves.

### Basic Financial Statements

The Basic Financial Statements consist of a series of financial statements and required note disclosures. These statements include government-wide financial statements which present the District in a consolidated and long-term manner using full-accrual accounting similar to that of a business enterprise, and fund financial statements which present a more detailed view of the District using a more short-term view and traditional modified-accrual governmental accounting. These financial statements are followed with detailed notes which provide narrative explanations and additional data for full disclosure of information.

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022

Required Supplementary Information

The previously discussed Management’s Discussion and Analysis section is considered to be required supplementary information, however, the governmental reporting framework requires that it be presented before the financial statements. When applicable, additional required supplementary information must follow the financial statements. Within this financial report, the District presents required schedules related to its participation in the Teacher Retirement System of Texas and the Texas Public School Retired Employees Group Insurance Plan.

Combining and Individual Fund Statements and Schedules

The combining statements provide detailed information about the District’s nonmajor funds. While the primary financial statements present the nonmajor funds in a consolidated manner, the combining statements list all of the nonmajor funds separately, each in its own column. In addition, this section also includes schedules required by the Texas Education Agency to report tax collection information and budget to actual information for the District’s child nutrition and debt service functions.

**OVERVIEW OF THE FEDERAL AWARDS SECTION**

Report on Internal Controls and Compliance

In accordance with *Government Auditing Standards*, the auditor is required to consider the internal controls the District has in place over financial reporting and whether any noncompliance with rules, laws, and regulations was noted during the audit. This report describes the scope of the testing of internal control and compliance, however, it does not provide an opinion on the effectiveness of internal control or on compliance.

Schedule of Findings and Questioned Costs

The Schedule of Findings and Questioned Costs provides an overall summary of auditor results, including identification of the type of opinion on the financial statements, whether any significant deficiencies or material weaknesses in internal controls were observed by the audit firm, and whether any material noncompliance was noted. This schedule also lists any audit findings reported by the audit firm for the year.

**Reporting the District as a Whole**

***The Statement of Net Position and the Statement of Activities***

The analysis of the District’s overall financial condition and operations begins with the government-wide financial statements which immediately follow this section. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The primary purpose of these financial statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows, liabilities, and deferred inflows at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.



SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by the State of Texas in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

The Statement of Net Position and the Statement of Activities report the District's net position and changes in net position. The District's net position (the difference between assets, deferred outflows, liabilities, and deferred inflows) provides one measure of the District's financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, school districts divide up their financial activities as follows:

- Governmental activities – School districts report basic services here, including the instruction of students, counseling, co-curricular activities, child nutrition services, transportation, maintenance, community services, and general administration. Property taxes, state block grants based on student attendance and demographics, and other state and federal grants finance most of these activities.
- Business-type activities – School districts may charge a fee to "customers" to help it cover all or most of the cost of services it provides for child care programs or other activities that closely model a business venture.

Our school district reported governmental activities this year, however, we did not engage in business-type activities.

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements follow the government-wide statements and provide detailed information about the most significant funds of the District, not the District as a whole. Laws and regulations require the District to establish separate funds, such as for grants received from the state and federal government, money received from bond issues for capital projects, or for money raised specifically for debt service purposes, in order to clearly display financial accountability for use of these funds.

School districts use two different kinds of funds for operations, governmental funds and proprietary funds, which use different accounting approaches.

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022

- A school district will use *governmental funds* to account for basic services. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- A school district will use *proprietary funds* to account for the activities for which it charges users (whether outside customers or other units of the District). Proprietary funds use the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, when a district utilizes enterprise funds, (one category of proprietary funds) these are the business-type activities reported in the government-wide statements but they contain more detail and additional information, such as cash flows. Internal service funds (the other category of proprietary funds) report activities that provide supplies and services for a district's other programs and activities, such as a district's self-insurance programs.

Our District reported several governmental funds this year, however, we did not utilize proprietary funds.

### **The District as Trustee**

#### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for money raised by student activities and alumni scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages that follow the governmental fund and proprietary fund financial statements. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is however responsible for applying sound financial internal controls over these funds and for ensuring that these resources are used for their intended purposes.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analysis focuses on the net position (Table I) and changes in net position (Table II) of the District’s governmental activities.

Net position of the District’s governmental activities increased from \$1,489,882 to \$2,210,197. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$681,940 at June 30, 2022. The increase in governmental net position during the year was primarily due to factors such as the District realizing slightly more in revenue collection than budgeted and approximately 13% lower expenditures than expected.

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022

**Table I**  
**Sierra Blanca Independent School District**  
**Net Position**

	Governmental Activities 2022	Governmental Activities 2021	Change
Current & Other Assets	\$ 10,331,965	\$ 11,685,755	\$(1,353,790)
Capital Assets	3,832,671	2,407,625	1,425,046
Total Assets	14,164,636	14,093,380	71,256
Deferred Outflows of Resources	1,089,726	1,263,949	(174,223)
Current Liabilities	467,552	757,235	(289,683)
Long-Term Liabilities	11,168,433	11,815,006	(646,573)
Total Liabilities	11,635,985	12,572,241	(936,256)
Deferred Inflows of Resources	1,408,180	1,295,206	112,974
Net Position:			
Net Investment in Capital Assets	(6,398,786)	(8,165,327)	1,766,541
Restricted	7,927,043	9,351,489	(1,424,446)
Unrestricted	681,940	303,720	378,220
Total Net Position	\$ 2,210,197	\$ 1,489,882	\$ 720,315

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022

**Table II**  
**SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT**  
**Changes in Net Position**

	Governmental Activities 2022	Governmental Activities 2021	Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 16,718	\$ 4,980	\$ 11,738
Operating Grants & Contributions	306,382	267,034	39,348
General Revenues:			
Maintenance & Operations Taxes	1,636,871	1,638,199	(1,328)
Debt Service Taxes	671,173	636,222	34,951
State Aid - Formula Grants	607,609	371,827	235,782
Grants & Contributions not Restricted	36,566	55,102	(18,536)
Investment Earnings	25,674	19,676	5,998
Miscellaneous	13,026	254,908	(241,882)
Total Revenue	<u>3,314,019</u>	<u>3,247,948</u>	<u>66,071</u>
Expenses:			
Instruction	1,225,747	1,222,606	3,141
Instructional Resources & Media Services	15,654	33,044	(17,390)
Curriculum & Instructional Staff Development	33,562	430	33,132
School Leadership	129,678	74,430	55,248
Guidance, Counseling, & Evaluation Services	-	30	(30)
Student Transportation	13,223	27,709	(14,486)
Food Services	141,104	121,167	19,937
Extracurricular Activities	90,523	72,086	18,437
General Administration	269,531	286,228	(16,697)
Facilities Maintenance and Operations	176,931	159,476	17,455
Security and Monitoring Services	26,615	-	26,615
Data Processing Services	16,639	85,456	(68,817)
Debt Service	305,624	295,057	10,567
Payments to Fiscal Agent/Member Dist. of SSA	45,396	39,951	5,445
Other Intergovernmental Charges	67,163	43,196	23,967
Total Expenses	<u>2,557,390</u>	<u>2,460,866</u>	<u>96,524</u>
Gain (Loss) on Sale of Assets	(36,314)	-	(36,314)
Transfers In/(Out)	-	6,600	(6,600)
Change in Net Position	<u>720,315</u>	<u>793,682</u>	<u>(73,367)</u>
Net Position at 7/1/21 and 7/1/20	<u>1,489,882</u>	<u>696,200</u>	<u>793,682</u>
Net Position at 6/30/22 and 6/30/21	<u>\$ 2,210,197</u>	<u>\$ 1,489,882</u>	<u>\$ 720,315</u>

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022

## THE DISTRICT'S FUNDS

As the District completed this annual period, the General Fund reported a fund balance of \$1,978,738, which is \$352,797 more than last year's total of \$1,625,941. The increase in fund balance is mainly attributable to lower than anticipated expenditures.

The District's Debt Service Fund reported a fund balance of \$519,336 which is \$148,527 more than last year's total of \$370,809. The Debt Service fund balance was more at June 30, 2022, as compared to the prior year end, due to lower debt service payments. The purpose of the Debt Service Fund is to provide for the payment of bond principal and interest payments as it becomes due.

The District's Capital Projects Fund reported a fund balance of \$7,396,944 which is \$1,569,473 less than last year's total of \$8,966,417. The Capital Projects fund balance was less at June 30, 2022, as compared to the prior year end, due to ongoing construction projects. The purpose of the Capital Projects Fund is to account for the construction, improvement and renovation of school buildings in the District along with the acquisition of land and equipment. This fund is budgeted on a project basis rather than annually.

The District's other governmental funds reported combined ending fund balances of \$15,148. This combined balance is \$1,386 more than the previous year. The primary reason for this change in the combined fund balance was fundraising for the Campus Activity Fund exceeded expenditures.

Over the course of the year, the Board of Trustees generally revises the District's budget based on financial updates provided by management of the District. These amendments involve moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs, or to react to originally unforeseen circumstances, such as unanticipated new revenues or unavoidable new costs. Budget amendments made during the year were considered significant for Instruction, Student Transportation, General Administration, Facilities Acquisition & Construction and Payments to Fiscal Agent of SSA.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2022, the District had \$3,832,671 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

A summary of the ending balances of capital assets by major category for both 2022 and 2021 is as follows:

	Governmental Activities 2022	Governmental Activities 2021	Change
Land	\$ 11,611	\$ 11,611	\$ -
Construction in Progress	2,358,865	769,026	1,589,839
Buildings	3,715,461	3,777,995	(62,534)
Furniture and Equipment	809,248	787,566	21,682
Total	6,895,185	5,346,198	1,548,987
Less Accumulated Depreciation	(3,062,514)	(2,938,573)	(123,941)
Capital Assets, Net of Depreciation	\$ 3,832,671	\$ 2,407,625	\$ 1,425,046

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SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022

**Debt**

At year-end, the District had \$10,231,457 in bonds and other long-term debt outstanding versus \$10,572,952 last year. The decrease is attributable to the District making scheduled payments on its long-term debt during the year.

A summary of the ending balances of long-term debt by type for both 2022 and 2021 is as follows:

	Governmental Activities 2022	Governmental Activities 2021	Change
Bonds Payable	\$ 9,610,615	\$ 9,844,573	\$ (233,958)
Notes Payable	620,842	728,379	(107,537)
Total	<u>\$ 10,231,457</u>	<u>\$ 10,572,952</u>	<u>\$ (341,495)</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's elected and appointed officials considered many factors when setting the fiscal year 2022-2023 budget and tax rates. Those factors include property values, changes in enrollment, the economy, projections of future budget years, and legislative mandates. The District has adopted a General Fund budget of \$2,360,436 for the 2022-2023 fiscal year. This reflects an increase of \$246,904 in budgeted expenditures from the fiscal year 2021-2022 adopted budget to fiscal year 2022-2023.

For the 2022-2023 budget year, the District has decreased its maintenance and operations tax rate at \$0.9492 per hundred of taxable value. The District adopted a debt service tax rate of \$0.4100 for the 2022-2023 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2022-2023 budget year is \$1.3592 per hundred of taxable value.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, at Sierra Blanca Independent School District, 500 Sierra Blanca Avenue, Sierra Blanca, Texas 79851, or by calling (915) 369-3741.

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## **BASIC FINANCIAL STATEMENTS**

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2022

Data Control Codes	Primary Government 1 Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 9,923,711
1225 Property Taxes Receivable, net	86,584
1240 Due from Other Governments	321,657
Capital Assets:	
1510 Land Purchase and Improvements	11,611
1520 Buildings and Improvements, net	1,172,687
1530 Furniture and Equipment, net	289,508
1580 Construction in Progress	2,358,865
1990 Other Assets	13
1000 Total Assets	<u>14,164,636</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflows-Pension	333,149
1706 Deferred Outflows-OPEB	756,577
Total Deferred Outflows of Resources	<u>1,089,726</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	14,412
2120 Bonds and Loans Payable - Current Year	6,556
2140 Interest Payable	132,337
2150 Payroll Deductions and Withholdings	535
2160 Accrued Wages Payable	155,816
2180 Due to Other Governments	150,323
2200 Accrued Expenses	7,073
2300 Unearned Revenue	500
Noncurrent Liabilities:	
2501 Due Within One Year	411,158
2502 Due in More Than One Year	9,820,299
2540 Net Pension Liability	280,018
2545 Other Post-Employment Benefits Liability	656,958
2000 Total Liabilities	<u>11,635,985</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflows-Pension	475,880
2606 Deferred Inflows-OPEB	932,300
Total Deferred Inflows of Resources	<u>1,408,180</u>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	(6,398,786)
Restricted for:	
3820 Federal & State Programs	2,760
3850 Debt Service	527,339
3860 Capital Projects	7,396,944
3900 Unrestricted	681,940
3000 Total Net Position	<u>\$ 2,210,197</u>

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

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes	1 Expenses	Program Revenues		Net (Expense) Rev. & Changes in Net Position
		3 Charges for Services	4 Operating Grants and Contributions	
				6 Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 1,225,747	\$ -	\$ 95,287	\$ (1,130,460)
12 Instructional Resources & Media Services	15,654	-	(534)	(16,188)
13 Curriculum & Instructional Staff Developmen	33,562	-	26,710	(6,852)
23 School Leadership	129,678	-	(3,918)	(133,596)
34 Student Transportation	13,223	-	(108)	(13,331)
35 Food Services	141,104	7,077	125,615	(8,412)
36 Extracurricular Activities	90,523	4,826	(562)	(86,259)
41 General Administration	269,531	4,815	(2,932)	(267,648)
51 Facilities Maintenance and Operations	176,931	-	(815)	(177,746)
52 Security and Monitoring Services	26,615	-	24,999	(1,616)
53 Data Processing Services	16,639	-	-	(16,639)
72 Interest on Long-Term Debt	305,124	-	-	(305,124)
73 Bond Issuance Cost & Fees	500	-	-	(500)
93 Payments to Fiscal Agent of SSA	45,396	-	-	(45,396)
95 Payments to JJAEP Program	-	-	42,640	42,640
99 Other Intergovernmental Charges	67,163	-	-	(67,163)
TG Total Governmental Activities:	<u>2,557,390</u>	<u>16,718</u>	<u>306,382</u>	<u>(2,234,290)</u>
TP TOTAL PRIMARY GOVERNMENT:	<u>\$ 2,557,390</u>	<u>\$ 16,718</u>	<u>\$ 306,382</u>	<u>(2,234,290)</u>
General Revenues:				
Taxes:				
MT Property Taxes, Levied for General Purposes				1,636,871
DT Property Taxes, Levied for Debt Service				671,173
SF State Aid - Formula Grants				607,609
GC Grants and Contributions, not Restricted				36,566
IE Investment Earnings				25,674
MI Miscellaneous Local and Intermediate Revenue				13,026
Total General Revenues				<u>2,990,919</u>
S1 Loss on Asset Disposal				(36,314)
TR Total General Revenues, Special Items, and Transfers				<u>2,954,605</u>
CN Change in Net Position				720,315
NB Net Position -- Beginning				1,489,882
NE Net Position -- Ending				<u>\$ 2,210,197</u>

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

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022

Data	10	50	60		98
Control	General	Debt	Capital	Other	Total
Codes	Fund	Service Fund	Projects Fund	Funds	Governmental Funds
<b>ASSETS</b>					
1110 Cash and Cash Equivalents	\$ 2,000,579	\$ 513,691	\$ 7,393,785	\$ 15,656	\$ 9,923,711
1220 Property Taxes - Delinquent	785,824	80,025	-	-	865,849
1230 Allowance for Uncoll. Taxes (Credit)	(707,243)	(72,022)	-	-	(779,265)
1240 Due from Other Governments	267,775	5,745	-	48,137	321,657
1260 Due from Other Funds	57,318	-	3,159	-	60,477
1900 Other Assets	13	-	-	-	13
1000 Total Assets	<u>\$ 2,404,266</u>	<u>\$ 527,439</u>	<u>\$ 7,396,944</u>	<u>\$ 63,793</u>	<u>\$ 10,392,442</u>
<b>LIABILITIES</b>					
2110 Accounts Payable	\$ 14,412	\$ -	\$ -	\$ -	\$ 14,412
2120 Bonds & Loans Payable - Curr. Year	6,556	-	-	-	6,556
2150 Payroll Deductions & Withholdings	535	-	-	-	535
2160 Accrued Wages Payable	144,369	-	-	11,447	155,816
2170 Due to Other Funds	23,870	100	-	36,507	60,477
2180 Due to Other Governments	150,323	-	-	-	150,323
2200 Accrued Expenditures	6,882	-	-	191	7,073
2300 Unavailable Revenues	-	-	-	500	500
2000 Total Liabilities	<u>346,947</u>	<u>100</u>	<u>-</u>	<u>48,645</u>	<u>395,692</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows-Unavailable					
2600 Revenues	78,581	8,003	-	-	86,584
Total Deferred Inflows of Resources	<u>78,581</u>	<u>8,003</u>	<u>-</u>	<u>-</u>	<u>86,584</u>
<b>FUND BALANCES</b>					
Restricted for:					
3450 Federal or State Funds Restricted	2,760	-	-	-	2,760
3470 Capital Acq. & Contractual Oblig.	-	-	7,396,944	-	7,396,944
3480 Retirement of Long-Term Debt	-	519,336	-	-	519,336
Committed for:					
3545 Other Committed Fund Balance	-	-	-	15,148	15,148
3600 Unassigned Fund Balance	1,975,978	-	-	-	1,975,978
3000 Total Fund Balances	<u>1,978,738</u>	<u>519,336</u>	<u>7,396,944</u>	<u>15,148</u>	<u>9,910,166</u>
4000 Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,404,266</u>	<u>\$ 527,439</u>	<u>\$ 7,396,944</u>	<u>\$ 63,793</u>	<u>\$ 10,392,442</u>

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

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2022

		1
<b>Total Fund Balances - Governmental Funds</b>		\$ 9,910,166
1	Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
	Governmental capital assets	\$ 6,895,185
	Less accumulated depreciation	<u>(3,062,514)</u> 3,832,671
2	Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
	Bonds payable, including unamortized premiums	(9,610,616)
	Notes payable	(620,842)
	Net pension liability	(280,018)
	Net OPEB liability	<u>(656,958)</u> (11,168,434)
3	Accrued interest on long-term debt related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds.	(132,337)
4	Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.	
	Deferred outflows of resources related to pensions	333,149
	Deferred inflows of resources related to pensions	(475,880)
	Deferred outflows of resources related to OPEB	756,577
	Deferred inflows of resources related to OPEB	<u>(932,300)</u> (318,454)
5	Property taxes are recognized as revenue in the governmental funds when collected, but recognized on the Statement of Activities in the year levied. Therefore, property taxes receivable, net of allowance for uncollectible accounts, is added to the Statement of Net Position for governmental activities.	86,585
19	<b>Net Position of Governmental Activities</b>	<u><u>\$ 2,210,197</u></u>

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

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

Data	10	50	60		98
Control	General	Debt	Capital	Other	Total
Codes	Fund	Service Fund	Projects Fund	Funds	Governmental Funds
<b>REVENUES</b>					
5700 Local and Intermediate Sources	\$ 1,667,670	\$ 667,652	\$ 20,366	\$ 9,648	\$ 2,365,336
5800 State Program Revenues	683,998	-	-	25,022	709,020
5900 Federal Program Revenues	158,586	-	-	186,962	345,548
5020 Total Revenues	<u>2,510,254</u>	<u>667,652</u>	<u>20,366</u>	<u>221,632</u>	<u>3,419,904</u>
<b>EXPENDITURES</b>					
0011 Instruction	1,116,582	-	-	117,635	1,234,217
0012 Instrl. Resources & Media	16,489	-	-	-	16,489
0013 Curriculum & Instrl. Staff	4,815	-	-	26,710	31,525
0023 School Leadership	134,751	-	-	-	134,751
0034 Student Transportation	12,776	-	-	-	12,776
0035 Food Services	134,081	-	-	-	134,081
0036 Extracurricular Activities	78,815	-	-	8,262	87,077
0041 General Administration	263,334	-	-	-	263,334
0051 Facilities Maint. & Operations	168,962	-	-	-	168,962
0052 Security & Monitoring Services	-	-	-	24,999	24,999
0053 Data Processing Services	35,995	-	-	-	35,995
0071 Debt Service - Principal	107,536	195,000	-	-	302,536
0072 Debt Service - Interest	24,988	323,625	-	-	348,613
0073 Debt Service - Bond Issuance Costs	-	500	-	-	500
0081 Facilities Acq. & Construction	-	-	1,589,839	-	1,589,839
0093 Payments to Fiscal Agent of SSA	-	-	-	42,640	42,640
0099 Other Intergovernmental Charges	63,086	-	-	-	63,086
6030 Total Expenditures	<u>2,162,210</u>	<u>519,125</u>	<u>1,589,839</u>	<u>220,246</u>	<u>4,491,420</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>348,044</u>	<u>148,527</u>	<u>(1,569,473)</u>	<u>1,386</u>	<u>(1,071,516)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
7949 Other Resources	<u>4,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,753</u>
Total Other Financing Sources (Uses)	<u>4,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,753</u>
1200 Net Change in Fund Balance	352,797	148,527	(1,569,473)	1,386	(1,066,763)
0100 Fund Balance - Beginning	<u>1,625,941</u>	<u>370,809</u>	<u>8,966,417</u>	<u>13,762</u>	<u>10,976,929</u>
3000 Fund Balance - Ending	<u>\$ 1,978,738</u>	<u>\$ 519,336</u>	<u>\$ 7,396,944</u>	<u>\$ 15,148</u>	<u>\$ 9,910,166</u>

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

SIERRA BLANCA 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 JUNE 30, 2022

<b>Total Net Change in Fund Balances – Governmental Funds</b>		\$(1,066,763)
1	Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.	
	Expenditures for capitalized assets	\$ 1,611,521
	Less current year depreciation	<u>(145,408)</u>
		1,466,113
2	Repayment of principal on bonds, notes, and capital leases is an expenditure in the governmental funds, but this expenditure is removed from the Statement of Activities and the repayments instead reduce long-term liabilities on the Statement of Net Position.	302,536
3	Since long-term debt is not recorded in governmental funds, amortization of related issuance premiums and discounts is also not recorded.	38,958
4	The change in accrued interest due on long-term debt issued for governmental activities does not affect current financial resources and therefore is not reported in the governmental funds.	4,531
5	Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. Therefore the uncollected amount of the current year levy is added to current year property tax revenue on the Statement of Activities.	(1,874)
6	Governmental funds report pension contributions as expenditures. However, pension contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net pension liability measurement date. In addition, the change in the net pension liability, adjusted for changes in deferred pension items, is reported as pension expense in the Statement of Activities.	26,280
7	Governmental funds report OPEB contributions as expenditures. However, OPEB contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net OPEB liability measurement date. In addition, the change in the net OPEB liability, adjusted for changes in deferred OPEB items, is reported as OPEB expense in the Statement of Activities.	(8,399)
8	Since capital assets are not reported in governmental funds, gains or losses on disposal of capital assets are also not reported in governmental funds.	(41,067)
<b>19</b>	<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 720,315</u></u>

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

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SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts (GAAP BASIS)	Final Budget
<b>REVENUES</b>				
5700 Local & Intermediate Sources	\$ 1,717,382	\$ 1,717,382	\$ 1,667,670	\$ (49,712)
5800 State Program Revenues	422,911	422,911	683,998	261,087
5900 Federal Program Revenues	93,500	118,500	158,586	40,086
5020 Total Revenues	2,233,793	2,258,793	2,510,254	251,461
<b>EXPENDITURES</b>				
Current:				
0011 Instruction	1,104,600	1,128,100	1,116,582	11,518
0012 Instructional Resources & Media Svcs.	32,825	32,825	16,489	16,336
0013 Curriculum & Instructional Staff Dev.	11,000	11,000	4,815	6,185
0023 School Leadership	117,631	138,631	134,751	3,880
0031 Guidance, Counseling & Evaluation Svcs.	2,000	2,000	-	2,000
0033 Health Services	500	500	-	500
0034 Student Transportation	29,000	154,000	12,776	141,224
0035 Food Services	120,261	134,761	134,081	680
0036 Extracurricular Activities	85,649	85,649	78,815	6,834
0041 General Administration	251,828	297,028	263,334	33,694
0051 Facilities Maintenance & Operations	173,474	179,474	168,962	10,512
0053 Data Processing Services	85,500	81,000	35,995	45,005
0061 Community Services	2,000	2,000	-	2,000
Debt Service:				
0071 Principal on Long Term Debt	132,525	112,036	107,536	4,500
0072 Interest on Long Term Debt	-	24,989	24,988	1
Capital Outlay:				
0081 Facilities Acquisition & Construction	-	25,000	-	25,000
Intergovernmental:				
0093 Payments to Fiscal Agent of SSA	35,000	7,700	-	7,700
0099 Other Intergovernmental Charges	50,000	63,100	63,086	14
6030 Total Expenditures	2,233,793	2,479,793	2,162,210	317,583
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(221,000)	348,044	569,044
<b>OTHER FINANCING SOURCES (USES)</b>				
7915 Transfers In	26,860	26,860	-	(26,860)
7949 Other Resources	-	-	4,753	4,753
8911 Transfers Out	(26,860)	(16,360)	-	(16,360)
7080 Total Other Financing Sources (Uses)	-	10,500	4,753	(5,747)
1200 Net Change in Fund Balances	-	(210,500)	352,797	563,297
0100 Fund Balance-July 1 (Beginning)	1,625,941	1,625,941	1,625,941	-
3000 Fund Balance-June 30 (Ending)	\$ 1,625,941	\$ 1,415,441	\$ 1,978,738	\$ 563,297

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

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2022

		865
Data		
Control		
Codes		Custodial Fund
ASSETS		
1110	Cash and Cash Equivalents	\$ 14,107
1000	Total Assets	<u>14,107</u>
LIABILITIES		
	Current Liabilities:	
2000	Total Liabilities	<u>-</u>
NET POSITION		
	Restricted for:	
3800	Individuals and Organizations	<u>14,107</u>
3000	Total Net Position	<u><u>\$ 14,107</u></u>

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

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

		865
Data		
Control		
Codes		Custodial Fund
<b>ADDITIONS</b>		
	Contributions:	
5700	Other Contributions	\$ 15,426
	Total Additions	<u>15,426</u>
<b>DEDUCTIONS</b>		
6400	Other Operating Costs	<u>13,355</u>
6030	Total Deductions	<u>13,355</u>
1200	Net Increase/(Decrease) in Fiduciary Net Position	2,071
0100	Net Position - Beginning	<u>12,036</u>
3000	Net Position - Ending	<u><u>\$ 14,107</u></u>

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

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SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **The Financial Reporting Entity**

This report includes those activities, organizations and functions related to Sierra Blanca Independent School District (the “District”), which are controlled by or dependent upon the District’s governing body, the Board of Trustees (the “Board”). The Board, a seven member group, is the level of government having governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental “reporting entity” as defined by Statement No. 14 of the Governmental Accounting Standards Board (GASB), since Board members are elected by the public and have decision making authority. Furthermore, there are no legally separate organizations, known as “component units”, included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency (TEA) in its Financial Accountability System Resource Guide (FASRG). These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Currently however, the District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Custodial funds have no measurement focus. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty 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 are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues and property taxes. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources within the governmental fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Major Funds and Fund Types**

The District reports the following major governmental funds:

The General Fund includes financial resources that are not required to be reported separately in another fund. It is a budgeted fund, and any unrestricted fund balances are considered to be resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

The Capital Projects Fund is used to account for the construction, improvement and renovation of school buildings in the District along with the acquisition of land and equipment. This fund is budgeted on a project basis rather than annually.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds.

Private Purpose Trust Funds are fiduciary funds used to account for donations for which the donors have stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District utilizes this fund type to account for money collected and held for the purpose of awarding scholarships to selected students.

Custodial Funds are fiduciary funds used to account for resources held for others in a custodial capacity. The District utilizes this fund type to account for funds held on behalf of student clubs and organizations.

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

**Budgetary Information**

Budgets are prepared annually for the General Fund, the Child Nutrition Fund, and the Debt Service Fund on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by the end of June and is adopted by the Board at a public meeting after public notice of the meeting has been given no earlier than the 30th day or later than the 10th day before the public hearing. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was monitored by the administration throughout the year and amendments were brought to the Board as needed.

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

Investments - The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The types of investments allowed under the Public Funds Investment Act are detailed in Note 2 - Deposits and Investments. The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments. Temporary investments throughout the year consisted of investments in external investment pools, which are recognized at amortized cost, and money market accounts.

Inventories - Inventories are generally not recorded in the General Fund or Child Nutrition Fund due to amounts of expendable supplies held or purchased food not being deemed material. When inventories are recorded, they are charged to expenditures when consumed. Amounts recorded are offset by a fund balance classification titled "nonspendable" which indicates that the inventory does not represent "available expendable resources."

Capital Assets - Capital assets, which include land, buildings and improvements, construction in progress, furniture and equipment, and vehicles are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000 and a useful life of greater than one year. Such assets are recorded at historical cost, if purchased, or estimated fair value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - fifteen to thirty years, furniture and equipment - three to twenty years, and vehicles - five to ten years.

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Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed. When prepaid items are recorded, they are charged to expenditures when the value represented by the prepaid item has been used. Amounts recorded are offset by a fund balance classification titled “nonspendable” which indicates that the prepaid item amount does not represent “available expendable resources.”

Ad Valorem Property Taxes - Delinquent taxes, when received, are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Accumulated Sick Leave Liability - The State of Texas has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district’s local Board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the state minimum.

Pensions - 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 benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits - The fiduciary net position of the Teacher Retirement System of Texas TRS Care Plan (TRS-Care) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care’s fiduciary net position. 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.

Deferred Outflows and Deferred Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent a consumption of the District’s net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District’s acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.



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Fund Balance/Deficit - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Statement of Cash Flows - For purposes of the statement of cash flows when Proprietary Funds are used, cash and cash equivalents include demand deposits.

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

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations

### **Data Control Codes**

The Data Control Codes shown on the financial statements refer to the account code structure prescribed by the FASRG. TEA requires school districts to display these codes in their financial statements to ensure accuracy in building a state-wide data base for policy development and funding plans.

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## 2. DEPOSITS AND INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy for operating and custodial funds, in order of priority, are safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. The primary objective of the District's investment strategy for Debt Service and Capital Projects Funds is sufficient investment liquidity to meet related obligations.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Securities lending programs
- Banker's acceptances
- Commercial paper
- No-load money market mutual funds and no-load mutual funds
- Guaranteed investment contracts as an investment vehicle for bond proceeds
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2022, the carrying amount of the District's deposits was \$2,800,220 and the bank balance was \$2,787,755. The District's deposits with financial institutions at June 30, 2022 and during the year ended June 30, 2022 were not covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. During the year the District had insufficient collateral such that its deposits were at risk. The collateral maintained by the District's bank in addition to Federal Depository Insurance Coverage (FDIC) on the day of the District's high cash balance was under collateralized by \$528,640. This is a general compliance finding. The deposits were collateralized in accordance with Texas law and the District maintains copies of all safekeeping receipts in the name of the District.

The District maintains a cash pool consisting of demand deposits. The combined pool is available for use by most Special Revenue Funds. If a fund overdraws its share of the pool, the overdraft is reported as an interfund payable in that fund. The offsetting interfund receivable is reported in the General Fund.

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The following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a) Name of depository bank: Pecos County State Bank
- b) The amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$2,722,134.
- c) The largest cash, savings and time deposit combined account balance amounted to \$3,500,774 and occurred during the month of March 2022.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at June 30, 2022 consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Standard &amp; Poor's Rating</u>
First Public - Lone Star Investment Pool	\$ 7,137,598	1	AAAm
Total Investments	<u>\$ 7,137,598</u>		

The District had investments in one external local governmental investment pool at June 30, 2022, consisting of the Lone Star Investment Pool (First Public).

The Corporate Overnight Fund is a fund within the Lone Star Investment Pool. Its objective is to maintain a stable \$1.00 per share net asset value (NAV), while it provides the highest possible rate of return. The fund represents one of three Texas public investment funds sponsored by the Texas Association of School Boards (TASB). The other funds--Government Overnight Fund and Corporate Overnight Plus Fund--also maintain S&P Global ratings. The Lone Star Investment Pool was created pursuant to the Interlocal Cooperation Act of the State of Texas as an investment vehicle for local school districts and other public entities. The funds within Lone Star Investment Pool are not registered mutual funds under the Investment Company Act of 1940, and are not available to individual investors.

The Lone Star Investment Pool is sponsored by TASB. The investment advisers to the pool are American Beacon Advisors and Standish. First Public LLC provides administrative and distribution services to the pool and State Street Bank is the custodian for all pool assets. In addition, CAPTRUST Financial Advisors monitors the pool's operations and performance and reports its findings to First Public and the board of trustees for the Lone Star Investment Pools.

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 agencies are designed to give an indication of credit risk. At June 30, 2022, investments were included in local governmental investment pools with ratings from Standard & Poor's in compliance with the District's investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At June 30, 2022, the District was not exposed to custodial credit risk.

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Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government. At June 30, 2022, the District had 100% of its investments in money market accounts and local governmental investment pools.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the District's investment policy requires that maturities will not exceed the weighted average maturity of 180 days for any internally created pool fund group and one year from the time of purchase for any other individual investment. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the local governmental investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At June 30, 2022, investments were included in local government investment pools which have a weighted average maturity of one day.

### **3. PROPERTY TAXES**

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Hudspeth Central Appraisal District (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the school board sets the tax rates on property and the Hudspeth County Tax Assessor/Collector provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every three years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District's fiscal year. The assessed value at January 1, 2021, upon which the October 2021 levy was based was \$172,356,735. The District levied taxes based on a combined tax rate of \$1.3831 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

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**4. DUE FROM/TO OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. Grants and entitlements are recorded as revenue when earned, therefore at year end amounts earned but not yet received in cash may be recorded as due from the grantor government. Amounts already received in cash but not yet earned are recorded as due to the grantor government.

A summary of amounts recorded as Due From/Due To Other Governments in the basic financial statements as of June 30, 2022 are summarized below:

Due From Other Governments:	Non-Major		Total
	General Fund	Governmental Funds	
Governmental Activities:			
Foundation & Per Capita Entitlements	\$ 253,378	\$ 33,124	\$ 286,502
State Grants	-	15,012	15,012
Miscellaneous	14,397	5,746	20,143
Total - Governmental Activities	<u>\$ 267,775</u>	<u>\$ 53,882</u>	<u>\$ 321,657</u>

Due To Other Governments:	General Fund
Governmental Activities:	
State Grants	<u>\$ 150,323</u>
Total - Governmental Activities	<u>\$ 150,323</u>

**5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

During the course of operations, the individual funds of the District may engage in temporary borrowings of money between one another to meet liquidity needs. These interfund receivables and payables are recorded on the balance sheet of the loaning fund as “Due from Other Funds” and on the balance sheet of the borrowing fund as “Due to Other Funds”. Amounts are repaid when funds are available in the borrowing fund.

Individual funds may also make payments between one another which are intended to be permanent and therefore not repaid. These transactions are recorded on the statement of revenues, expenditures, and changes in fund balance as “Transfers Out” for the paying fund and “Transfers In” for the receiving fund.

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The composition of interfund balances as of June 30, 2022 was as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	\$ 36,607
	Trust and Custodial Funds	20,711
Total General Fund		<u>57,318</u>
Capital Project Fund	General Fund	\$ 3,159
Total Capital Project Fund		<u>3,159</u>
Grand Total		<u>\$ 60,477</u>

## 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance 7/1/21	Additions	Retirements	Ending Balance 6/30/22
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 11,611	\$ -	\$ -	\$ 11,611
Construction in Progress	769,026	1,589,839	-	2,358,865
Total Capital Assets, not Being Depreciated	<u>780,637</u>	<u>1,589,839</u>	<u>-</u>	<u>2,370,476</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,777,995	-	(62,534)	3,715,461
Furniture and Equipment	787,566	21,682	-	809,248
Total Capital Assets, Being Depreciated	<u>4,565,561</u>	<u>21,682</u>	<u>(62,534)</u>	<u>4,524,709</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,468,592)	(95,649)	21,467	(2,542,774)
Furniture and Equipment	(469,981)	(49,759)	-	(519,740)
Total Accumulated Depreciation	<u>(2,938,573)</u>	<u>(145,408)</u>	<u>21,467</u>	<u>(3,062,514)</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,407,625</u>	<u>\$ 1,466,113</u>	<u>\$ (41,067)</u>	<u>\$ 3,832,671</u>

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Depreciation expense was charged to the functions of the District as follows:

Function	Depreciation Allocation
Instruction	\$ 79,763
Instructional Resources & Media Services	1,066
Curriculum & Instructional Staff Development	2,037
School Leadership	8,709
Student Transportation	826
Food Services	8,665
Extracurricular Activities	5,628
General Administration	17,019
Facilities Maintenance and Operations	10,920
Security and Monitoring Services	1,616
Data Processing Services	2,326
Payments to Fiscal Agent of SSA	2,756
Other Intergovernmental Charges	4,077
Totals	<u>\$ 145,408</u>

## 7. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

Governmental activities long-term debt obligations at June 30, 2022 consisted of the following:

General Long-Term Debt Description	Outstanding at June 30, 2022
\$507,464 Series 2016 Maintenance Tax Note, due in annual installments of \$49,638 through May 2, 2026; interest at 3.379%.	\$ 223,201
\$283,185 Series 2018 Maintenance Tax Notes due in installments of \$24,355 to \$33,835 through September 14, 2029; interest at 4.195%.	210,079
\$255,083 Series 2020 Bus Note, due in annual installments of \$30,843 to \$123,382 through September 22, 2025 interest at 2.671%.	187,562
\$8,700,000 Series 2020 School Building Bonds due in annual installments of \$195,000 to \$595,000 through February 15, 2042; interest at 3.0% to 4.0%.	8,505,000
\$1,202,763 Premium related to Series 2020 School Building Bonds; to be amortized August 2041.	1,105,615
Total General Long-Term Debt	<u>\$ 10,231,457</u>

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The following is a summary of changes in long-term liabilities for the year ended June 30, 2022:

Type	Outstanding 7/1/21	Additions	Deletions	Outstanding 6/30/22	Due in One Year
<b>Bonds Payable:</b>					
General Obligation & Refunding Bonds	\$ 8,700,000	\$ -	\$ (195,000)	\$ 8,505,000	\$ 300,000
Premium on Issuance of Bonds	1,144,573	-	(38,958)	1,105,615	-
Total Bonds Payable	9,844,573	-	(233,958)	9,610,615	300,000
<b>Other Long-Term Liabilities:</b>					
Notes Payable	728,378	-	(107,536)	620,842	111,158
Total Other Long-Term Liabilities	728,378	-	(107,536)	620,842	111,158
Total Governmental Activities	\$ 10,572,951	\$ -	\$ (341,494)	\$ 10,231,457	\$ 411,158

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District. The Texas Education Code generally limits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness would exceed \$0.50 per \$100 of assessed valuation of taxable property within the District.

Annual principal installments for outstanding bonds vary each year. The debt service requirements to maturity for general obligation bonds as of June 30, 2022 are as follows:

Year Ended June 30,	Bonds Payable		Total Requirements
	Principal	Interest	
2023	\$ 300,000	\$ 316,200	\$ 616,200
2024	310,000	307,050	617,050
2025	320,000	297,600	617,600
2026	330,000	287,850	617,850
2027	340,000	277,800	617,800
2028-2032	1,875,000	1,197,150	3,072,150
2033-2037	2,270,000	786,000	3,056,000
2038-2042	2,760,000	284,600	3,044,600
Total	\$ 8,505,000	\$ 3,754,250	\$ 12,259,250



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The debt service requirements for notes payable as of June 30, 2022 are as follows:

Year Ended June 30,	Notes Payable		Total Requirements
	Principal	Interest	
2023	\$ 111,158	\$ 21,366	\$ 132,524
2024	114,906	17,618	132,524
2025	208,784	13,740	222,524
2026	88,522	7,324	95,846
2027	31,165	4,089	35,254
2028-2029	66,308	4,201	70,509
Total	<u>\$ 620,842</u>	<u>\$ 68,338</u>	<u>\$ 689,180</u>

## 8. TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN

### A. Pension Plan Description

The Teacher Retirement System of Texas (TRS or System or Plan) is a public employee retirement system (PERS) that is a multiple-employer, cost-sharing, defined benefit pension plan with a special funding situation. The Plan is administered by the Board of Trustees of TRS. Information regarding the Board of TRS and its composition can be found within the separately issued TRS Annual Comprehensive Financial Report within Note 1 to the financial statements. That report may be obtained online at [www.trs.texas.gov](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 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.

### B. Benefits Provided

TRS provides retirement, disability, and death benefits. Membership in the Plan includes all employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.002.

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to the retirees. The pension became actuarially sound in May 2019 when the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers and active employees for the fiscal years 2019 through 2024.

### C. Contributors to the Plan

Contributors to the Plan include active members, employers, and the State of Texas as the only non-employer contributing entity. The State is also the employer for senior colleges, medical schools, and state agencies, including TRS. In each respective role, the State contributes to the plan in accordance with State Statutes and the General Appropriations Act.

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The number of participating employers during fiscal year 2021 are disclosed in the following table.

<u>Participating Employers</u>	
Independent School Districts	1,021
Charter Schools (open enrollment only)	192
Community and Junior Colleges	50
Senior Colleges and Universities	48
Regional Service Centers	20
Medical Schools	9
Educational Districts	3
State Agency	1
Total	<u><u>1,344</u></u>

Plan membership as of August 31, 2020 is shown in the following table. Because the actuarial valuation was based on a roll forward from fiscal year 2020 (see Section F), the Plan membership counts are as of August 31, 2020.

<u>Pension Plan Membership</u>	
Retired plan members or beneficiaries currently receiving benefits	445,274
Inactive plan members entitled to but not yet receiving benefits	322,682
Active plan members	<u>914,752</u>
	<u><u>1,682,708</u></u>

The Average Expected Remaining Service Life (AERSL) of 6.3082 years is based on membership information as of the beginning of the fiscal year.

#### D. Contributions

Contribution requirements are established or amended pursuant to the following state laws:

- Article 16, Section 67 of the Texas Constitution requires the legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.
- Government Code section 821.006 prohibits benefit improvements if it increases the amortization 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.

As the non-employer contributing entity, the State of Texas contributes to the retirement system the current employer contribution rate times the aggregate annual compensation of all members of the Plan during the fiscal year, reduced by the employer contributions described below.

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All participating employers and the State of Texas, as the employer for senior universities and medical schools, are required to pay the employer contribution rate in the following situations:

- On the portion of a member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code
- During a new member's first 90 days of employment
- When any or all of an employee's salary is paid by federal, private, local or non-educational and general funds
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees.

Contribution rates and amounts for active employees, participating employers, and the State of Texas for the current and prior fiscal year are shown below.

<u>Contribution Rates</u>	<u>2021</u>	<u>2022</u>
Members	7.70%	8.00%
Employer	7.50%	7.75%
State of Texas (NECE)	7.50%	7.75%
<u>Contribution Amounts</u>		
Members	\$ 75,215	\$ 87,344
Employer	44,459	54,904
State of Texas (NECE)	55,006	61,875

Employers are also required to pay surcharges in the following cases:

- All public schools, charter schools and regional education service centers must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of TRS, the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

#### E. Net Pension Liability

Components of the Net Pension Liability of the Plan as of August 31, 2021 are disclosed below.

<u>Components of Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 227,273,463,630
Less: Plan Fiduciary Net Position	(201,807,002,496)
Net Pension Liability	<u>\$ 25,466,461,134</u>
Net Position as Percentage of Total Pension Liability	88.79%

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F. Actuarial Methods and Assumptions

Roll Forward

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total pension liability to August 31, 2021.

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

The long-term expected rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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, 2021 are summarized in the chart below:

Asset Class*	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return*	Expected Contribution to Long- Term Portfolio Returns
Global Equity			
USA	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Directional Hedge Funds	0.00%	0.00%	0.00%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	(0.20)%	0.01%
Absolute Return (Including Credit Sensitive Investments)	0.00%	1.10%	0.00%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources and Infrastructure	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
Risk Parity	8.00%	2.80%	0.28%
Asset Allocation Leverage			
Cash	2.00%	(0.70)%	(0.01)%
Asset Allocation Leverage	(6.00)%	(0.50)%	0.03%
Inflation Expectation			2.20%
Volatility Drag*			0.95%
Expected Return	<u>100.00%</u>		<u>6.90%</u>

\* Absolute Return includes Credit Sensitive Investments.

\*\* Target allocations are based on the FY2021 policy model.

\*\*\* Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021).

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

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

Actuarial Methods and Assumptions

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-Term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	1.95% - The 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)	2120
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

G. Discount Rate

A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on 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.

H. Change of Assumptions Since the Prior Measurement Date

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

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I. Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

The following table presents the net pension liability of the plan using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption			
	1% Decrease 6.25%	Current Single Discount Rate 7.25%	1% Increase 8.25%
District's Proportionate Share of the Net Pension Liability:	\$ 611,884	\$ 280,018	\$ 10,774

J. District Net Pension Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, and Pension Expense

The Net Pension Liability of the Plan as a whole was last measured as of August 31, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The District was assigned a proportion of the Plan's Net Pension Liability based on the District's contributions to the Plan relative to the contributions of all employers for the period September 1, 2020 through August 31, 2021.

The table below presents a two-year comparison of the District's assigned proportion and resulting proportionate share of the collective Net Pension Liability, as well as the State's proportionate share of the Net Pension Liability associated with the District.

	Measurement Date		Change
	8/31/20	8/31/21	
District's Proportion of the Collective Net Pension Liability	0.000010933277	0.000010995558	0.000000062281
District's Proportionate Share of the Net Pension Liability	\$ 585,564	\$ 280,018	\$ (305,546)
State's Proportionate Share of the Net Pension Liability Associated with the District	753,000	317,141	(435,859)
Total Pension Liability	\$ 1,338,564	\$ 597,159	\$ (741,405)

At June 30, 2022, Sierra Blanca 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 469	\$ 19,713
Changes in actuarial assumptions	98,981	43,147
Difference between projected and actual investment earnings	17,393	252,184
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	167,731	160,836
Contributions paid to TRS subsequent to the measurement date	48,575	-
Total	\$ 333,149	\$ 475,880

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

Measurement Year Ended August 31,	Pension Expense Amount
2022	\$ (18,970)
2023	(19,899)
2024	(45,156)
2025	(94,433)
2026	(12,451)
Thereafter	(397)

For the year ended June 30, 2022, Sierra Blanca Independent School District recognized pension expense of (\$26,280) and revenue of \$1,268 for support provided by the State.

## 9. EMPLOYEE HEALTH CARE COVERAGE

During the year ended June 30, 2022, employees of the District were covered by the state-wide health insurance plan, TRS Active Care. The District contributed \$225 per month per employee to the Plan, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. TRS manages TRS Active Care. The Plan is administered by Aetna while Caremark was assigned the prescription drug plan.

## 10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – TRS-CARE

### A. Plan Description

The Texas Public School Retired Employees Group Insurance Program (TRS-Care) is a multiple-employer, cost-sharing, defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The Board of Trustees of TRS administers the TRS-Care program and the related fund in accordance with the Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards. Further detailed information regarding TRS and TRS-Care is available in a separately issued Annual Comprehensive Financial Report for TRS that includes financial statements and required supplementary information. That report may be obtained online at [www.trs.texas.gov](http://www.trs.texas.gov); by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592.

### B. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional service centers, and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

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The General Appropriations Act passed by the 86<sup>th</sup> Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86<sup>th</sup> 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 \$271,311,000 as of August 31, 2021.

C. Contributors to TRS-Care

Contributors to the plan include active and retired members, employers, and the State of Texas as the only non-employer contributing entity.

During fiscal year 2021, the number of participating employers are presented in the following table.

<u>Participating Employers</u>	
Independent School Districts	1,020
Open Enrollment Charter Schools	192
Regional Service Centers	20
Other Educational Districts	3
Total	<u><u>1,235</u></u>

TRS-Care plan membership as of August 31, 2020 is shown in the following table. Because the actuarial valuation was based on a roll-forward (See Section F), the counts are as of that date.

<u>TRS-Care Plan Membership</u>	
Active plan members	745,937
Inactive plan members currently receiving benefits	188,244
Inactive plan members entitled to but not yet receiving benefits	12,312
Total	<u><u>946,493</u></u>

The Average Expected Remaining Service Life (AERSL) of 9.1672 is based on the membership information as of the beginning of the fiscal year.

D. Contributions

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

At the inception of the plan, funding was projected to last 10 years through fiscal year 1995. The original funding was sufficient to maintain the solvency of the fund through fiscal year 2000. Since that time, appropriations and contributions have been established to fund the benefits for each successive biennium.



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Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee rate which is 0.65 percent of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2021.

Contribution rates and amounts for active employees, participating employers, and the State of Texas for the current and prior fiscal year are shown below.

<u>Contribution Rates</u>	<u>2021</u>	<u>2022</u>
Members	0.65%	0.65%
Employer	0.75%	0.75%
State of Texas	1.25%	1.25%
Federal/Private Funding*	1.25%	1.25%
<u>Contribution Amounts</u>		
Members	\$ 6,349	\$ 7,139
Employer	9,772	13,737
State of Texas (NECE)	9,707	10,919

\* Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of \$535 per month when employing a retiree of the TRS. The TRS-Care surcharges for fiscal year 2021 totaled \$10,876,829.

A supplemental appropriation was authorized by Senate Bill 1264 of the 86<sup>th</sup> 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 for both years was in fiscal year 2021.

The premium rates for retirees are reflected in the following table.

<u>TRS-Care Monthly Premium Rates</u>		
	<u>Medicare</u>	<u>Non-Medicare</u>
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

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E. Net OPEB Liability

Components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2021 are disclosed in the following table.

<u>Components of OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 41,113,711,083
Less: Plan Fiduciary Net Position	<u>(2,539,242,470)</u>
Net OPEB Liability	<u>\$ 38,574,468,613</u>
Net Position as a Percentage of Total OPEB Liability	6.18%

The Net OPEB Liability increased by \$0.6 billion, from \$38.0 billion as of August 31, 2020 to \$38.6 billion as of August 31, 2021. The increase was less than expected, due primarily to favorable claims experience. The \$4.0 billion experience gain offset the impact of the lower discount rate, from 2.33 percent to 1.95 percent, and also offset much of the natural liability increase due to the passage of time.

F. Actuarial Methods and Assumptions

Roll Forward

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex.

In addition to the Demographic assumptions; salary increases, inflation rates used for members of TRS are identical to the assumptions employed in the August 31, 2021 TRS annual pension actuarial valuation.

Demographic Assumptions

The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

Mortality Assumptions

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

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#### Election Rates

Normal Retirement - 65 percent participation rate prior to age 65 and 40 percent participation rate after age 65. Pre-65 retirees - 25 percent are assumed to discontinue coverage at age 65

#### Health Care Trend Rates

The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.

#### Actuarial Methods and Assumptions

Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

#### G. Discount Rate

A single discount rate of 1.95 percent was used to measure the total OPEB liability. This was a decrease of 0.38 percent in the discount rate since the previous year. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

#### H. Change of Assumptions Since the Prior Measurement Date

The single discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent, as of August 31, 2021. This change increased the Total OPEB Liability.

#### I. Changes of Benefit Terms Since the Prior Measurement Date

Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have significant impact on plan costs for FY2021, are provided for in the FY2021 Assumed Per Capita Health Benefit Costs. There were no benefit changes for HealthSelect retirees and the dependents for whom Medicare is primary.

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J. Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption

The following presents the Net OPEB Liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 0.95 percent or one percentage point higher, 2.95 percent, than the AA/Aa rate. The 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."

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption			
	1% Decrease 0.95%	Current Single Discount Rate 1.95%	1% Increase 2.95%
District's Proportionate Share of the Net OPEB Liability	\$ 792,443	\$ 656,958	\$ 550,327

K. Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions

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

Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumption			
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	\$ 532,114	\$ 656,958	\$ 824,467

L. District Net OPEB Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, and OPEB Expense

The Net OPEB Liability of the TRS-Care program as a whole was last measured as of August 31, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District was assigned a proportion of TRS Care's Net OPEB Liability based on the District's contributions to the program relative to the contributions of all employers for the period September 1, 2020 through August 31, 2021.

The table below presents a two-year comparison of the District's assigned proportion and resulting proportionate share of the collective Net OPEB Liability, as well as the State's proportionate share of the Net OPEB Liability associated with the District.

	Measurement Date		Change
	8/31/20	8/31/21	
District's Proportion of the Collective Net OPEB Liability	0.000017269465	0.000017030899	-0.000000238566
District's Proportionate Share of the Net OPEB	\$ 656,490	\$ 656,958	\$ 468
State's Proportionate Share of the Net OPEB Liability Associated with the District	882,166	880,177	(1,989)
Total OPEB Liability	\$ 1,538,656	\$ 1,537,135	\$ (1,521)

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At June 30, 2022, Sierra Blanca Independent School District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 28,285	\$ 318,014
Changes in actuarial assumptions	72,766	138,934
Difference between projected and actual investment earnings	722	9
Change in proportion and difference between the employer's contributions and the proportionate share of contributions	642,449	475,343
Contributions paid to TRS subsequent to the measurement date	12,355	-
Total	\$ 756,577	\$ 932,300

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

Measurement Year Ended August 31,	OPEB Expense Amount
2022	\$ (21,790)
2023	(21,807)
2024	(21,803)
2025	(4,510)
2026	18,902
Thereafter	(137,070)

For the year ended June 30, 2022, Sierra Blanca Independent School District recognized OPEB expense of \$8,399 and revenue of (\$32,485) for support provided by the State.

#### 11. FRINGE BENEFITS PAID BY OTHER GOVERNMENTS

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 June 30, 2022 and June 30, 2021, the subsidy payments received by TRS-Care on behalf of the District were \$3,424 and \$4,261, respectively.

#### 12. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described on the following page.

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Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, the Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

A detail of the fund balance amounts within each category is included on the governmental funds balance sheet.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated authority to the Superintendent to assign fund balance for a specific purpose. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

### 13. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

Type	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Custodial Funds	Total
Property Taxes	\$ 1,642,266	\$ 667,652	\$ -	\$ -	\$ -	\$ 2,309,918
Investment Income	5,761	-	19,913	-	-	25,674
Rent	4,815	-	-	-	-	4,815
Food Sales	7,077	-	-	-	-	7,077
Miscellaneous Local Revenue	7,751	-	453	9,648	15,426	33,278
Total	<u>\$ 1,667,670</u>	<u>\$ 667,652</u>	<u>\$ 20,366</u>	<u>\$ 9,648</u>	<u>\$ 15,426</u>	<u>\$ 2,380,762</u>

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**14. UNEARNED REVENUE**

Unearned revenue at June 30, 2022 consisted of the following amounts:

Fund	State Grants
Non-Major Governmental Funds	\$ 500
Total	<u>\$ 500</u>

**15. RISK MANAGEMENT**

The District's risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers' compensation, and other miscellaneous bonds. During the year ended June 30, 2022, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

**16. COMMITMENTS AND CONTINGENCIES**

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of *Government Auditing Standards* and when applicable, the Uniform Guidance, for the year ended June 30, 2022, these programs are subject to financial and compliance audits performed by the specific grantors. These audits, if performed, could result in amounts of expenditures being disallowed by the granting agencies and subject to repayment. The District however expects that such amounts, if any, would be immaterial.

**17. SELF-INSURANCE FUND**

**Self-Insured Workers Compensation Program**

The District has met its requirement to provide workers' compensation insurance by self-insuring through an interlocal agreement with other school districts as authorized under Section 504.011 of the Labor Code, establishing the Workers' Compensation Self-Insurance Joint Fund (the "Pool"). The program is managed for the benefit of the member districts by contractual agreement with Claims Administrative Services, Inc. (CAS). CAS operates through a board of trustees composed of representatives from CAS and members elected by member school districts.

Effective with the 2019-20 fiscal year, the District chose a fully-funded plan offered by the Pool. The District pays a fixed cost based on the amount of payroll and the Pool assumes the liability for all workers compensation claims.

Prior to 2019-20, the District was partially self-funded through the Pool. In the partial self-funding plan, CAS annually established an amount of fixed costs for each member district and an amount (the "Loss Fund Maximum") for which each member district is potentially liable for claims. Member claims are paid up to the Loss Fund Maximum, after which claims are shared by member districts up to their respective Loss Fund Maximums. CAS maintains specific and aggregate excess of loss insurance to cover excess losses. Stop loss insurance is obtained through Midwest Employers Casualty Company, providing self-insured retention per occurrence of \$1,000,000 and aggregate excess insurance of \$5,000,000. CAS annually reports the District's estimated liability for claims incurred but not reported and incurred but not paid for those years.

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The Loss Fund Maximum for 2018-19, the last year the District participated in the partial self-insurance plan, was \$16,486. Changes in the estimated claim liability for the past three years for claims during those years prior to 2019-20 when the District was partially self-funded, were as follows:

Year Ended June 30,	Beginning Liability	Estimated Current Year Claims	Claim Payments	Ending Liability
2022	\$ 9,158	\$ (2,602)	\$ -	\$ 6,556
2021	9,158	-	-	9,158
2020	11,654	(229)	(2,267)	9,158

## 18. SHARED SERVICES ARRANGEMENT

### 588 Educational Cooperative

The District participates in the 588 Educational Cooperative, a shared services arrangement for special education resource services. This shared service arrangement includes eleven participating independent school districts. Alpine ISD is acting as fiscal agent and is also a member district. Funding is provided through state and local funds from member districts and through federal funds received by the Cooperative.

Approximately 7% of the activity of the shared service arrangement is attributable to the District. The District has a joint ownership interest in fixed assets purchased and the net equity of the Cooperative; however, the fiscal agent is not accumulating significant financial resources or obligations that would give rise to a future additional benefit or burden to the District, and member districts cannot receive any distribution of fund balances except in the event of dissolution. Member districts reimburse the fiscal agent for expenditures which exceed state and federal funding sources. The District's total payments to the Cooperative for the year ended June 30, 2022 was \$42,640.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –  
TEACHER RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2022

	Measurement Year			
	2021	2020	2019	2018
District's Proportion of the Net Pension Liability	0.0010995558%	0.0010933277%	0.0016292296%	0.0010401493%
District's Proportionate Share of the Net Pension Liability	\$ 280,018	\$ 585,564	\$ 846,924	\$ 572,523
State's Proportionate Share of the District Net Pension Liability	317,141	753,000	734,609	778,861
Total Pension Liability	<u>\$ 597,159</u>	<u>\$ 1,338,564</u>	<u>\$ 1,581,533</u>	<u>\$ 1,351,384</u>
District's Covered-Employee Payroll	\$ 988,161	\$ 953,558	\$ 1,089,935	\$ 971,600
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	28.34%	61.41%	77.70%	58.93%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	88.79%	75.54%	75.24%	73.74%

The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

This schedule reflects the available years of data since the adoption of GASB 68.

Measurement Year			
2017	2016	2015	2014
0.0006998195%	0.0007148000%	0.0007260000%	0.0006586000%
\$ 223,765	\$ 270,100	\$ 256,631	\$ 175,920
483,697	444,013	438,880	457,043
\$ 707,462	\$ 714,113	\$ 695,511	\$ 632,963
\$ 883,995	\$ 720,303	\$ 625,541	\$ 793,836
25.31%	37.50%	41.03%	22.16%
82.17%	78.00%	78.43%	83.25%

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS –  
TEACHER RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2022

	Fiscal Year			
	2022	2021	2020	2019
Contractually Required Contribution	\$ 54,904	\$ 44,459	\$ 45,892	\$ 56,778
Contribution in Relation to the Contractually Required Contribution	(54,904)	(44,459)	(45,892)	(56,778)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 1,098,243	\$ 976,810	\$ 1,054,771	\$ 1,206,301
Contributions as a Percentage of Covered- Employee Payroll	5.00%	4.55%	4.35%	4.71%

The amounts presented are as of the District's fiscal year end of June 30.

This schedule reflects the available years of data since the inception of GASB 68 and will eventually reflect ten years of data.

Fiscal Year			
2018	2017	2016	2015
\$ 31,318	\$ 24,783	\$ 20,688	\$ 27,006
(31,318)	(24,783)	(20,688)	(27,006)
\$ -	\$ -	\$ -	\$ -
\$ 938,136	\$ 906,725	\$ 620,173	\$ 687,354
3.34%	2.73%	3.34%	3.93%

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY –  
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PLAN  
FOR THE YEAR ENDED JUNE 30, 2022

	Measurement Year		
	2021	2020	2019
District's Proportion of the Net Liability for Other Post Employment Benefits	0.0017030899%	0.0017269465%	0.0026701960%
District's Proportionate Share of the Net Post Employment Benefit Liability	\$ 656,958	\$ 656,490	\$ 1,262,766
State's Proportionate Share of the Net Post Employment Benefit Liability Associated with the District	880,177	882,166	1,677,937
Total Other Post Employment Benefits Liability	<u>\$ 1,537,135</u>	<u>\$ 1,538,656</u>	<u>\$ 2,940,703</u>
District's Covered Payroll	\$ 988,161	\$ 953,558	\$ 1,089,935
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	66.48%	68.85%	115.86%
Plan Fiduciary Net Position as a Percentage of the Total Net OPEB Liability	6.18%	4.99%	2.66%

The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

This schedule reflects the available years of data since the adoption of GASB 75.



Measurement Year	
2018	2017
0.0016886107%	0.0010065376%
\$ 843,139	\$ 437,705
765,053	696,033
<u>\$ 1,608,192</u>	<u>\$ 1,133,738</u>
\$ 971,600	\$ 883,995
86.78%	49.51%
1.57%	0.91%

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS –  
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PLAN  
FOR THE YEAR ENDED JUNE 30, 2022

	Fiscal Year		
	2022	2021	2020
Contractually Required Contribution	\$ 13,737	\$ 9,772	\$ 13,367
Contribution in Relation to the Contractually Required Contribution	(13,737)	(9,772)	(13,367)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,098,243	\$ 976,810	\$ 1,054,771
Contributions as a Percentage of Covered Payroll	1.25%	1.00%	1.27%

The amounts presented are as of the District's fiscal year end of June 30.

This schedule reflects the available years of data since the inception of GASB 75 and will eventually reflect ten years of data.

Fiscal Year	
2019	2018
\$ 19,362	\$ 9,971
(19,362)	(9,971)
\$ -	\$ -
\$ 1,206,301	\$ 938,136
1.61%	1.06%

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SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022

Teacher Retirement System

*Actuarial Assumptions*

The information presented in the required supplementary schedules was used in the actuarial valuation for determining the actuarially determined contribution rate and the Net Pension Liability in accordance with GASB 68. Actuarial methods and assumptions used for funding purposes can be found in the Teacher Retirement System of Texas Pension Plan note to the financial statements.

*Changes of Benefit Terms*

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to the retirees. The pension became actuarially sound in May 2019 when the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers and active employees for the fiscal years 2019 through 2024.

*Changes of Assumptions*

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

Texas Public School Retired Employees Group Insurance Plan

*Actuarial Assumptions*

Actuarial methods and assumptions used for funding purposes can be found in the Other Post-Employment Benefits (OPEB) Plan – TRS-Care note to the financial statements.

*Changes of Assumptions Since the Prior Measurement Date*

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

- The single discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent, as of August 31, 2021.

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2022

	211	255	281	282	289
Data			Elementary & Secondary School Emergency Relief II	Elementary & Secondary School Emergency Relief III	Federally Funded Spec. Rev. Fund
Control	ESEA, Title I, Part A	ESEA, Title II, Part A			
Codes					
<b>ASSETS</b>					
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
1240 Due from Other Governments	7,236	984	22,517	-	2,388
1000A Total Assets	<u>\$ 7,236</u>	<u>\$ 984</u>	<u>\$ 22,517</u>	<u>\$ -</u>	<u>\$ 2,388</u>
<b>LIABILITIES</b>					
2160 Accrued Wages Payable	\$ 6,794	\$ 924	\$ 1,487	\$ -	\$ 2,242
2170 Due to Other Funds	340	46	20,997	-	112
2200 Accrued Expenditures	102	14	33	-	34
2300 Unearned Revenues	-	-	-	-	-
2000 Total Liabilities	<u>7,236</u>	<u>984</u>	<u>22,517</u>	<u>-</u>	<u>2,388</u>
<b>FUND BALANCES</b>					
Committed for:					
3545 Other Committed Fund Balance	-	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liab., Def. Inflows, and Fund					
4000 Balances	<u>\$ 7,236</u>	<u>\$ 984</u>	<u>\$ 22,517</u>	<u>\$ -</u>	<u>\$ 2,388</u>



410	429	461	
State Textbook Fund	State Funded Special Revenue Funds	Campus Activity Funds	Total Non- Major Governmental Funds
\$ 500	\$ -	\$ 15,156	\$ 15,656
-	15,012	-	48,137
<u>\$ 500</u>	<u>\$ 15,012</u>	<u>\$ 15,156</u>	<u>\$ 63,793</u>
\$ -	\$ -	\$ -	\$ 11,447
-	15,012	-	36,507
-	-	8	191
500	-	-	500
<u>500</u>	<u>15,012</u>	<u>8</u>	<u>48,645</u>
-	-	15,148	15,148
-	-	15,148	15,148
<u>\$ 500</u>	<u>\$ 15,012</u>	<u>\$ 15,156</u>	<u>\$ 63,793</u>

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	211	255	281	282	289
Data			Elementary & Secondary School Emergency Relief II	Elementary & Secondary School Emergency Relief III	Federally Funded Spec. Rev. Fund
Control	ESEA, Title I, Part A	ESEA, Title II, Part A			
Codes					
<b>REVENUES</b>					
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	23	-	-
5900 Federal Program Revenues	36,995	5,029	68,133	64,594	12,211
5020 Total Revenues	36,995	5,029	68,156	64,594	12,211
<b>EXPENDITURES</b>					
0011 Instruction	36,995	5,029	41,446	21,954	12,211
Curriculum & Instructional Staff					
0013 Development	-	-	26,710	-	-
0036 Extracurricular Activities	-	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-	-
0093 Payments to Fiscal Agent of SSA	-	-	-	42,640	-
6030 Total Expenditures	36,995	5,029	68,156	64,594	12,211
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-	-
0100 Fund Balance - Beginning	-	-	-	-	-
3000 Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -	\$ -

410	429	461	
State Textbook Fund	State Funded Special Revenue Funds	Campus Activity Funds	Total Non- Major Governmental Funds
\$ -	\$ -	\$ 9,648	\$ 9,648
-	24,999	-	25,022
-	-	-	186,962
-	24,999	9,648	221,632
-	-	-	117,635
-	-	-	26,710
-	-	8,262	8,262
-	24,999	-	24,999
-	-	-	42,640
-	24,999	8,262	220,246
-	-	1,386	1,386
-	-	1,386	1,386
-	-	13,762	13,762
\$ -	\$ -	\$ 15,148	\$ 15,148

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED JUNE 30, 2022

		1	2	3
Last 10 Years Ended		Tax Rates		Assessed/Appraised
June 30,		Maintenance	Debt Service	Value for School
				Tax Purposes
2013	and prior years	Various	Various	Various
2014		0.95060	-	\$ 92,472,914
2015		0.95500	-	96,929,947
2016		0.94370	-	102,433,930
2017		1.04000	-	109,908,284
2018		1.03370	-	144,351,471
2019		1.06000	-	182,239,811
2020		0.99000	-	165,090,505
2021		0.97640	0.41000	165,592,200
2022	(School year under audit)	0.97310	0.41000	172,356,735
TOTALS				

10 Beginning Balance 7/1/21	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/22
\$ 421,784	\$ -	\$ 8,201	\$ -	\$ (97,539)	\$ 316,044
28,334	-	1,017	-	(2,131)	25,186
30,313	-	1,008	-	(140)	29,165
33,334	-	1,591	-	(139)	31,604
42,303	-	3,751	-	(185)	38,367
50,086	-	4,454	-	(189)	45,443
59,103	-	5,862	-	(297)	52,944
67,776	-	10,846	-	(28)	56,902
151,559	-	36,468	15,313	(97)	99,681
-	2,383,866	1,557,237	656,116	-	170,513
<u>\$ 884,592</u>	<u>\$ 2,383,866</u>	<u>\$ 1,630,435</u>	<u>\$ 671,429</u>	<u>\$ (100,745)</u>	<u>\$ 865,849</u>

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – CHILD NUTRITION FUND  
FOR THE YEAR ENDED JUNE 30, 2022

Data		Budgeted Amounts		Actual	Variance With
Control		Original	Final	Amounts	
Codes				(GAAP BASIS)	Final Budget
REVENUES					
5700	Local & Intermediate Sources	\$ 1	\$ 1	\$ 7,077	\$ 7,076
5800	State Program Revenues	400	400	193	(207)
5900	Federal Program Revenues	93,000	118,000	125,422	7,422
5020	Total Revenues	93,401	118,401	132,692	14,291
EXPENDITURES					
0035	Food Services	120,261	134,761	134,081	680
6030	Total Expenditures	120,261	134,761	134,081	680
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,860)	(16,360)	(1,389)	14,971
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	26,860	16,360	-	(16,360)
7080	Total Other Finance Sources (Uses)	26,860	16,360	-	(16,360)
1200	Net Change in Fund Balances	-	-	(1,389)	(1,389)
0100	Fund Balance-July 1 (Beginning)	4,149	4,149	4,149	-
3000	Fund Balance-June 30 (Ending)	\$ 4,149	\$ 4,149	\$ 2,760	\$ (1,389)

SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
5700 Local & Intermediate Sources	\$ 519,625	\$ 519,625	\$ 667,652	\$ 148,027
5020 Total Revenues	519,625	519,625	667,652	148,027
<b>EXPENDITURES</b>				
Debt Service:				
0071 Principal on Long Term Debt	195,000	195,000	195,000	-
0072 Interest on Long Term Debt	323,625	323,625	323,625	-
0073 Bond Issuance Cost and Fees	1,000	1,000	500	500
6030 Total Expenditures	519,625	519,625	519,125	500
1200 Net Change in Fund Balances	-	-	148,527	148,527
0100 Fund Balance-July 1 (Beginning)	370,809	370,809	370,809	-
3000 Fund Balance-June 30 (Ending)	<u>\$ 370,809</u>	<u>\$ 370,809</u>	<u>\$ 519,336</u>	<u>\$ 148,527</u>

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SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
USE OF FUNDS REPORT – SELECT STATE ALLOTMENT PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2022

Data		
Control		1
Codes	<b>Section A: Compensatory Education Programs</b>	<b>Responses</b>
	Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.104.	
AP1	Did your District expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the District have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the District's fiscal year.	\$ 146,685
AP5	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 86,840
	<b>Section B: Bilingual Education Programs</b>	
	Districts are required to use at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.105.	
AP8	Did your District expend any bilingual education program state allotment funds during the District's fiscal year?	Yes
AP9	Does the District have written policies and procedures for its bilingual education program?	Yes
AP10	Total state allotment funds received for bilingual education programs during the district's fiscal year.	\$ 1,605
AP12	Actual direct program expenditures for bilingual education programs during the District's fiscal year. (PICs 25, 35)	\$ 75,697

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SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		1 Responses
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.	\$ -

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## **FEDERAL AWARDS SECTION**

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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*

To the Board of Trustees of  
Sierra Blanca Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sierra Blanca Independent School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Sierra Blanca Independent School District's basic financial statements and have issued our report thereon dated September 9, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sierra Blanca 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 Sierra Blanca Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sierra Blanca 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sierra Blanca Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002 and 2022-003.

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## **Sierra Blanca Independent School District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Sierra Blanca Independent School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Sierra Blanca Independent School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC".

Singleton, Clark & Company, PC  
Alpine, Texas

September 9, 2022

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SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

**FEDERAL AWARDS**

Under the guidelines of the federal Uniform Guidance, a Single Audit was not required for the year ended June 30, 2022 due to expenditures of federal awards being below \$750,000.

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

2022-001                      District of Innovation Implementation

Criteria:                      There is a multistep process for a school district to apply for District of Innovation and subsequent approved implementation.

Condition Found:                      Based on communication and information provided by the District, Sierra Blanca ISD appears to have not properly completed the process to become a District of Innovation. However, the District began functioning as a District of innovation during the fiscal year ended June 30, 2022.

Cause:                      The District appears to have failed to complete the process to become a District of Innovation per Texas Education Code 12A and TAC Chapter 102, subchapter JJ.

Effect:                      The District appears to have improperly operated during the fiscal year as a District of Innovation despite not properly completing the process to be one.

Recommendation:                      We recommend that the District determine proper completion of District of Innovation process, if determined it has not ceased operating as such or properly complete the process.

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SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2022

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**SECTION II – FINANCIAL STATEMENT FINDINGS (continued)**

2022-002                      District Improvement Plan

Criteria:                      Texas school districts are required annually to develop, review/revise and adopt a district improvement plan (and campus improvement plans as applicable).

Condition Found:              The District did not develop/revise and adopt an improvement plan for the year ended June 30, 2022.

Cause:                         It does not appear that the District has reviewed/revise its plan since 2018. During the prior year it was difficult to obtain a proper plan. Ultimately we were provided with a plan and informed it had been reviewed and adopted. In the current year, the Interim Superintendent informed us that the only plan she was aware of was a plan from 2018 which does not appear to have been reviewed or revised since.

Effect:                         The effect is noncompliance with Texas Education Code (TEC) section 11.251 governing annual requirements for district improvement plans.

Recommendation:              We recommend the District take steps to comply with district improvement plan requirements per TEC.

2022-003                      Pledged Collateral

Criteria:                         Governmental entities are required to have depository contracts providing for sufficient pledged collateral such that deposits are materially insured against loss.

Condition Found:              During the year the District had insufficient collateral such that its deposits were at risk. The collateral maintained by the District's bank in addition to Federal Depository Insurance Coverage (FDIC) on the day of the District's high cash balance was under collateralized by \$528,640.

Cause:                         The District's depository contract did not provide for sufficient collateral at all times during the year ended June 30, 2022 resulting in a material balance at risk.

Effect:                         The effect of this issue is noncompliance with the Texas Public Funds Investment Act which requires sufficient collateral for all governmental entity deposits.

Recommendation:              We recommend the District review its depository contract(s) and increase as needed and/or move/maintain its deposits such that a material amount is not under collateralized and at risk of loss.

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2021.

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SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2022

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**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

Findings Related to Federal Awards Which are Required to be Reported in Accordance with Uniform Guidance:

Not applicable.

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SIERRA BLANCA INDEPENDENT SCHOOL DISTRICT  
ENTERING A NEW ERA OF EXCELLENCE

P. O. Box 308  
Sierra Blanca, TX 79851  
Phone 915-369-3741  
Fax 915-369-2605

CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2022

Current Year Audit Findings:

2022-001      District of Innovation Implementation

Corrective Action Planned:

Sierra Blanca ISD will properly complete the process to become a District of Innovation and operate as such once properly approved and implemented.

Anticipated Completion Date: June 30, 2023

Contact Person: Mrs. Evelyn Loeffler, Interim Superintendent

2022-002      District Improvement Plan

Corrective Action Planned:

Sierra Blanca ISD will revise/update and adopt a District Improvement Plan for school year 2022-2023 and revise/update and adopt a plan annually

Anticipated Completion Date: June 30, 2023

Contact Person: Mrs. Evelyn Loeffler, Interim Superintendent

2022-003      Pledged Collateral

Corrective Action Planned:

Sierra Blanca ISD will review the depository contract and increase as needed and/or move/maintain its deposits so that all funds are appropriately collateralized in compliance with the TPFIA.

Anticipated Completion Date: June 30, 2023

Contact Person: Mrs. Evelyn Loeffler, Interim Superintendent