SUNDOWN INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

Introductory Section

Sundown Independent School District
Annual Financial Report
For The Year Ended June 30, 2021

TABLE OF CONTENTS

	Page	Exhibit
INTRODUCTORY SECTION		
Certificate of Board	1	
FINANCIAL SECTION		
Independent Auditor's Report	2	
Management's Discussion and Analysis (Required Supplementary Information)	5	
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	11	A-1
Statement of Activities	12	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds	13	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16	C-3
Statement of Net Position - Internal Service Fund	17	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Fund	18	D-2
Statement of Cash Flows - Proprietary Funds	19	D-3
Statement of Fiduciary Net Position - Fiduciary Funds	20	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	21	E-2
Notes to the Financial Statements	22	
Required Supplementary Information		
Budgetary Comparison Schedules:		
General Fund	43	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System Of Texas	45	G-2
Schedule of District's Contributions - Teacher Retirement System Of Texas	46	G-3
Schedule of the District's Proportionate Share of the Net OPEB Liability - OPEB Plan	47	G-4
Schedule of District's Contributions - OPEB Plan	48	G-5
Notes to Required Supplementary Information	49	
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable	50	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program	51	J-2

Sundown Independent School District
Annual Financial Report
For The Year Ended June 30, 2021

TABLE OF CONTENTS

	Page	Exhibit
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*	52	
Schedule of Findings and Questioned Costs	54	
Summary Schedule of Prior Audit Findings	55	
Corrective Action Plan	56	
Schedule of Required Responses to Selected School First Indicators	57	K-1

CERTIFICATE OF BOARD

Sundown Independent School District	Hockley	110-907
Name of School District	County	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, 2021, at a meeting of the board of trustees of such school district on the 18th day of November, 2021.

_____ _____

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)

Financial Section

KEITH DOWNS, C.P.A
RUSS PINKERTON, C.P.A

PATE, DOWNS & PINKERTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS
PHONE 806 / 894-8568 FAX 806 / 894-3486
P.O. BOX 1255 1008 AUSTIN STREET LEVELLAND, TX 79336
EMAIL: pdpllp@pdpllp.com

Independent Auditor's Report

To the Board of Trustees
Sundown Independent School District
801 N. School Avenue
Sundown, Texas 79372

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sundown Independent School District ("the District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sundown Independent School District as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2021, Sundown Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities.* Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sundown Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021 on our consideration of Sundown 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 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 Sundown Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Pate, Downs & Pinkerton, LLP

Pate, Downs & Pinkerton, LLP

Levelland, Texas
November 18, 2021

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Sundown Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

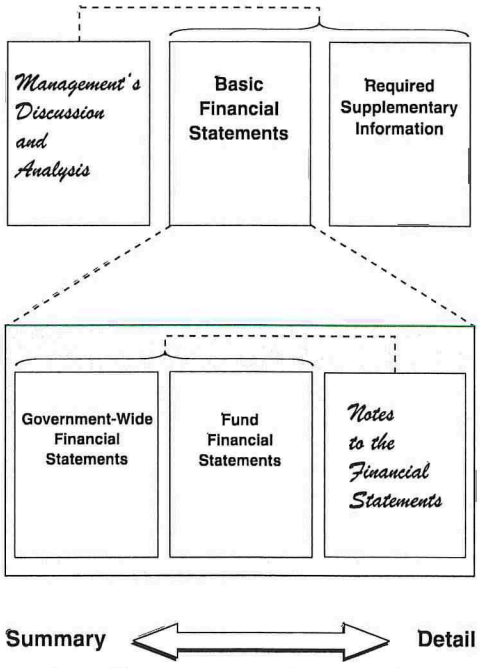
- The District's total net position was $25,604,524 at June 30, 2021.
- During the year, the District's expenses were $1,041,644 more than the $12,588,365 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased by $1,242,262 to $13,630,009.
- The general fund reported a fund balance this year of $5,869,588.
- The District's long-term indebtedness includes GASB 68's net pension liability of $1,945,766, and GASB 75, net other post-employment benefit in the amount of $2,130,868.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements, and required supplementary information.* The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

Figure A-1, Required Components of the District's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position.*

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities.

- We also have fiduciary funds to report funds held in trust for others.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was $25,604,521 at June 30, 2021. (See Table A-1).

Table A-1
Sundown Independent School District's Net Position
(In thousands dollars)

	Governmental Activities		Total Percentage Change
	2021	2020	2021-2020
Current assets:			
Cash and cash equivalents	22,148	23,804	-6.9
Due from other governments	612	847	-27.7
Other receivables	218	101	115.8
Inventories – supplies and materials	-	-	-
Total current assets:	22,978	24,752	-7.2
Noncurrent assets:			
Land	334	334	-
Buildings and equipment	30,877	30,119	2.5
Less accumulated depreciation	-19,296	-18,526	4.1
Total noncurrent assets	11,915	11,593	2.7
Total Assets	34,893	36,345	-4.0
Deferred outflows	1,058	1,487	-28.8

Current liabilities:			
Accounts payable and accrued liabilities	687	4,093	-83.2
Due to others	2,962	17	173.2
Deferred revenue	-	-	-
Total current liabilities	3,649	4,110	-11.2
Long-term liabilities:			
Net pension liability	1,946	2,387	-18.5
Net OPEB liability	2,131	2,886	-35.4
Total Liabilities	7,726	9,383	-17.7
Deferred inflows	2,622	1,877	39.7
Net Position:			
Invested in capital assets	11,915	11,593	2.8
Unrestricted & Restricted	13,689	14,979	-8.6
Total Net Position	25,604	26,572	-3.6

Changes in net position. The District's total revenues were $12,588,365. A significant portion, seventy-two percent, of the District's revenue comes from taxes and other local sources. (See Figure A-3.) Twenty-eight percent comes from state aid and federal grants.

The total cost of all programs and services was $13,630,009; sixty-one percent of these costs are for instructional and student services.

Governmental Activities

- Property tax rates decreased to $0.9664/100. Tax revenues decreased to $8,586,006.
- Investment earnings decreased by $210,736 to $181,101.

Figure A-3 District Sources of Revenue Fiscal Year 2020-2021

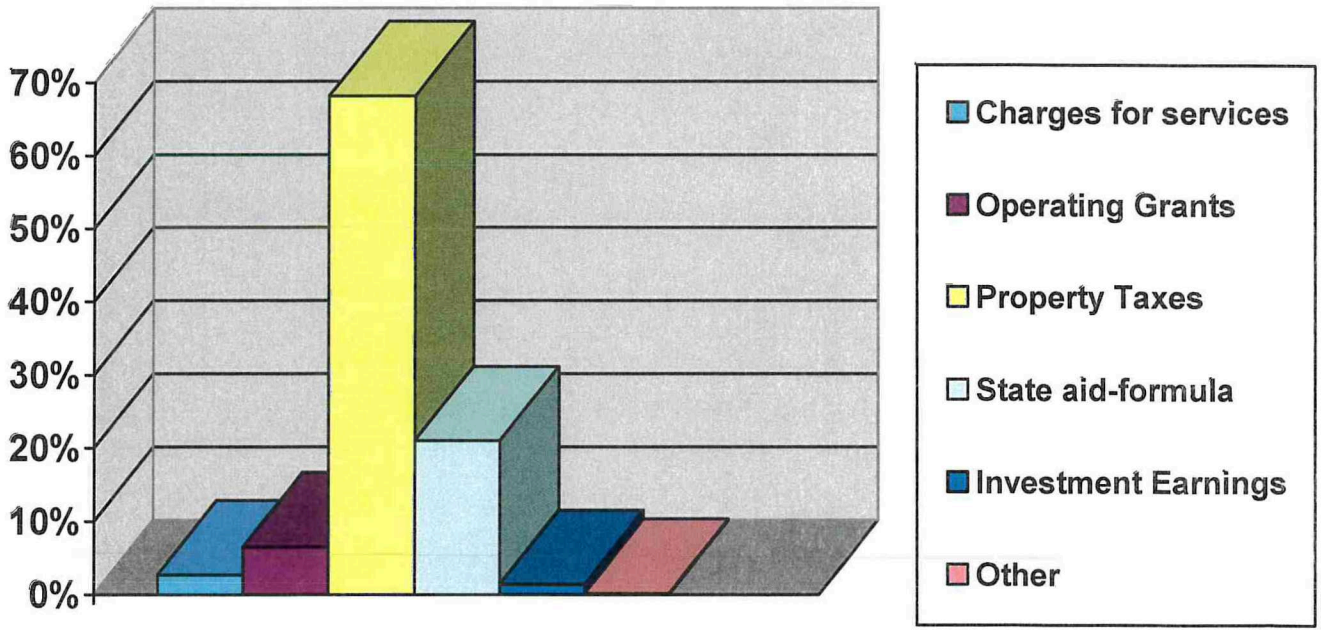


Table A-2

Changes in Sundown Independent School District's Net Position

(In thousands dollars)

	Governmental Activities 2021	Governmental Activities 2020	Total Percentage Change 2021-2020
Program Revenues:			
Charges for Services	344.0	211.9	62.3
Operating Grants and Contributions	815.2	1,114.9	-26.9
Capital Grants and Contributions	-	-	-
General Revenues			
Property Taxes	8,586.0	9,165.3	-6.3
State Aid – Formula	2,639.5	3,306.1	-20.2
Investment Earnings	181.1	391.8	-53.8
Other	22.5	100.4	-77.5
Total Revenues	12,588.3	14,290.4	-11.9
Instruction	6,083.4	6,883.2	-11.6
Instructional Resources and Media Services	74.8	44.2	69.2
Curriculum Dev. And Instructional Staff Dev.	25.2	27.2	-7.4
Instructional Leadership	3.7	2.7	37.0
School Leadership	564.4	570.9	-1.1
Guidance, Counseling and Evaluation Services	181.2	192.2	-5.7
Social Work Services	-	-	-
Health Services	112.4	120.4	-6.6
Student (Pupil) Transportation	154.8	227.2	-31.9
Food Services	389.6	461.3	-15.5
Cocurricular/Extracurricular Activities	693.2	631.0	9.6
General Administration	457.2	438.8	4.2
Plant Maintenance & Oper.	1,361.4	1,423.8	-4.3
Security & Monitoring Svcs.	77.6	74.3	4.4
Data Processing Services	210.2	232.4	-9.6
Community Services	10.6	10.2	3.9
School District Admin. Support Services	-	-	-
Facilities Acquisition and Construction	-	-	-
Contracted Instr. Services Between Public Schools	3,036.8	3,286.5	-7.6
Increment Costs Associated Chapter 41 (WADA)	-	-	-
Payments to Fiscal Agent/Member Dist. – SSA	193.5	245.9	-21.3
Public Education Grant Program	-	-	-
Payments to Juvenile Justice Alternative Ed.	-	-	-
Payments to Charter Schools	-	-	-
Payments to Tax Increment Fund	-	-	-
Total Expenses	13,630.0	14,872.3	-8.4
Excess (Deficiency) Before Other Resources, Uses & Transfers	-1,041.6	-581.9	79.0
Prior Period Adjustment	-	-	-
Transfers In (Out)	-	-	-
Increase (Decrease) in Net Posiition	-1,041.6	-581.9	79.0

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was $13,630,009.
- The amount that our taxpayers paid for these activities through property taxes was $8,586,006.
- Some of the cost was paid by those who directly benefited from the programs $344,028 or
- By grants and contributions $815,177.

Table A-3
Net Cost of Selected District Functions
(in thousands of dollars)

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2021	2020		2021	2020	
Instruction	6,083.4	6,883.2	-11.6	5,597.9	6,182.9	-9.5
School administration	457.2	438.8	4.2	446.7	424.9	5.1
Plant Maintenance & Operations	1,361.4	1,423.8	-4.3	1,168.7	1,212.6	-3.6

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled $12,479,076 a decrease of 10.6% over the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget seven times. With these adjustments, actual expenditures were $1,976,489 below final budget amounts.

Resources available were $286,009 less than the final budgeted amount.

CAPITAL ASSETS

Capital Assets

At the end of 2021, the District had invested $31,211,349 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of $1,092,214 from the previous year.

Table A-4
District's Capital Assets
(In thousands of dollars)

	Governmental Activities		Total Percentage Change
	2021	2020	2021-2020
Land	334	334	-
Buildings and improvements	24,766	24,766	-
Vehicles	2,274	2,182	4.2
Equipment	3,660	2,605	40.5
Other	177	232	-23.7
Totals at historical cost	31,211	30,119	3.6
Total accumulated depreciation	-19,296	-18,526	4.1
Net capital assets	11,915	11,593	2.8

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2021-2022 budget preparation increased over 2.3% to $907,308,642.
- The District's 2021-2022 refined average daily attendance is expected to be approximately 520.

These indicators were taken into account when adopting the general fund budget for 2021-2022. Amounts available for appropriation in the general fund budget are $9,619,266; a decrease of approximately eighteen percent less than the final 2020-2021 actual revenue received of $11,746,833. The property tax rate is at $0.9634/$100. Property taxes are estimated to raise approximately $168,605 more than 2020-2021.

Expenditures are budgeted at $11,049,546, which is a decrease of $903,636 over actual 2020-2021 expenses. Competitive salary schedule adjustments allowed the District to open the 2021-2022 year with no teacher vacancies.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate 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 Services Department.

Basic Financial Statements

SUNDOWN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2021

Data Control Codes		1 Governmental Activities
	ASSETS:	
1110	*Cash and Cash Equivalents*	$ 127,905
1120	*Current Investments*	22,020,634
1225	*Property Taxes Receivable (Net)*	97,576
1240	*Due from Other Governments*	611,673
1250	*Accrued Interest*	14,549
1267	*Due from Fiduciary*	102,293
1290	*Other Receivables (Net)*	3,454
	Capital Assets:	
1510	*Land*	334,281
1520	*Buildings and Improvements, Net*	9,379,916
1530	*Furniture and Equipment, Net*	2,024,717
1580	*Construction in Progress*	176,575
1000	Total Assets	34,893,573
	DEFERRED OUTFLOWS OF RESOURCES:	
	Deferred Outflow Related to Pensions	747,438
	Deferred Outflow Related to OPEB	310,919
1700	Total Deferred Outflows of Resources	1,058,357
	LIABILITIES:	
2110	*Accounts Payable*	133,215
2165	*Accrued Liabilities*	553,680
2180	*Due to Other Governments*	2,961,564
	Noncurrent Liabilities:	
2540	*Net Pension Liability*	1,945,766
2545	*Net OPEB Liability*	2,130,868
2000	Total Liabilities	7,725,093
	DEFERRED INFLOWS OF RESOURCES:	
	Deferred Inflow Related to Pensions	720,161
	Deferred Inflow Related to OPEB	1,902,152
2600	Total Deferred Inflows of Resources	2,622,313
	NET POSITION:	
3200	Net Investment in Capital Assets	11,915,489
	Restricted For:	
3900	Unrestricted	13,689,035
3000	Total Net Position	$ 25,604,524

The accompanying notes are an integral part of this statement.

SUNDOWN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues: Charges for Services	4 Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
	Governmental Activities:				
11	*Instruction*	$ 6,083,372	$ 417	$ 485,013	$ (5,597,942)
12	*Instructional Resources and Media Services*	74,806	--	4,768	(70,038)
13	*Curriculum and Staff Development*	25,118	--	--	(25,118)
21	*Instructional Leadership*	3,796	--	--	(3,796)
23	*School Leadership*	564,384	--	32,576	(531,808)
31	*Guidance, Counseling, & Evaluation Services*	181,169	--	11,888	(169,281)
33	*Health Services*	112,440	--	4,250	(108,190)
34	*Student Transportation*	154,779	--	3,062	(151,717)
35	*Food Service*	389,646	48,792	164,270	(176,584)
36	*Cocurricular/Extracurricular Activities*	693,192	165,553	15,106	(512,533)
41	*General Administration*	457,108	--	10,364	(446,744)
51	*Facilities Maintenance and Operations*	1,361,376	129,266	63,375	(1,168,735)
52	*Security and Monitoring Services*	77,557	--	5,555	(72,002)
53	*Data Processing Services*	210,221	--	14,950	(195,271)
61	*Community Services*	10,856	--	--	(10,856)
91	*Contracted Instructional Services between Schools*	3,036,713	--	--	(3,036,713)
93	*Payments Related to Shared Services Arrangements*	85,357	--	--	(85,357)
99	*Other Intergovernmental Charges*	108,119	--	--	(108,119)
TG	Total Governmental Activities	13,630,009	344,028	815,177	(12,470,804)
TP	Total Primary Government	$ 13,630,009	$ 344,028	$ 815,177	(12,470,804)

	General Revenues:	
MT	*Property Taxes, Levied for General Purposes*	8,586,006
IE	*Investment Earnings*	181,101
GC	*Grants and Contributions Not Restricted to Specific Programs*	2,639,535
MI	*Miscellaneous*	22,518
TR	Total General Revenues and Transfers	11,429,160
CN	Change in Net Position	(1,041,644)
NB	Net Position - Beginning	26,572,287
PA	Prior Period Adjustment	73,881
	Net Position - Beginning, as Restated	26,646,168
NE	Net Position - Ending	$ 25,604,524

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

SUNDOWN INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

Data Control Codes		10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
	ASSETS:				
1110	*Cash and Cash Equivalents*	$ 108,958	$ --	$ 11,210	$ 120,168
1120	*Current Investments*	7,689,446	14,320,009	--	22,009,455
1225	*Taxes Receivable, Net*	97,576	--	--	97,576
1240	*Due from Other Governments*	535,949	--	75,724	611,673
1250	*Accrued Interest*	99	14,450	--	14,549
1260	*Due from Other Funds*	1,258,070	--	125,477	1,383,547
1290	*Other Receivables*	3,454	--	--	3,454
1000	Total Assets	9,693,552	14,334,459	212,411	24,240,422
	LIABILITIES:				
	Current Liabilities:				
2110	*Accounts Payable*	$ 65,952	$ 474	$ 1,752	$ 68,178
2150	*Payroll Deductions & Withholdings*	7,942	--	--	7,942
2160	*Accrued Wages Payable*	522,645	--	23,093	545,738
2170	*Due to Other Funds*	168,285	1,096,092	75,724	1,340,101
2180	*Due to Other Governments*	2,961,564	--	--	2,961,564
2300	*Unearned Revenue*	97,576	--	--	97,576
2000	Total Liabilities	3,823,964	1,096,566	100,569	5,021,099
	FUND BALANCES:				
	Restricted Fund Balances:				
3490	*Other Restrictions of Fund Balance*	--	13,237,893	--	13,237,893
	Committed Fund Balances:				
3540	*Self-Insurance*	300,000	--	--	300,000
3600	Unassigned	5,569,588	--	--	5,569,588
	Unassigned, Reported in Nonmajor:				
3610	*Special Revenue Funds*	--	--	111,842	111,842
3000	Total Fund Balances	5,869,588	13,237,893	111,842	19,219,323
4000	Total Liabilities and Fund Balances	$ 9,693,552	$ 14,334,459	$ 212,411	$ 24,240,422

The accompanying notes are an integral part of this statement.

EXHIBIT C-1R

SUNDOWN INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances - governmental funds balance sheet	$ 19,219,323
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	11,915,489
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	97,577
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	12,725
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,945,766)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(720,161)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	747,438
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(2,130,868)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,902,152)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	310,919
Net position of governmental activities - Statement of Net Position	$ 25,604,524

The accompanying notes are an integral part of this statement.

SUNDOWN INDEPENDENT SCHOOL DISTRICT

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

Data Control Codes		10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
	REVENUES:				
5700	*Local and Intermediate Sources*	$ 8,761,093	$ 171,728	$ 171,425	$ 9,104,246
5800	*State Program Revenues*	2,957,844	--	85,223	3,043,067
5900	*Federal Program Revenues*	27,896	--	303,867	331,763
5020	Total Revenues	11,746,833	171,728	560,515	12,479,076
	EXPENDITURES:				
	Current:				
0011	*Instruction*	5,258,046	--	214,886	5,472,932
0012	*Instructional Resources and Media Services*	69,050	--	--	69,050
0013	*Curriculum and Staff Development*	25,118	--	--	25,118
0021	*Instructional Leadership*	--	--	3,796	3,796
0023	*School Leadership*	517,169	--	4,894	522,063
0031	*Guidance, Counseling, & Evaluation Services*	167,186	--	--	167,186
0033	*Health Services*	75,141	--	--	75,141
0034	*Student Transportation*	137,744	88,948	--	226,692
0035	*Food Service*	--	--	361,850	361,850
0036	*Cocurricular/Extracurricular Activities*	556,589	474	82,268	639,331
0041	*General Administration*	365,641	--	8,740	374,381
0051	*Facilities Maintenance and Operations*	1,260,249	17,871	--	1,278,120
0052	*Security and Monitoring Services*	76,786	--	--	76,786
0053	*Data Processing Services*	203,418	--	5,225	208,643
0061	*Community Services*	10,856	--	--	10,856
0081	*Capital Outlay*	--	989,273	--	989,273
0091	*Contracted Instructional Services*				
0091	*Between Public Schools*	3,036,713	--	--	3,036,713
0093	*Payments to Shared Service Arrangements*	85,357	--	--	85,357
0099	*Other Intergovernmental Charges*	108,119	--	--	108,119
6030	Total Expenditures	11,953,182	1,096,566	681,659	13,731,407
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(206,349)	(924,838)	(121,144)	(1,252,331)
	Other Financing Sources and (Uses):				
7915	*Transfers In*	42,801	14,205,532	151,669	14,400,002
8911	*Transfers Out*	(14,519,800)	(42,801)	--	(14,562,601)
7080	Total Other Financing Sources and (Uses)	(14,476,999)	14,162,731	151,669	(162,599)
1200	Net Change in Fund Balances	(14,683,348)	13,237,893	30,525	(1,414,930)
0100	Fund Balances - Beginning	20,552,936	--	7,436	20,560,372
1300	Prior Period Adjustment	--	--	73,881	73,881
	Fund Balances - Beginning, as Restated	20,552,936	--	81,317	20,634,253
3000	Fund Balances - Ending	$ 5,869,588	$ 13,237,893	$ 111,842	$ 19,219,323

The accompanying notes are an integral part of this statement.

EXHIBIT C-3

SUNDOWN INDEPENDENT SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	$ (1,414,930)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,092,212
The depreciation of capital assets used in governmental activities is not reported in the funds.	(769,644)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	28,989
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	419
The net revenue (expense) of internal service funds is reported with governmental activities.	(386)
GASB 68 requires certain expdenditures to be de-expended and recorded as deferred resource outflows.	123,173
Pension contributions made before the measurement date and during the previous year were expended.	(125,846)
The proportionate share of the pension expense of the plan as a whole decreased net position.	(88,805)
GASB 75 requires certain expdenditures to be de-expended and recorded as deferred resource outflows.	35,937
OPEB contributions made before the measurement date and during the previous year were expended.	(35,732)
The proportionate share of the OPEB expense of the plan as a whole increased net position.	112,969
Change in net position of governmental activities - Statement of Activities	$ (1,041,644)

The accompanying notes are an integral part of this statement.

SUNDOWN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
JUNE 30, 2021

Data Control Codes		Nonmajor Internal Service Fund Insurance Fund
	ASSETS:	
	Current Assets:	
1110	*Cash and Cash Equivalents*	$ 18,915
	Receivables:	
1260	*Due from Other Funds*	58,847
	Total Current Assets	77,762
1000	Total Assets	77,762
	LIABILITIES:	
	Current Liabilities:	
2110	*Accounts Payable*	$ 65,037
2300	*Unearned Revenues*	5,367
	Total Current Liabilities	70,404
2000	Total Liabilities	70,404
	NET POSITION:	
3800	*Restricted*	7,358
3000	Total Net Position	$ 7,358

The accompanying notes are an integral part of this statement.

SUNDOWN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - INTERNAL SERVICE FUND FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		Nonmajor Internal Service Fund Insurance Fund
	OPERATING REVENUES:	
5700	*Local and Intermediate Sources*	$ 256,038
5020	Total Revenues	256,038
	OPERATING EXPENSES:	
6200	*Professional and Contracted Services*	418,994
6400	*Other Operating Costs*	30
6030	Total Expenses	419,024
	Income (Loss) before Contributions and Transfers	(162,986)
7915	*Transfers In*	162,600
1300	Change in Net Position	(386)
0100	Total Net Position - Beginning	7,744
3300	Total Net Position - Ending	$ 7,358

The accompanying notes are an integral part of this statement.

EXHIBIT D-3

SUNDOWN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	$ --
Cash Received from Grants	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	(169,207)
Cash Payments to Employees for Services	--
Other Operating Cash Receipts (Payments)	--
Net Cash Provided (Used) by Operating Activities	(169,207)
Cash Flows from Non-capital Financing Activities:	
Proceeds (Payments) from (for) Borrowings	--
Operating Grants Received	--
Net Cash Provided (Used) by Non-capital Financing Activities	--
Cash Flows from Capital and Related Financing Activities:	
Acquisition or Construction of Capital Assets	--
Proceeds from Sale of Capital Assets	--
Transfer In	162,600
Net Cash Provided (Used) for Capital & Related Financing Activities	162,600
Cash Flows from Investing Activities:	
Purchase of Investment Securities	--
Proceeds from Sale and Maturities of Securities	--
Interest and Dividends on Investments	--
Net Cash Provided (Used) for Investing Activities	--
Net Increase (Decrease) in Cash and Cash Equivalents	(6,607)
Cash and Cash Equivalents at Beginning of Year	25,522
Cash and Cash Equivalents at End of Year	$ 18,915
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ (162,986)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	--
Provision for Uncollectible Accounts	--
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	--
Decrease (Increase) in Interfund Receivables	--
Decrease (Increase) in Inventories	--
Decrease (Increase) in Prepaid Expenses	--
Increase (Decrease) in Accounts Payable	(6,638)
Increase (Decrease) in Interfund Payables	--
Increase (Decrease) in Due to Other Governments	--
Increase (Decrease) in Accrued Expenses	--
Increase (Decrease) in Unearned Revenue	417
Total Adjustments	(6,221)
Net Cash Provided (Used) by Operating Activities	$ (169,207)

The accompanying notes are an integral part of this statement.

SUNDOWN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

Data Control Codes		457(b) Deferred Compensation Plan	Private-purpose Trust Fund Scholarships	Custodial Fund Student Activity
	ASSETS:			
1110	*Cash and Cash Equivalents*	$ 71,087	$ --	$ 112,287
1120	*Current Investments*	6,715,400	15,551	--
1250	*Accrued Interest*	1,169	--	--
1290	*Other Receivables*	116,852	--	--
1000	Total Assets	6,904,508	15,551	112,287
	LIABILITIES:			
	Current Liabilities:			
2170	*Due to Other Funds*	$ --	$ --	$ 102,293
2000	Total Liabilities	--	--	102,293
	NET POSITION:			
3800	*Held in Trust for Pension Benefits*	6,904,508	--	--
3800	*Held in Trust*	--	15,551	--
3800	*Restricted for Other Purposes*	--	--	9,994
3000	Total Net Position	$ 6,904,508	$ 15,551	$ 9,994

The accompanying notes are an integral part of this statement.

EXHIBIT E-2

SUNDOWN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	457(b) Deferred Compensation Plan	Private-purpose Trust Fund Scholarships	Custodial Fund Student Activity
ADDITIONS:			
Investment Income	$ 257,554	$ 38	$ --
Net (Decrease) in Fair Value of Investments	429,110	--	--
Employer Contributions	152,574	--	--
Plan Member Contributions	279,987	--	--
Contributions from Foundations, Gifts and Bequests	--	5,822	--
Miscellaneous	27	--	--
Student Group Fundraising Activities	--	--	79,251
Total Additions	1,119,252	5,860	79,251
DEDUCTIONS:			
Benefits	569,790	--	--
Scholarships	--	6,500	--
Student Group Activities	--	--	69,257
Administrative Expenses	107,616	--	--
Total Deductions	677,406	6,500	69,257
Change in Fiduciary Net Position	441,846	(640)	9,994
Net Position-Beginning of the Year	6,462,662	--	--
Prior Period Adjustment	--	16,191	--
Net Position-End of the Year	$ 6,904,508	$ 15,551	$ 9,994

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

The basic financial statements of Sundown Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Capital Projects Fund: The District accounts for capital improvements and capital outlay as determined by the Board of Trustees in this fund.

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Pension (and Other Employee Benefit) Trust Funds: These funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Custodial funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund 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.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

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

Asset Class	Estimated Useful Lives
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. Receivable and Payable Balances

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

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

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

k. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

l. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

m. Negative Operating Grants and Contributions - Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions As Reported	Negative On-Behalf Accruals	Operating Grants and Contributions (Excluding On-Behalf Accruals)
11 - Instruction	$ 485,013	$ (13,878)	$ 498,891
12 - Instructional Resources and Media Services	4,768	(196)	4,964
13 - Curriculum and Instructional Staff Development	--	--	--
21 - Instructional Leadership	--	--	--
23 - School Leadership	32,576	(1,340)	33,916
31 - Guidance, Counseling and Evaluation Services	11,888	(489)	12,377
32 - Social Work Services	4,250	--	4,250
33 - Health Services	3,062	(175)	3,237
34 - Student (Pupil) Transportation	164,270	(126)	164,396

35 - Food Services	15,106	(436)	15,542
36 - Extracurricular Activities	10,364	(621)	10,985
41 - General Administration	63,375	(426)	63,801
51 - Facilities Maintenance and Operations	5,555	(1,459)	7,014
52 - Security and Monitoring Services	14,950	(228)	15,178
53 - Data Processing Services	--	(508)	508
61 - Community Services	--	--	--
62 - School District Administrative Support Services	--	--	--
	$ 815,177	$ (19,882)	$ 835,059

4. 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 the benefit terms. Investments are reported at fair value.

5. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other 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.

6. Implementation of New Standards

GASB Statement No. 84, *Fiduciary Activities*

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

3. Prior Period Adjustment to Net Position

During fiscal year 2021, the District adopted GASB Statement No.84, Accounting and Financial Reporting for Fiduciary Activities. Implementation of GASB 84 required a restatement of Fund Balance/Net Position in the following:

Statement of Activities - Net Position	$	73,881
Private Purpose Trust Funds		16,191
Campus Activity Funds		73,881

C. Deposits and Investments

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

1. Cash Deposits:

At June 30, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $330,194 and the bank balance was $418,989. The District's cash deposits at June 30, 2021 and during the year ended June 30, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at June 30, 2021 are shown below.

Investment or Investment Type	Maturity	Fair Value
Investment Pools	N/A	$ 7,704,998
Certificates of Deposit	Average 241 Days	12,711,096
Money Market/Savings Accounts	N/A	1,620,091
Mutual Funds - Level 1	N/A	6,715,400
Total Investments		$ 28,751,585

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

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

At June 30, 2021, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

b. 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 government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a

legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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

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

D. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 334,281	$ --	$ --	$ 334,281
Construction in progress	231,840	176,575	231,840	176,575
Total capital assets not being depreciated	566,120	176,575	231,840	510,856
Capital assets being depreciated:				
Buildings and improvements	24,765,685	--	--	24,765,685
Equipment	2,604,923	1,056,141	--	3,661,063
Vehicles	2,182,408	91,337	--	2,273,744
Total capital assets being depreciated	29,553,015	1,147,477	--	30,700,493
Less accumulated depreciation for:				
Buildings and improvements	(14,842,099)	(543,670)	--	(15,385,769)
Equipment	(1,693,258)	(146,510)	--	(1,839,768)
Vehicles	(1,990,858)	(79,464)	--	(2,070,322)
Total accumulated depreciation	(18,526,215)	(769,644)	--	(19,295,859)
Total capital assets being depreciated, net	11,026,800	377,833	--	11,404,634
Governmental activities capital assets, net	$ 11,592,920	$ 554,408	$ 231,840	$ 11,915,489

Depreciation was charged to functions as follows:

Instruction	$ 406,409
Instructional Resources and Media Services	5,134
School Leadership	38,817
Guidance, Counseling, & Evaluation Services	12,431
Health Services	36,740
Student Transportation	16,855
Food Services	26,905
Extracurricular Activities	52,686
General Administration	78,689
Plant Maintenance and Operations	94,978
	$ 769,644

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2021, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	General Fund	$ 86,255	Short-term loans
General Fund	Other Governmental Funds	1,171,815	Short-term loans
Other Governmental Funds	General Fund	23,184	Short-term loans
Other Governmental Funds	Custodial Funds	102,293	Short-term loans
Internal Service Fund	General Fund	58,847	Short-term loans
	Total	$ 1,442,394	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2021, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	$ 14,205,532	Provide resources for construction and capital improvements
General fund	Other Governmental Funds	151,669	Supplement other funds sources
General fund	Internal Service Funds	162,600	Supplement other funds sources
Other Governmental Funds	General fund	42,801	Supplement other funds sources
	Total	$ 14,562,602	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2021, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Net Pension Liability *	$ 2,386,612	$ (290,947)	$ 149,899	$ 1,945,766	$ --
Net OPEB Liability *	2,885,757	(712,284)	42,605	2,130,868	--
Total governmental activities	$ 5,272,369	$ (1,003,231)	$ 192,504	$ 4,076,634	$ --

* Other long-term liabilities
The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	Undetermined
Net OPEB Liability *	Governmental	Undetermined

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of June 30, 2021, as follows:

Year Ending June 30,		
2022	$	33,455
2023		1,955
2024		1,955
2025		1,955
2026		1,630
Total Minimum Rentals	$	40,950
Rental Expenditures in 2021	$	32,315

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf, selecting About TRS or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their) beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a

previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided are determined by the System's actuary.

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

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 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.

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

Contribution Rates

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

District's 2021 Employer Contributions	$	147,121
District's 2021 Member Contributions	$	421,456
2020 NECE On-Behalf Contributions (state)	$	323,885

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

--- 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.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

--- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
--- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

5. Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%
Last year ending August 31 in Projection Period	2119
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions, please see the actuarial valuation report dated November 14, 2019.

6. Discount Rate

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

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of

return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020 are summarized below:

Asset Class	Target Allocation *	Long-Term Expected Arithmetic Real Rate of Return **	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	(0.70)%	(0.05)%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.01%
Energy, Natural Resources & Infrastructure	6.00%	6.00%	0.42%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Leverage			
Cash	2.00%	1.50%	(0.03)%
Asset Allocation Leverage	(6.00%)	1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag ***	-		(0.67)%
Total	**100.0%**		**7.33%**

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

7. Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using a discount rate of 7.25 percent, and what the net position liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	$ 3,000,337	$ 1,945,766	$ 1,088,951

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

At June 30, 2021, the District reported a liability of $1,945,766 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount

recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$	1,945,766
State's proportionate share that is associated with District		4,204,206
Total	$	6,149,972

The net pension liability was measured as of June 30, 2019 and rolled forward to June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0036330104 percent which was an increase(decrease) of (0.0009581172)% from its proportion measured as of August 31, 2019.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended June 30, 2021, the District recognized pension expense of $720,324 and revenue of $505,673 for support provided by the State.

At June 30, 2021, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual economic experience	$	3,553	$	54,301
Changes in actuarial assumptions		451,487		191,969
Difference between projected and actual investment earnings		39,390		--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions		129,835		473,891
Contributions paid to TRS subsequent to the measurement date		123,173		--
Total	$	747,438	$	720,161

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

Year ended August 31,	Pension Expense Amount	
2022	$	7,301
2023	$	10,252
2024	$	17,138
2025	$	(30,977)
2026	$	(79,441)
Thereafter	$	(20,170)

J. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with 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.

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible 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. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Monthly Premium Rates		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	$ 135	$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

4. Contributions

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75

percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates	
	Rate
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding *	1.25%
Total	

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

District's 2021 Employer Contributions	$	42,810
District's 2021 Member Contributions	$	35,577
2020 NECE On-Behalf Contributions (state)	$	57,250

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to *(regardless of whether they participate in the TRS Care OPEB Program)*. When hiring a TRS retiree, employers are required to pay TRS Care a monthly surcharge of $535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

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. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

Rates of Mortality
Rates of Retirement
Rates of Termination
Rates of Disability

General Inflation
Wage Inflation
Salary Increases

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33% as of August 31, 2020
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.
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	4.50% to 4.25%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 45% participation after age 65.
Ad Hoc Post-Employment Benefit Changes	None

6. Discount Rate

A single discount rate of 2.33 percent was used to measure the total OPEB liability. This was a decrease of .30 percent in the discount rate since the previous year. Because the plan is essentially a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to **not be able** to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of net OPEB liability	$ 2,557,037	$ 2,130,868	$ 1,794,256

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

At June 30, 2021, the District reported a liability of $2,130,868 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$ 2,130,868
State's proportionate share that is associated with the District	$ 2,863,376
Total	$ 4,994,244

The Net OPEB liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2021 the District's proportion of the collective net OPEB liability was 0.0056054057%, compared which was an increase(decrease) of (.0004966916)% from its proportion measured as of August 31, 2019.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1 percent less than and 1 percent greater than the health trend rates assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of net OPEB liability	$ 1,740,646	$ 2,130,868	$ 2,650,588

9. Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) since the prior measurement period:

--- The discount rate was changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.

--- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability

--- The ultimate health care trend assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

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

The amount of OPEB expense recognized by the District in the reporting period was $(97,119).

At June 30, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 111,571	$ 975,194
Changes in actuarial assumptions	131,430	585,147
Differences between projected and actual investment earnings	693	--

Changes in proportion and difference between the District's contributions and the proportionate share of contributions	31,288	341,811
Contributions paid to TRS subsequent to the measurement date	35,937	
Total	$ 310,919 $	1,902,152

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

Year ended August 31,	OPEB Expense Amount
2022	$ (259,845)
2023	$ (259,938)
2024	$ (259,991)
2025	$ (259,976)
2026	$ (203,061)
Thereafter	$ (384,360)

For the year ended June 30, 2021, the District recognized OPEB expense of $(97,119) and revenue of $(19,882) for support provided by the State.

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended June 30, 2021, the subsidy payment received by TRS-Care on behalf of the District was $24,612.

K. Employee Health Care Coverage

During the year ended 2021, Sundown Independent School District, employees of the District were covered by the statewide public school health plan TRS Activecare (the Plan). The District paid premiums of $375 per pay period per employee, $375 for employee and spouse, $375 for employee and children and $375 for employee and family coverage. Employees, at their option, authorized payroll withholdings of $745 for employee and spouse, $340 for employee and children and $963 for employee and family.

The contract between the District and the licensed insurer is renewable and terms of coverage and" premium costs are included in the contractual provisions. Employees were also covered by a supplemental health insurance plan which paid for co-pays, deductibles. and other qualifying medical expenses. The District paid premiums for employees only of $10, employee and spouse $78, employee and children $71, and employee and family $155. Employees authorized payroll withholdings of $78 for participation in the plan.

L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at June 30, 2021.

M. Shared Services Arrangements

Shared Services Arrangement - Membership
The District participates in a shared services arrangement ("SSA") for a federal program with the following school districts:

Member Districts

Anton ISD	Sundown ISD	Smyer ISD
Meadow ISD	Whiteface CISD	Levelland ISD
Morton ISD	Whitharral ISD	Ropes ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, school name, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

N. Deferred Compensation Plan

In previous years Sundown ISD provided a defined contribution pension plan to it's employees. That plan was terminated on August 28, 2018. All taxable assets of the previous defined contribution pension plan were transferred to a new deferred compensation plan effective September 1, 2018.

Sundown ISD being a local governmental entity that is a political subdivision of the State of Texas and that is an "eligible employer" as described in paragraph (1) of subsection (e) of Internal Revenue Code (IRC) Section 457, deems it in the best interest of the employees eligible to participate in this Plan, to establish a plan of deferred compensation governed by IRC section 457(b).

On September 1, 2018, (the effective date) Sundown ISD established the "Sundown Independent School District 457(b) Deferred Compensation Plan" (the Plan). The Plan is intended to satisfy the requirements for an eligible deferred compensation plan within the meaning of subsections (a) and (b) of IRC section 457 and the regulations thereunder. The Plan is intended to be a "governmental plan" as described in IRC section 414(d) and section 3(32) of the Employee Retirement Income Security Act of 1974 (ERISA), as amended, and as such is exempt from certain provisions of the IRC and Title I and Title IV of ERISA.

Complete terms and conditions of the Plan can be obtained at the Business Offices of Sundown ISD, 801 N. School Avenue, Sundown, Texas 79372.

O. Subsequent Events

None as of report date of November 18, 2021.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

SUNDOWN INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	*Local and Intermediate Sources*	$ 9,121,613	$ 9,121,613	$ 8,761,093	$ (360,520)
5800	*State Program Revenues*	2,886,229	2,886,229	2,957,844	71,615
5900	*Federal Program Revenues*	25,000	25,000	27,896	2,896
5020	Total Revenues	12,032,842	12,032,842	11,746,833	(286,009)
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	*Instruction*	5,833,367	5,833,367	5,258,046	575,321
0012	*Instructional Resources and Media Services*	80,720	80,720	69,050	11,670
0013	*Curriculum and Staff Development*	51,180	51,180	25,118	26,062
	Total Instruction & Instr. Related Services	5,965,267	5,965,267	5,352,214	613,053
	Instructional and School Leadership:				
0023	*School Leadership*	524,072	534,072	517,169	16,903
	Total Instructional & School Leadership	524,072	534,072	517,169	16,903
	Support Services - Student (Pupil):				
0031	*Guidance, Counseling and Evaluation Services*	177,947	177,947	167,186	10,761
0033	*Health Services*	77,151	97,151	75,141	22,010
0034	*Student (Pupil) Transportation*	158,536	208,536	137,744	70,792
0036	*Cocurricular/Extracurricular Activities*	578,629	578,629	556,589	22,040
	Total Support Services - Student (Pupil)	992,263	1,062,263	936,660	125,603
	Administrative Support Services:				
0041	*General Administration*	380,812	380,812	365,641	15,171
	Total Administrative Support Services	380,812	380,812	365,641	15,171
	Support Services - Nonstudent Based:				
0051	*Plant Maintenance and Operations*	1,251,165	1,351,165	1,260,249	90,916
0052	*Security and Monitoring Services*	76,841	91,841	76,786	15,055
0053	*Data Processing Services*	204,751	254,751	203,418	51,333
	Total Support Services - Nonstudent Based	1,532,757	1,697,757	1,540,453	157,304
	Ancillary Services:				
0061	*Community Services*	9,400	19,400	10,856	8,544
	Total Ancillary Services	9,400	19,400	10,856	8,544
	Capital Outlay:				
0081	*Capital Outlay*	100,000	850,000	--	850,000
	Total Capital Outlay	100,000	850,000	--	850,000
	Intergovernmental Charges:				
0091	*Contracted Instr. Services Between Public Schools*	2,700,000	3,200,000	3,036,713	163,287
0092	*Increment Costs Associated Chapter 41 (WADA)*	100	100	--	100
0093	*Payments to Fiscal Agent/Member Dist.-SSA*	80,000	90,000	85,357	4,643
0099	*Other Intergovernmental Charges*	130,000	130,000	108,119	21,881
	Total Intergovernmental Charges	2,910,100	3,420,100	3,230,189	189,911
6030	Total Expenditures	12,414,671	13,929,671	11,953,182	1,976,489
1100	Excess (Deficiency) of Revenues Over (Under)				

SUNDOWN INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
1100	Expenditures	(381,829)	(1,896,829)	(206,349)	1,690,480
	Other Financing Sources (Uses):				
7915	*Transfers In*	--	--	42,801	42,801
8911	*Transfers Out*	--	(400,000)	(14,519,800)	(14,119,800)
7080	Total Other Financing Sources and (Uses)	--	(400,000)	(14,476,999)	(14,076,999)
1200	Net Change in Fund Balance	(381,829)	(2,296,829)	(14,683,348)	(12,386,519)
0100	Fund Balance - Beginning	6,347,404	6,347,404	20,552,936	14,205,532
3000	Fund Balance - Ending	$ 5,965,575	$ 4,050,575	$ 5,869,588	$ 1,819,013

SUNDOWN INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Measurement Year Ended August 31,							
	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.0036330104%	0.0045911276%	0.0043245159%	0.0046702030%	0.0049425082%	0.0053606000%	0.0036255000%	--
District's proportionate share of the net pension liability (asset)	$ 1,945,766	$ 2,386,612	$ 2,380,319	$ 1,493,279	$ 1,867,700	$ 1,894,901	$ 968,421	$ --
State's proportionate share of the net pension liability (asset) associated with the District	4,204,206	4,019,636	4,468,640	2,855,978	3,565,878	3,617,021	3,069,659	--
Total	$ 6,149,972	$ 6,406,248	$ 6,848,959	$ 4,349,257	$ 5,433,578	$ 5,511,922	$ 4,038,080	$ --
District's covered-employee payroll	$ 5,432,141	$ 5,522,503	$ 5,318,709	$ 5,578,855	$ 5,602,509	$ 5,778,195	$ 5,583,101	$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.82%	43.22%	44.75%	26.77%	33.34%	32.79%	17.35%	--
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

SUNDOWN INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-3

SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year Ended June 30,								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 147,121	$ 150,422	$ 160,820	$ 145,143	$ 153,930	$ 139,010	$ 163,839	$ --	$ --
Contributions in relation to the contractually required contribution	(147,121)	(150,422)	(160,820)	(145,143)	(153,930)	(139,010)	(163,839)	--	--
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
District's covered-employee payroll	$ 5,473,458	$ 5,438,903	$ 5,484,894	$ 5,369,880	$ 5,610,490	$ 5,607,599	$ 5,771,734	$ --	$ --
Contributions as a percentage of covered-employee payroll	2.69%	2.77%	2.93%	2.70%	2.74%	2.48%	2.84%	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

SUNDOWN INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-4

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Measurement Year Ended August 31,							
	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the collective net OPEB liability	0.0056054057%	0.0061020973%	0.0060374825%	0.0061929084%	--	--	--	--
District's proportionate share of the collective net OPEB liability	$ 2,130,868	$ 2,885,757	$ 3,014,570	$ 2,693,064	$ --	$ --	$ --	$ --
State proportionate share of the collective net OPEB liability associated with the District	$ 2,863,376	$ 3,834,525	$ 4,670,332	$ 4,515,676	$ --	$ --	$ --	$ --
Total	$ 4,994,244	$ 6,720,282	$ 7,684,902	$ 7,208,740	$ --	$ --	$ --	$ --
District's covered-employee payroll	$ 5,432,141	$ 5,522,503	$ 5,302,518	$ 5,578,855	$ --	$ --	$ --	$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	39.23%	52.25%	56.85%	48.27%	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

SUNDOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

EXHIBIT G-5

	Fiscal Year Ended June 30,								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily or contractually required District contribution	$ 42,810	$ 42,647	$ 42,981	$ 48,434	$ --	$ --	$ --	$ --	$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	42,810	42,647	42,981	48,434	--	--	--	--	--
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
District's covered-employee payroll	$ 5,473,458	$ 5,438,903	$ 5,468,702	$ 5,369,880	$ --	$ --	$ --	$ --	$ --
Contributions as a percentage of covered-employee payroll	0.78%	0.78%	0.79%	0.90%	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

a. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.

c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Other Post-Employment Benefit Plan

Changes of benefit terms

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

Changes of assumptions

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) since the prior measurement period:

--- The discount rate was changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.

--- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability

--- The ultimate health care trend assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

10 Beginning Balance 7/1/20	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/21
$ 27,869	$ --	$ 32	$ --	$ (594)	$ 27,242
4,594	--	10	--	(113)	4,472
3,485	--	7	--	(84)	3,395
4,632	--	483	--	(72)	4,077
5,872	--	538	--	(258)	5,076
4,599	--	462	--	(284)	3,854
13,458	--	4,023	--	(313)	9,122
16,183	--	7,607	--	(526)	8,051
36,267	--	17,369	--	(1,946)	16,952
--	8,572,406	8,503,850	--	(4,262)	64,294
$ 116,959	$ 8,572,406	$ 8,534,380	$ --	$ (8,452)	$ 146,533
$ --	$ --	$ --	$ --	$ --	$ --

SUNDOWN INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		1 Budget	2 Actual	3 Variance Positive (Negative)
	REVENUES:			
5700	*Local and Intermediate Sources*	$ 55,000	$ 48,792	$ (6,208)
5800	*State Program Revenues*	2,000	10,344	8,344
5900	*Federal Program Revenues*	157,000	153,658	(3,342)
5020	Total Revenues	214,000	212,794	(1,206)
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	*Food Services*	415,536	361,850	53,686
	Total Support Services - Student (Pupil)	415,536	361,850	53,686
6030	Total Expenditures	415,536	361,850	53,686
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(201,536)	(149,056)	52,480
	Other Financing Sources (Uses):			
7915	*Transfers In*	200,000	149,056	(50,944)
7080	Total Other Financing Sources and (Uses)	200,000	149,056	(50,944)
1200	Net Change in Fund Balance	(1,536)	--	1,536
0100	Fund Balance - Beginning	--	--	--
3000	Fund Balance - Ending	$ (1,536)	$ --	$ 1,536

KEITH DOWNS, C.P.A
RUSS PINKERTON, C.P.A

PATE, DOWNS & PINKERTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS
PHONE 806 / 894-8568 FAX 806 / 894-3486
P.O. BOX 1255 1008 AUSTIN STREET LEVELLAND, TX 79336
EMAIL: pdpllp@pdpllp.com

Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of Trustees
Sundown Independent School District
801 N. School Avenue
Sundown, Texas 79372

Members of the Board of Trustees:

We have audited, 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sundown Independent School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Sundown Independent School District's basic financial statements, and have issued our report thereon dated November 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sundown 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 Sundown Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sundown 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sundown 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

Pate, Downs & Pinkerton, LLP

Pate, Downs & Pinkerton, LLP

Levelland, Texas
November 18, 2021

SUNDOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Noncompliance material to financial statements noted?	____	Yes	X	No

2. Federal Awards

Total Federal Awards were less than $750,000.

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

SUNDOWN INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
NONE		

SUNDOWN INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021

NOT APPLICABLE

SUNDOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF JUNE 30, 2021

Data Control Codes		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 at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered **to not have made** timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 daysfrom the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	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 that were in effect at the school district's 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	$ --