

CLEVELAND INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND  
COMPLIANCE REPORT

FOR THE YEAR ENDED  
AUGUST 31, 2020



SINGLETON, CLARK  
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS



CLEVELAND INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2020

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CERTIFICATE OF BOARD

Cleveland Independent School District  
Name of School District

Liberty  
County

146-901  
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 August 31, 2020, at a meeting of the Board of Trustees of such school district on the 19<sup>th</sup> day of January, 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)

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Cleveland Independent School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cleveland Independent School District as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 Cleveland Independent School District as of August 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension and other post-employment benefit liabilities related schedules following the notes to the financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cleveland Independent School District's basic financial statements. The individual nonmajor funds and the Texas Education Agency required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements of individual nonmajor funds, the Texas Education Agency required schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, the Texas Education Agency required schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020 on our consideration of Cleveland Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Cleveland Independent School District's internal control over financial reporting and compliance.



Singleton, Clark & Company, PC  
Cedar Park, Texas

December 18, 2020

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CLEVELAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2020

## MANAGEMENT’S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Cleveland Independent School District (the “District”) discuss and analyze the financial performance of the District for the fiscal year ended August 31, 2020. Please read this information in conjunction with the District’s basic financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District’s net position for governmental activities increased by \$5,572,494 as a result of this year’s current operations, to end at \$41,130,895.
- Total governmental funds of the District (the General Fund plus all Special Revenue Funds, the Capital Projects Funds, and the Debt Service Fund) reported an overall fund balance increase of \$109,202,701, to end at \$180,870,704.
- The General Fund of the District reported a fund balance increase of \$6,896,397 for the year, to end at \$42,260,285.
- The District’s Debt Service Fund reported a fund balance of \$13,123,407, which is \$6,634,787 more than last year’s total of \$6,488,620. This is due to the bonds issued during the year. The District’s Capital Projects Funds reported a fund balance of \$123,343,582, which is \$95,390,871 more than last year’s total of \$27,952,711.

### OVERVIEW OF THE FINANCIAL SECTION

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

#### Independent Auditor’s Report

State law requires the District’s financial statements to be audited by an independent certified public accountant each year. The primary purpose of the annual audit is for the auditor to express an opinion as to whether the financial statements of the District appear to be free from material misstatement. The audit is required to be conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The District received an *Unmodified* opinion on its financial statements this year.

#### Management’s Discussion and Analysis

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

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2020

Basic Financial Statements

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

Required Supplementary Information

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

Individual Fund Statements and Schedules

This section includes schedules required by the Texas Education Agency to report tax collection information and budget to actual information for the District's child nutrition and debt service functions.

**OVERVIEW OF THE FEDERAL AWARDS SECTION**

Report on Internal Controls and Compliance

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

Report on Compliance and Internal Control for Each Major Program

Because the District expended more than \$750,000 in federal grant awards, an additional independent auditor's report on compliance and internal control over the District's major federal grant programs was required. This report provides an opinion by the independent audit firm that the District complied, in all material respects, with the requirements applicable to the federal grants received and expended.

Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards (SEFA) provides a detailed listing of the federal grant awards received by the District during the year. This listing includes federal grant names, identification numbers, and amounts expended.



CLEVELAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2020

Schedule of Findings and Questioned Costs

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

**Reporting the District as a Whole**

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

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

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

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

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

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

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

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2020

## Reporting the District's Most Significant Funds

### *Fund Financial Statements*

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

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

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

## The District as Trustee

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

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

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2020

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$35,558,401 to \$41,130,895. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$15,196,804 at August 31, 2020. The increase in governmental net position was mainly due to higher than expected State Aid – Formula Grants received in the current year.

**Table I  
CLEVELAND INDEPENDENT SCHOOL DISTRICT  
NET POSITION**

	Governmental Activities 2020	Governmental Activities 2019	Change
Current & Other Assets	\$ 193,821,129	\$ 87,122,643	\$ 106,698,486
Capital Assets	164,110,522	134,287,091	29,823,431
Total Assets	<u>357,931,651</u>	<u>221,409,734</u>	<u>136,521,917</u>
Deferred Outflows of Resources	27,489,118	17,684,988	9,804,130
Current Liabilities	9,338,635	12,015,431	(2,676,796)
Long-Term Liabilities	320,770,547	183,880,755	136,889,792
Total Liabilities	<u>330,109,182</u>	<u>195,896,186</u>	<u>134,212,996</u>
Deferred Inflows of Resources	14,180,692	7,640,135	6,540,557
Net Position:			
Net Investment in Capital Assets	9,504,467	13,411,926	(3,907,459)
Restricted	16,429,624	9,545,530	6,884,094
Unrestricted	15,196,804	12,600,945	2,595,859
Total Net Position	<u>\$ 41,130,895</u>	<u>\$ 35,558,401</u>	<u>\$ 5,572,494</u>

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2020

**Table II**  
**CLEVELAND INDEPENDENT SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**

	Governmental Activities 2020	Governmental Activities 2019	Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 166,561	\$ 178,471	\$ (11,910)
Operating Grants & Contributions	18,101,614	13,287,705	4,813,909
General Revenues:			
Maintenance & Operations Taxes	16,628,679	15,409,731	1,218,948
Debt Service Taxes	6,393,520	5,485,264	908,256
State Aid - Formula Grants	52,292,694	41,414,720	10,877,974
Grants & Contributions not Restricted	1,418,060	1,534,820	(116,760)
Investment Earnings	1,880,250	853,097	1,027,153
Miscellaneous	1,146,114	582,011	564,103
Total Revenue	<u>98,027,492</u>	<u>78,745,819</u>	<u>19,281,673</u>
Expenses:			
Instruction	49,183,024	39,196,447	9,986,577
Instr. Resources & Media Services	1,329,330	533,691	795,639
Curriculum and Staff Development	922,029	764,379	157,650
Instructional Leadership	1,059,222	515,531	543,691
School Leadership	4,688,055	3,442,073	1,245,982
Guidance/Counseling Services	3,756,875	1,675,681	2,081,194
Social Work/Health Services	67,989	65,003	2,986
Health Services	670,775	456,903	213,872
Student Transportation	3,274,310	2,661,740	612,570
Food Services	4,752,602	4,091,922	660,680
Cocurricular/Extracurricular Activities	1,409,629	1,405,328	4,301
General Administration	2,723,811	2,522,727	201,084
Plant Maintenance and Operations	6,943,116	5,527,954	1,415,162
Security and Monitoring Services	1,383,135	1,088,876	294,259
Data Processing Services	1,660,854	1,065,729	595,125
Community Services	15,242	21,881	(6,639)
Debt Service	8,044,008	5,652,590	2,391,418
Payments to Fiscal Agents	-	458,273	(458,273)
Other Intergovernmental Charges	570,992	505,373	65,619
Total Expenses	<u>92,454,998</u>	<u>71,652,101</u>	<u>20,802,897</u>
Gain (Loss) on Sale of Assets	-	43,860	(43,860)
Change in Net Position	<u>5,572,494</u>	<u>7,137,578</u>	<u>(1,565,084)</u>
Net Position at 9/1/19 and 9/1/18	<u>35,558,401</u>	<u>28,420,823</u>	<u>7,137,578</u>
Net Position at 8/31/20 and 8/31/19	<u>\$ 41,130,895</u>	<u>\$ 35,558,401</u>	<u>\$ 5,572,494</u>

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2020

**THE DISTRICT'S FUNDS**

As the District completed this annual period, the General Fund reported a fund balance of \$42,260,285, which is \$6,896,397 more than last year's total of \$35,363,888. The increase in fund balance is mainly attributable to higher than expected State Program Revenues and lower than expected expenditures during the year.

The District's Debt Service fund reported a fund balance of \$13,123,407 which is \$6,634,787 more than last year's total of \$6,488,620. The Debt Service fund balance was more at August 31, 2020, as compared to the prior year end, due to debt issuance in the current year. The purpose of the Debt Service Fund is to provide for the payment of bond principal and interest payments as it becomes due.

The District's Capital Projects Funds reported a fund balance of \$123,343,582 which is \$95,390,871 more than last year's total of \$27,952,711. The Capital Projects fund balance was more at August 31, 2020, as compared to the prior year end, due to the District bond issues for the ongoing construction projects during the year.

The District's other governmental funds reported combined ending fund balances of \$2,143,430. This combined balance is \$280,646 more than the previous year. The primary reason for this change in the combined fund balance was mainly from the National Breakfast and Lunch Program receiving higher than expected Federal Program Revenues during the year.

Over the course of the year, the Board of Trustees generally revises the District's budget based on financial updates provided by management of the District. These amendments involve moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs, or to react to originally unforeseen circumstances, such as unanticipated new revenues or unavoidable new costs. Budget amendments to function line items 12, 23, 51, 53 and 81 in the General Fund were considered significant.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of August 31, 2020, the District had \$164,110,522 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

A summary of the ending balances of capital assets by major category for both 2020 and 2019 is as follows:

	Governmental Activities 2020	Governmental Activities 2019	Change
Land	\$ 3,796,752	\$ 3,135,909	\$ 660,843
Construction in Progress	114,704,432	85,090,365	29,614,067
Buildings	67,311,282	66,169,702	1,141,580
Furniture and Equipment	9,526,101	8,586,264	939,837
Total	<u>195,338,567</u>	<u>162,982,240</u>	<u>32,356,327</u>
Less Accumulated Depreciation	<u>(31,228,045)</u>	<u>(28,695,149)</u>	<u>(2,532,896)</u>
Capital Assets, Net of Depreciation	<u>\$ 164,110,522</u>	<u>\$ 134,287,091</u>	<u>\$ 29,823,431</u>

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CLEVELAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2020

**Debt**

At year-end, the District had \$277,949,637 in bonds and other long-term debt outstanding versus \$148,827,876 last year. The increase is attributable to the District issuing \$16,945,000 in Unlimited Tax Refunding Bond, Series 2020, and \$114,155,000 in Unlimited Tax School Building Bond, Series 2020A during the year.

A summary of the ending balances of long-term debt by type for both 2020 and 2019 is as follows:

	Governmental Activities 2020	Governmental Activities 2019	Change
General Obligation & Refunding Bonds	\$ 277,949,637	\$ 148,827,876	\$ 129,121,761
Total	\$ 277,949,637	\$ 148,827,876	\$ 129,121,761

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

The District's elected and appointed officials considered many factors when setting the fiscal year 2020-2021 budget and tax rates. Those factors include property values, changes in enrollment, the economy, projections of future budget years, and legislative mandates. The District has adopted a General Fund budget of \$81.7 million for the 2020-2021 fiscal year. This reflects an approximate increase of \$12.7 million in original budgeted expenditures from fiscal year 2019-2020 to fiscal year 2020-2021.

For the 2020-2021 budget year, the District has decreased its maintenance and operations tax rate to \$.8747 per hundred of taxable value. The District has the capability to call a tax ratification election which could authorize up to \$1.17 cents for maintenance and operations. The District has no current plans to call a tax ratification election. The District adopted a debt service tax rate of \$.375 for the 2020-2021 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2020-2021 budget year is \$1.2497 per hundred of taxable value.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, at Cleveland Independent School District, 316 East Dallas Street, Cleveland, Texas 77327, or by calling (281) 592-8717.

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## **BASIC FINANCIAL STATEMENTS**

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2020

Data Control Codes	Primary Government 1 Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 180,675,853
1225 Property Taxes Receivable, net	4,057,859
1240 Due from Other Governments	8,411,972
1290 Other Receivables, net	98,467
1300 Inventories	12,478
1410 Deferred Expenditures or Expenses	564,500
Capital Assets:	
1510 Land	3,796,752
1520 Buildings and Improvements, net	40,715,818
1530 Furniture and Equipment, net	4,893,520
1580 Construction in Progress	114,704,432
1000 Total Assets	<u>357,931,651</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1700 Deferred Outflows-Bond Refundings	1,273,692
1705 Deferred Outflows-Pension	14,450,289
1706 Deferred Outflows-OPEB	11,765,137
Total Deferred Outflows of Resources	<u>27,489,118</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	5,410,405
2140 Interest Payable	469,909
2150 Payroll Deductions & Withholdings	102,806
2160 Accrued Wages Payable	3,199,501
2200 Accrued Expenses	67,817
2300 Unearned Revenue	88,197
Noncurrent Liabilities:	
2501 Due Within One Year	1,475,000
2502 Due in More Than One Year	276,474,637
2540 Net Pension Liability	19,785,166
2545 Other Post-Employment Benefits Liability	23,035,744
2000 Total Liabilities	<u>330,109,182</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflows-Pension	4,214,583
2606 Deferred Inflows-OPEB	9,966,109
Total Deferred Inflows of Resources	<u>14,180,692</u>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	9,504,467
Restricted for:	
3820 Federal & State Programs	2,143,430
3850 Debt Service	14,094,576
3890 Other Restricted	191,618
3900 Unrestricted	15,196,804
3000 Total Net Position	<u>\$ 41,130,895</u>

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

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	1 Expenses	Program Revenues		Net (Expense) Rev. & Changes in Net Position
		3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 49,183,024	\$ -	\$ 5,850,674	\$ (43,332,350)
12 Instructional Resources & Media Services	1,329,330	-	44,647	(1,284,683)
13 Curriculum & Staff Development	922,029	-	402,360	(519,669)
21 Instructional Leadership	1,059,222	-	454,007	(605,215)
23 School Leadership	4,688,055	-	677,913	(4,010,142)
31 Guidance/Counseling/Evaluation Services	3,756,875	-	1,137,137	(2,619,738)
32 Social Work Services	67,989	-	30,027	(37,962)
33 Health Services	670,775	-	50,767	(620,008)
34 Student Transportation	3,274,310	-	216,985	(3,057,325)
35 Food Services	4,752,602	124,957	4,728,627	100,982
36 Extracurricular Activities	1,409,629	33,754	58,877	(1,316,998)
41 General Administration	2,723,811	7,850	167,958	(2,548,003)
51 Plant Maintenance and Operations	6,943,116	-	257,261	(6,685,855)
52 Security and Monitoring Services	1,383,135	-	119,415	(1,263,720)
53 Data Processing Services	1,660,854	-	85,174	(1,575,680)
61 Community Services	15,242	-	13,614	(1,628)
72 Interest on Long-Term Debt	7,761,245	-	3,806,171	(3,955,074)
73 Bond Issuance Cost & Fees	282,763	-	-	(282,763)
99 Other Intergovernmental Charges	570,992	-	-	(570,992)
TG Total Governmental Activities:	<u>92,454,998</u>	<u>166,561</u>	<u>18,101,614</u>	<u>(74,186,823)</u>
TP TOTAL PRIMARY GOVERNMENT:	<u>\$ 92,454,998</u>	<u>\$ 166,561</u>	<u>\$ 18,101,614</u>	<u>(74,186,823)</u>
General Revenues:				
Taxes:				
MT Property Taxes, Levied for General Purposes				16,628,679
DT Property Taxes, Levied for Debt Service				6,393,520
SF State Aid - Formula Grants				52,292,694
GC Grants and Contributions, not Restricted				1,418,060
IE Investment Earnings				1,880,250
MI Miscellaneous Local and Intermediate Revenue				1,146,114
TR Total General Revenues				<u>79,759,317</u>
CN Change in Net Position				5,572,494
NB Net Position -- Beginning				35,558,401
NE Net Position -- Ending				<u>\$ 41,130,895</u>

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

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Funds	98 Other Funds	98 Total Governmental Funds
<b>ASSETS</b>					
1110 Cash and Cash Equivalents	\$ 39,492,533	\$ 13,097,227	\$ 127,574,314	\$ 337,635	\$ 180,501,709
1220 Property Taxes - Delinquent	3,429,656	1,079,077	-	-	4,508,733
1230 All. for Uncollectible Taxes (Credit)	(342,966)	(107,908)	-	-	(450,874)
1240 Due from Other Governments	6,275,983	-	-	2,135,989	8,411,972
1260 Due from Other Funds	526,840	-	-	-	526,840
1290 Other Receivables	72,287	26,180	-	-	98,467
1310 Inventories	12,478	-	-	-	12,478
1410 Deferred Expenditures	564,500	-	-	-	564,500
1000A Total Assets and Def. Outflows	<u>\$ 50,031,311</u>	<u>\$ 14,094,576</u>	<u>\$ 127,574,314</u>	<u>\$ 2,473,624</u>	<u>\$ 194,173,825</u>
<b>LIABILITIES</b>					
2110 Accounts Payable	\$ 631,891	\$ -	\$ 4,230,732	\$ 147,478	\$ 5,010,101
2150 Payroll Ded. and Withholdings Payable	102,806	-	-	-	102,806
2160 Accrued Wages Payable	3,106,942	-	-	92,559	3,199,501
2170 Due to Other Funds	776,840	-	-	-	776,840
2200 Accrued Expenditures	65,857	-	-	1,960	67,817
2300 Unearned Revenues	-	-	-	88,197	88,197
2000 Total Liabilities	<u>4,684,336</u>	<u>-</u>	<u>4,230,732</u>	<u>330,194</u>	<u>9,245,262</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2600 Def. Inflows-Unavailable Revenue	3,086,690	971,169	-	-	4,057,859
Total Def. Inflows of Resources	<u>3,086,690</u>	<u>971,169</u>	<u>-</u>	<u>-</u>	<u>4,057,859</u>
<b>FUND BALANCES</b>					
Nonspendable:					
3410 Inventories	12,478	-	-	-	12,478
3430 Prepaid Items	564,500	-	-	-	564,500
Restricted for:					
3450 Federal or State Funds Restricted	-	-	-	2,143,430	2,143,430
3470 Capital Acq. and Contractual Obligation	-	-	123,343,582	-	123,343,582
3480 Retirement of Long-Term Debt	-	13,123,407	-	-	13,123,407
3490 Other Restricted Fund Balance	191,618	-	-	-	191,618
Committed for:					
3510 Construction	10,000,000	-	-	-	10,000,000
3545 Land Acquisition	3,000,000	-	-	-	3,000,000
3600 Unassigned Fund Balance	28,491,689	-	-	-	28,491,689
3000 Total Fund Balances	<u>42,260,285</u>	<u>13,123,407</u>	<u>123,343,582</u>	<u>2,143,430</u>	<u>180,870,704</u>
4000 Total Liab., Def. Inflows, and Fund Bal.	<u>\$ 50,031,311</u>	<u>\$ 14,094,576</u>	<u>\$ 127,574,314</u>	<u>\$ 2,473,624</u>	<u>\$ 194,173,825</u>

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

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2020

		1
<b>Total Fund Balances - Governmental Funds</b>		\$ 180,870,704
<p>1 Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 195,338,567	
Less accumulated depreciation	<u>(31,228,045)</u>	164,110,522
<p>2 Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds payable, including unamortized premiums	(277,949,637)	
Net pension liability	(19,785,166)	
Net OPEB liability	<u>(23,035,744)</u>	(320,770,547)
<p>3 Accrued interest on long-term debt related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds.</p>		
		(469,909)
<p>4 Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	14,450,289	
Deferred inflows of resources related to pensions	(4,214,583)	
Deferred outflows of resources related to OPEB	11,765,137	
Deferred inflows of resources related to OPEB	<u>(9,966,109)</u>	12,034,734
<p>5 Property taxes are recognized as revenue in the governmental funds when collected, but recognized on the Statement of Activities in the year levied. Therefore, property taxes receivable, net of allowance for uncollectible accounts, is added to the Statement of Net Position for governmental activities.</p>		
		4,057,859
<p>6 Deferred amounts from bond refundings, net of amortization, are not reported in the governmental funds.</p>		
		1,273,692
<p>7 The District uses an Internal Service Fund to charge the costs of certain activities, such as the provision of workers compensation insurance, to other individual funds. Even though the Internal Service Fund is a proprietary fund, the assets and liabilities of this fund are added to the Statement of Net Position for governmental activities.</p>		
		23,840
<b>19 Net Position of Governmental Activities</b>		<u>\$ 41,130,895</u>

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

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2020

Data	10	50	60	98	
Control	General	Debt	Capital	Other	Total
Codes	Fund	Service Fund	Projects Funds	Funds	Funds
<b>REVENUES</b>					
5700 Local and Intermediate Sources	\$ 17,923,191	\$ 6,422,056	\$ 1,064,942	\$ 144,041	\$ 25,554,230
5800 State Program Revenues	55,393,018	3,806,171	-	609,060	59,808,249
5900 Federal Program Revenues	1,037,642	-	-	9,221,558	10,259,200
5020 Total Revenues	<u>74,353,851</u>	<u>10,228,227</u>	<u>1,064,942</u>	<u>9,974,659</u>	<u>95,621,679</u>
<b>EXPENDITURES</b>					
0011 Instruction	39,827,374	-	982,555	3,013,545	43,823,474
0012 Instructional Res. & Media Svcs.	1,252,487	-	-	-	1,252,487
0013 Curriculum & Instructional Staff Dev.	474,356	-	-	381,793	856,149
0021 Instructional Leadership	510,930	-	-	419,694	930,624
0023 School Leadership	3,847,568	-	7,954	322,962	4,178,484
0031 Guidance, Counseling & Eval. Svcs.	2,334,155	-	-	932,075	3,266,230
0032 Social Work Services	30,903	-	-	28,989	59,892
0033 Health Services	609,851	-	-	-	609,851
0034 Student (Pupil) Transportation	3,481,493	-	-	-	3,481,493
0035 Food Services	-	-	-	4,354,516	4,354,516
0036 Cocurricular/Extracurricular Act.	1,302,025	-	-	-	1,302,025
0041 General Administration	2,197,872	-	-	-	2,197,872
0051 Plant Maintenance and Operations	6,415,327	-	-	206,758	6,622,085
0052 Security and Monitoring Services	1,273,424	-	-	1,131	1,274,555
0053 Data Processing Services	1,543,456	-	69,495	18,936	1,631,887
0061 Community Services	1,139	-	-	13,614	14,753
0071 Debt Service - Principal	-	2,345,000	1,203,127	-	3,548,127
0072 Debt Service - Interest	-	7,606,739	-	-	7,606,739
0073 Debt Service - Bond Issuance Costs	-	282,763	-	-	282,763
0081 Facilities Acquisition and Const.	1,802,423	-	29,614,067	-	31,416,490
0099 Other Intergovernmental Charges	552,671	-	-	-	552,671
6030 Total Expenditures	<u>67,457,454</u>	<u>10,234,502</u>	<u>31,877,198</u>	<u>9,694,013</u>	<u>119,263,167</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,896,397</u>	<u>(6,275)</u>	<u>(30,812,256)</u>	<u>280,646</u>	<u>(23,641,488)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
7911 Capital-Related Debt Issued	-	16,945,000	114,155,000	-	131,100,000
7916 Premium or Disc. on Iss. of Bonds	-	9,765,050	12,048,127	-	21,813,177
8949 Other (Uses)	-	(20,068,988)	-	-	(20,068,988)
7080 Total Other Fin. Sources (Uses)	<u>-</u>	<u>6,641,062</u>	<u>126,203,127</u>	<u>-</u>	<u>132,844,189</u>
1200 Net Change in Fund Balance	6,896,397	6,634,787	95,390,871	280,646	109,202,701
0100 Fund Balance - Beginning	35,363,888	6,488,620	27,952,711	1,862,784	71,668,003
3000 Fund Balance - Ending	<u>\$ 42,260,285</u>	<u>\$ 13,123,407</u>	<u>\$ 123,343,582</u>	<u>\$ 2,143,430</u>	<u>\$ 180,870,704</u>

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

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2020

	<b>Total Net Change in Fund Balances – Governmental Funds</b>	\$ 109,202,701
1	Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.	
	Expenditures for capitalized assets	\$ 32,356,327
	Less current year depreciation	(2,532,896)
	Less current year deferred outflow amortization	<u>(107,667)</u>
		29,715,764
2	Repayment of principal on bonds, notes, and capital leases is an expenditure in the governmental funds, but this expenditure is removed from the Statement of Activities and the repayments instead reduce long-term liabilities on the Statement of Net Position.	4,172,952
3	Issuance of long-term debt increases current financial resources to governmental funds, but this increase is not shown on the Statement of Activities and instead increases long-term liabilities on the Statement of Net Position.	(152,913,177)
4	Accumulated accretion on bonds issued by governmental activities is recognized only when paid in the governmental funds, but is treated as interest expense on the Statement of Activities as it accretes.	(76,536)
5	Since long-term debt is not recorded in governmental funds, amortization of related issuance premiums and discounts is also not recorded.	19,695,000
6	The change in accrued interest due on long-term debt issued for governmental activities does not affect current financial resources and therefore is not reported in the governmental funds.	(221,140)
7	Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. Therefore the uncollected amount of the current year levy is added to current year property tax revenue on the Statement of Activities.	417,376
8	Governmental funds report pension contributions as expenditures. However, pension contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net pension liability measurement date. In addition, the change in the net pension liability, adjusted for changes in deferred pension items, is reported as pension expense in the Statement of Activities.	(3,065,276)
9	Governmental funds report OPEB contributions as expenditures. However, OPEB contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net OPEB liability measurement date. In addition, the change in the net OPEB liability, adjusted for changes in deferred OPEB items, is reported as OPEB expense in the Statement of Activities.	(1,331,515)
10	The District uses an Internal Service Fund to charge the costs of certain activities, such as the provision of workers compensation insurance, to other individual funds. Even though the Internal Service Fund is a proprietary fund, this fund is consolidated with the governmental activities column on the Statement of Activities.	(23,655)
	<b>19 Change in Net Position of Governmental Activities</b>	<u>\$ 5,572,494</u>

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

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CLEVELAND INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final	(GAAP BASIS)	
<b>REVENUES</b>				
5700 Local & Intermediate Sources	\$ 17,207,162	\$ 17,772,162	\$ 17,923,191	\$ 151,029
5800 State Program Revenues	51,115,366	55,779,691	55,393,018	(386,673)
5900 Federal Program Revenues	667,000	1,028,000	1,037,642	9,642
5020 Total Revenues	<u>68,989,528</u>	<u>74,579,853</u>	<u>74,353,851</u>	<u>(226,002)</u>
<b>EXPENDITURES</b>				
Current:				
0011 Instruction	40,846,998	41,112,739	39,827,374	1,285,365
0012 Instructional Resources & Media Services	522,433	1,301,990	1,252,487	49,503
0013 Curriculum and Staff Development	738,967	738,967	474,356	264,611
0021 Instructional Leadership	788,042	788,042	510,930	277,112
0023 School Leadership	3,667,119	4,219,777	3,847,568	372,209
0031 Guidance/Counseling/Evaluation Services	2,255,043	2,415,793	2,334,155	81,638
0032 Social Work Services	57,707	60,337	30,903	29,434
0033 Health Services	478,582	660,932	609,851	51,081
0034 Student Transportation	4,081,279	3,869,839	3,481,493	388,346
0036 Extracurricular Activities	1,390,613	1,349,955	1,302,025	47,930
0041 General Administration	2,407,696	2,259,067	2,197,872	61,195
0051 Facilities Maintenance & Operations	5,959,132	6,588,600	6,415,327	173,273
0052 Security and Monitoring Services	1,136,311	1,345,148	1,273,424	71,724
0053 Data Processing Services	1,225,206	1,629,970	1,543,456	86,514
0061 Community Services	6,400	6,400	1,139	5,261
Capital Outlay:				
0081 Facilities Acquisition & Construction	2,850,000	2,000,000	1,802,423	197,577
0099 Other Intergovernmental Charges	581,000	581,000	552,671	28,329
6030 Total Expenditures	<u>68,992,528</u>	<u>70,928,556</u>	<u>67,457,454</u>	<u>3,471,102</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,000)</u>	<u>3,651,297</u>	<u>6,896,397</u>	<u>3,245,100</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
7949 Other Resources	3,000	4,800	-	(4,800)
7080 Total Other Financing Sources (Uses)	<u>3,000</u>	<u>4,800</u>	<u>-</u>	<u>(4,800)</u>
1200 Net Change in Fund Balances	-	3,656,097	6,896,397	3,240,300
0100 Fund Balance-September 1 (Beginning)	35,363,888	35,363,888	35,363,888	-
3000 Fund Balance-August 31 (Ending)	<u>\$ 35,363,888</u>	<u>\$ 39,019,985</u>	<u>\$ 42,260,285</u>	<u>\$ 3,240,300</u>

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

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2020

Data Control Codes	Governmental Activities Internal Service Fund
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 174,144
1260 Due from Other Funds	250,000
1000 Total Assets	<u>424,144</u>
<b>LIABILITIES</b>	
Current Liabilities:	
2110 Accounts Payable	400,304
2000 Total Liabilities	<u>400,304</u>
<b>NET POSITION</b>	
3900 Unrestricted Net Position	23,840
3000 Total Net Position	<u><u>\$ 23,840</u></u>

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

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Governmental Activities Internal Service Fund
<b>OPERATING REVENUES</b>	
5700 Local and Intermediate Sources	\$ 243,518
5020 Total Revenues	<u>243,518</u>
<b>OPERATING EXPENSES</b>	
6400 Other Operating Costs	267,173
6030 Total Expenses	<u>267,173</u>
Income (Loss) before Contributions and Transfers	<u>(23,655)</u>
1300 Change in Net Position	(23,655)
0100 Total Net Position - Beginning	47,495
3300 Total Net Position - Ending	<u>\$ 23,840</u>

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

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CLEVELAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Governmental Activities Internal Service Fund
<u>Cash Flows from Operating Activities</u>	
Cash Received from User Charges	\$ 143,518
Cash Payments to Suppliers	(170,689)
Net Cash Provided by (Used for) Operating Activities	<u>(27,171)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(27,171)
Cash and Cash Equivalents at Beginning of the Year	201,315
Cash and Cash Equivalents at the End of the Year:	<u><u>\$ 174,144</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided by (Used for) Operating Activities</u>	
Operating Income (Loss):	\$ (23,655)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase in Due From Other Funds	(100,000)
Increase in Accounts Payable	96,484
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ (27,171)</u></u>

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

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2020

Data Control Codes	Private- Purpose Trust Fund	Agency Funds
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 1,581	\$ 95,002
1000 Total Assets	<u>1,581</u>	<u>95,002</u>
<b>LIABILITIES</b>		
Current Liabilities:		
2190 Due to Student Groups	-	95,002
2000 Total Liabilities	<u>-</u>	<u>\$ 95,002</u>
<b>NET POSITION</b>		
3800 Held in Trust	<u>1,581</u>	
3000 Total Net Position	<u>\$ 1,581</u>	

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

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Private- Purpose Trust Fund
<b>ADDITIONS</b>	
Investment Earnings:	
5742 Interest, Dividends, and Other	\$ 28
<b>TOTAL REVENUES</b>	<u>28</u>
<b>DEDUCTIONS</b>	
6030 <b>TOTAL EXPENSES</b>	<u>-</u>
1200 Change in Net Position	28
0100 Net Position - Beginning	<u>1,553</u>
3000 Net Position - Ending	<u>\$ 1,581</u>

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

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CLEVELAND INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **The Financial Reporting Entity**

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

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

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

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

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

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

Additionally, the District reports the following fund types:

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

Internal Service Funds are proprietary funds used to account for activities such as workers' compensation self-insurance, self-funded health insurance, and employee health savings accounts. The District utilizes an Internal Service Fund to account for its participation in a workers' compensation shared risk pool.

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

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

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**Budgetary Information**

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

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

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

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

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

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

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

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

Pensions - The fiduciary net position of the Teacher Retirement System of Texas ("TRS") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits - The fiduciary net position of the Teacher Retirement System of Texas TRS Care Plan (TRS-Care) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

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

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

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

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

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

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

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

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

**Data Control Codes**

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

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**2. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

At August 31, 2020, the carrying amount of the District's deposits was \$180,772,436 and the bank balance was \$187,694,556. The District's deposits with financial institutions at August 31, 2020 and during the year ended August 31, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the District maintains copies of all safekeeping receipts in the name of the District.

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

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

- a) Name of depository bank: Prosperity Bank, Texas.
- b) The amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$210,574,776.
- c) The largest cash, savings and time deposit combined account balance amounted to \$185,265,966 and occurred during the month of March 2020.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

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Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At August 31, 2020, investments were included in local governmental investment pools with ratings from Standard & Poor's in compliance with the District's investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At August 31, 2020, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government.

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

As of August 31, 2020 the District did not have any balances classified as investments.

### **3. PROPERTY TAXES**

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

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District's fiscal year. The assessed value at January 1, 2019, upon which the October 2019 levy was based was \$1,655,512,193. The District levied taxes based on a combined tax rate of \$1.345 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

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

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

A summary of amounts recorded as Due From/Due To Other Governments in the basic financial statements as of August 31, 2020 are summarized below:

Due From Other Governments:	General Fund	Non-Major Governmental Funds	Total
<b>Governmental Activities:</b>			
Foundation & Per Capita Entitlements	\$ 6,269,828	\$ -	\$ 6,269,828
State Grants	-	426,489	426,489
Federal Grants	6,155	1,709,500	1,715,655
<b>Total - Governmental Activities</b>	<b>\$ 6,275,983</b>	<b>\$ 2,135,989</b>	<b>\$ 8,411,972</b>

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

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

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

The composition of interfund balances as of August 31, 2020 was as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Payroll Clearing Fund	\$ 526,840
Total General Fund		526,840
Internal Service Fund	General Fund	250,000
Total Internal Service Fund		250,000
<b>Grand Total</b>		<b>\$ 776,840</b>



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**6. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2020 was as follows:

	Beginning Balance 9/1/19	Additions	Retirements	Ending Balance 8/31/20
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 3,135,909	\$ 660,843	\$ -	\$ 3,796,752
Construction in Progress	85,090,365	29,614,067	-	114,704,432
Total Capital Assets, not Being Depreciated	88,226,274	30,274,910	-	118,501,184
Capital Assets, Being Depreciated:				
Buildings and Improvements	66,169,702	1,141,580	-	67,311,282
Furniture and Equipment	8,586,264	939,837	-	9,526,101
Total Capital Assets, Being Depreciated	74,755,966	2,081,417	-	76,837,383
Less Accumulated Depreciation for:				
Buildings and Improvements	(24,769,587)	(1,825,877)	-	(26,595,464)
Furniture and Equipment	(3,925,562)	(707,019)	-	(4,632,581)
Total Accumulated Depreciation	(28,695,149)	(2,532,896)	-	(31,228,045)
Governmental Activities Capital Assets, Net	\$ 134,287,091	\$ 29,823,431	\$ -	\$ 164,110,522

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

Function	Depreciation Allocation
Instruction	\$ 1,452,710
Instructional Resources & Media	41,519
Curriculum & Staff Development	28,381
Instructional Leadership	30,849
School Leadership	138,513
Guidance/Counseling/Evaluation Services	108,273
Social Work Services	1,985
Health Services	20,216
Student Transportation	115,409
Food Services	144,349
Cocurricular/Extracurricular Activities	43,161
General Administration	72,858
Plant Maintenance and Operations	219,517
Security and Monitoring Services	42,250
Data Processing Services	54,096
Community Services	489
Other Intergovernmental Charges	18,321
Totals	\$ 2,532,896

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

Governmental activities long-term debt obligations at August 31, 2020 consisted of the following:

General Long-Term Debt Description	Outstanding at August 31, 2020
\$9,324,989 Unlimited Tax Refunding Bond, Series 2006; due in two remaining installments of \$190,204 and \$174,785 in 2025 and 2026, respectively; interest at 4.0% to 4.375%.	\$ 364,989
\$7,370,000 Unlimited Tax Refunding Bond, Series 2015; due in remaining installments ranging from \$60,000 to \$1,370,000 through 2031; interest at 3.0% to 4.0%.	6,990,000
\$30,715,000 Unlimited Tax Building Bond, Series 2016; due in remaining installments ranging from \$50,000 to \$3,085,000 through 2046; interest at 3.0% to 5.0%.	30,490,000
\$4,975,000 Unlimited Tax Refunding Bond, Series 2017; due in remaining annual installments ranging from \$390,000 to \$850,000 through 2024; interest at 3.0%.	2,835,000
\$4,015,000 Unlimited Tax Building Bond, Series 2017; due in remaining annual installments ranging from \$160,000 to \$285,000 through 2037; interest at 3.0% to 4.0%.	3,610,000
\$31,200,000 Unlimited Tax Building Bond, Series 2018; due in remaining annual installments ranging from \$15,000 to \$5,465,000 through 2047; interest at 2.0% to 5.0%.	30,900,000
\$37,160,000 Unlimited Tax School Building Bond, Series 2018A; due in remaining annual installments ranging from \$135,000 to \$4,615,000 through 2048; interest at 4.0% to 5.0%.	37,160,000
\$16,945,000 Unlimited Tax Refunding, Series 2020; due in remaining annual installments ranging from \$420,000 to \$2,975,000 through 2033; interest at 4.0% to 5.0%.	16,600,000
\$114,155,000 Unlimited Tax School Building Bond, Series 2020A; due in remaining annual installments ranging from \$765,000 to \$16,130,000 through 2052; interest at 4.0% to 5.0%.	114,155,000
Capital Appreciation Bonds, Series 2006.	1,464,283
<b>Total General Long-Term Debt</b>	<b>\$ 244,569,272</b>

The following is a summary of changes in long-term liabilities for the year ended August 31, 2020:

Type	Outstanding 9/1/19	Additions	Deletions	Current Accretion	Adjustment	Outstanding 8/31/20	Due in One Year
Bonds Payable:							
General Oblig. & Ref. Bonds	\$ 135,432,736	\$ 131,100,000	\$(2,345,000)	\$ 76,536	\$ (19,695,000)	\$ 244,569,272	\$ 1,475,000
Prem. on Issuance of Bonds	13,395,140	21,813,177	(1,827,952)	-	-	33,380,365	-
<b>Total Bonds</b>	<b>148,827,876</b>	<b>152,913,177</b>	<b>(4,172,952)</b>	<b>76,536</b>	<b>(19,695,000)</b>	<b>277,949,637</b>	<b>1,475,000</b>
<b>Total Governmental Act.</b>	<b>\$ 148,827,876</b>	<b>\$ 152,913,177</b>	<b>\$(4,172,952)</b>	<b>\$ 76,536</b>	<b>\$ (19,695,000)</b>	<b>\$ 277,949,637</b>	<b>\$ 1,475,000</b>

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

During the year the District issued \$16,945,000 of Unlimited Tax Refunding, Series 2020, and received premium on the issue in the amount of \$3,403,501. These funds were used for a current refunding of \$19,695,000 of Unlimited Tax Refunding Bond, Series 2010. The refunding was undertaken to obtain a more favorable average interest rate and as a result reduce overall future debt service payments. The transaction resulted in a net present value savings of \$2,612,531.

Annual principal installments for outstanding bonds vary each year. The debt service requirements to maturity for general obligation bonds as of August 31, 2020 are as follows:

Year Ended August 31,	General Obligations			Total Requirements
	Principal	Accumulated Accretion	Interest	
2021	\$ 1,475,000	\$ -	\$ 10,546,625	\$ 12,021,625
2022	1,645,000	-	10,491,525	12,136,525
2023	1,645,000	-	10,433,075	12,078,075
2024	1,725,000	-	10,370,725	12,095,725
2025	1,384,989	738,365	12,216,286	14,339,640
2026-2030	18,880,000	725,918	49,654,744	69,260,662
2031-2035	30,295,000	-	44,046,344	74,341,344
2036-2040	37,515,000	-	36,607,175	74,122,175
2041-2045	49,880,000	-	26,544,175	76,424,175
2046-2050	67,120,000	-	13,401,600	80,521,600
2051-2052	31,540,000	-	1,276,000	32,816,000
Totals	<u>\$ 243,104,989</u>	<u>\$ 1,464,283</u>	<u>\$ 225,588,274</u>	<u>\$ 470,157,546</u>

The District had no capital leases outstanding during the year. However, the District has the following annual obligations related to copier operating leases as of year-end:

Year Ending August 31,	Amount
2021	\$ 161,499
2022	161,499
2023	161,499
2024	148,731
Total Minimum Rentals	<u>\$ 633,228</u>
Rental Expenditures for the fiscal year ended August 31, 2020	\$ 163,170

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**8. TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN**

A. Pension Plan Description

The Teacher Retirement System of Texas (TRS or System or Plan) is a public employee retirement system (PERS) that is a multiple-employer, cost-sharing, defined benefit pension plan with a special funding situation. The Plan is administered by the Board of Trustees of TRS. Information regarding the Board of TRS and its composition can be found within the separately issued TRS Comprehensive Annual Financial Report within Note 1 to the financial statements. That report may be obtained online at [www.trs.texas.gov](http://www.trs.texas.gov); by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592.

Benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits.

B. Benefits Provided

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

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to the retirees.

In May 2019, the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. These increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13th check.

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

C. Contributors to the Plan

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

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The number of participating employers during fiscal year 2019 are disclosed in the following table.

<u>Participating Employers</u>	
Independent School Districts	1,023
Charter Schools (open enrollment only)	179
Community and Junior Colleges	50
Senior Colleges and Universities	47
Regional Service Centers	20
Medical Schools	9
Educational Districts	3
State Agency	1
Total	<u><u>1,332</u></u>

Plan membership as of August 31, 2018 is shown in the following table. Because the actuarial valuation was based on a roll forward from fiscal year 2018 (see Section F), the Plan membership counts are as of August 31, 2018.

<u>Pension Plan Membership</u>	
Retired plan members or beneficiaries currently receiving benefits	420,458
Inactive plan members entitled to but not yet receiving benefits	298,498
Active plan members	872,999
	<u><u>1,591,955</u></u>

The Average Expected Remaining Service Life (AERSL) of 6.3623 years is based on membership information as of the beginning of the fiscal year.

**D. Contributions**

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

- Article 16, Section 67 of the Texas Constitution requires the legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.
- Government Code section 821.006 prohibits benefit improvements if it increases the amortization period of TRS' unfunded actuarial liability to greater than 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

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

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

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

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

<u>Contribution Rates</u>	<u>2019</u>	<u>2020</u>
Members	7.7%	7.7%
Employer	6.8%	7.5%
State of Texas (NECE)	6.8%	7.5%
 <u>Contribution Amounts</u>		
Members	\$ 2,826,788	\$ 3,524,094
Employer	1,281,681	1,731,571
State of Texas (NECE)	1,824,287	2,401,263

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

- When a school district or charter school does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5 percent of the member's salary.
- When employing a retiree of TRS, the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

E. Net Pension Liability

Components of the Net Pension Liability of the Plan as of August 31, 2019 are disclosed below.

<u>Components of Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 209,961,325,288
Less: Plan Fiduciary Net Position	(157,978,199,075)
Net Pension Liability	<u>\$ 51,983,126,213</u>
Net Position as Percentage of Total Pension Liability	75.24%

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F. Actuarial Methods and Assumptions

Roll Forward

The actuarial valuation was performed as of August 31, 2018. Update procedures were used to roll forward the total pension liability to August 31, 2019. The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three year period ending August 31, 2018 and were adopted in July 2018.

The active mortality rates were based on 90 percent of the RP 2014 Employee Mortality Tables for males and females with full generational mortality. The postretirement 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 projection scale U-MP.

The long-term expected rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2019 are summarized in the chart below:

Asset Class	FY 2019 Target Allocation* %	New Target Allocation** %	Long-Term Expected Geometric Real Rate of Return***
Global Equity			
USA	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	0.00%	0.00%
Private Equity	13.00%	14.00%	8.40%
Stable Value			
U.S. Treasuries****	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Absolute Return (Including Credit Sensitive Investments)	0.00%	0.00%	0.00%
Real Return			
Global Inflation Linked Bonds****	3.00%	0.00%	0.00%
Real Estate	14.00%	15.00%	8.50%
Energy, Natural Resources and Infrastructure	5.00%	6.00%	7.30%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	8.00%	5.8%/6.5%*****
Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	0.00%	-6.00%	2.70%
Total	100.00%	100.00%	7.23%
Expected Return			7.23%

\* FY2019 Target Allocation based on the Strategic Asset Allocation dated 10/1/2018

\*\* New Target Allocation based on the Strategic Asset Allocation dated 10/1/2019

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

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

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

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

Actuarial Methods and Assumptions

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Rate	7.25%
Municipal Bond Rate as of August 2019	2.63%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

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

G. Discount Rate

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

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

H. Changes of Assumptions Since the Prior Measurement Date

The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.

With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.



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

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

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumptions			
	1% Decrease 6.25%	Current Single Discount Rate 7.25%	1% Increase 8.25%
District's Proportionate Share of the Net Pension Liability:	\$ 30,412,674	\$ 19,785,166	\$ 11,174,833

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

The Net Pension Liability of the Plan as a whole was last measured as of August 31, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The District was assigned a proportion of the Plan's Net Pension Liability based on the District's contributions to the Plan relative to the contributions of all employers for the period September 1, 2018 through August 31, 2019.

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

	Measurement Date		Change
	8/31/18	8/31/19	
District's Proportion of the Collective Net Pension Liability	0.000298757371	0.000380607465	0.000081850094
District's Proportionate Share of the Net Pension Liability	\$ 16,444,331	\$ 19,785,166	\$ 3,340,835
State's Proportionate Share of the Net Pension Liability Associated with the District	21,624,585	23,956,292	2,331,707
Total Pension Liability	\$ 38,068,916	\$ 43,741,458	\$ 5,672,542

At August 31, 2020, Cleveland Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 83,115	\$ 686,972
Changes in actuarial assumptions	6,138,330	2,536,648
Difference between projected and actual investment earnings	1,189,490	990,824
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	5,307,783	139
Contributions paid to TRS subsequent to the measurement date	1,731,571	-
Total	\$ 14,450,289	\$ 4,214,583

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

Measurement Year Ended August 31,	Pension Expense Amount
2020	\$ 1,930,584
2021	1,716,420
2022	2,042,118
2023	1,832,305
2024	988,422
Thereafter	(5,714)

For the year ended August 31, 2020, Cleveland Independent School District recognized pension expense of \$3,065,276 and revenue of \$3,763,195 for support provided by the State.

**9. EMPLOYEE HEALTH CARE COVERAGE**

During the year ended August 31, 2020, employees of the District were covered by the state-wide health insurance plan, TRS Active Care. The District contributed \$267 and \$869 per month per employee to the Plan (of which the State provided \$75 per month per employee) and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. TRS manages TRS Active Care. The Plan is administered by Aetna while Caremark was assigned the prescription drug plan.

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

**A. Plan Description**

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

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

**B. Benefits Provided**

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

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The General Appropriations Act passed by the 86<sup>th</sup> Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86<sup>th</sup> legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

C. Contributors to TRS-Care

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

During fiscal year 2019, the number of participating employers are presented in the following table.

<u>Participating Employers</u>	
Independent School Districts	1,022
Open Enrollment Charter Schools	179
Regional Service Centers	20
Other Educational Districts	<u>3</u>
Total	<u><u>1,224</u></u>

TRS-Care plan membership as of August 31, 2018 is shown in the following table. Because the actuarial valuation was based on a roll-forward (See Section F), the counts are as of that date.

<u>TRS-Care Plan Membership</u>	
Active plan members	718,000
Inactive plan members currently receiving benefits	194,346
Inactive plan members entitled to but not yet receiving benefits	14,142
Total	<u><u>926,488</u></u>

The Average Expected Remaining Service Life (AERSL) of 9.0344 is based on the membership information as of the beginning of the fiscal year.

D. Contributions

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

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

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Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee rate which is 0.65 percent of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2019.

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

<u>Contribution Rates</u>	<u>2019</u>	<u>2020</u>
Members	0.65%	0.65%
Employer	0.75%	0.75%
State of Texas	1.25%	1.25%
Federal/Private Funding*	1.25%	1.25%
 <u>Contribution Amounts</u>		
Members	\$ 238,620	\$ 297,492
Employer	316,798	420,547
State of Texas (NECE)	321,933	424,456
* Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.		

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of \$535 per month when employing a retiree of the TRS. The TRS-Care surcharges for fiscal year 2019 totaled \$10,800,712.

A supplemental appropriation was received in 2019 for \$73.6 million, which was re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

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

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

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E. Net OPEB Liability

Components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2019 are disclosed in the following table.

<u>Components of OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 48,583,247,239
Less: Plan Fiduciary Net Position	<u>(1,292,022,349)</u>
Net OPEB Liability	<u>\$ 47,291,224,890</u>
 Net Position as a Percentage of Total OPEB Liability	 2.66%

F. Actuarial Methods and Assumptions

Roll Forward

The actuarial valuation was performed as of August 31, 2018. Update procedures were used to roll forward the total OPEB liability to August 31, 2019.

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 used for members of TRS are identical to the assumptions employed in the August 31, 2019 TRS annual pension actuarial valuation:

- 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).

Health Care Trend Rates

The initial medical trend rates were 10.25 percent for Medicare retirees and 7.50 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50 percent over a period of 13 years.

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Actuarial Methods and Assumptions

Valuation Date	August 31, 2018, rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63%. as of August 31, 2019
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

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

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

G. Discount Rate

A single discount rate of 2.63 percent was used to measure the total OPEB liability. This was a decrease of 1.06 percent in the discount rate since the previous year. Because the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

H. Change of Assumptions Since the Prior Measurement Date

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

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

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I. Changes of Benefit Terms Since the Prior Measurement Date

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

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

The following presents the net OPEB liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower, 1.63 percent, or one-percentage point higher, 3.63 percent, than the AA/Aa rate.

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions			
	1% Decrease 1.63%	Current Single Discount Rate 2.63%	1% Increase 3.63%
District's Proportionate Share of the Net OPEB Liability	\$ 27,811,535	\$ 23,035,744	\$ 19,299,639

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

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

Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions			
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	\$ 18,791,752	\$ 23,035,744	\$ 28,720,745

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

The Net OPEB Liability of the TRS-Care program as a whole was last measured as of August 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District was assigned a proportion of TRS Care's Net OPEB Liability based on the District's contributions to the program relative to the contributions of all employers for the period September 1, 2018 through August 31, 2019.

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

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	Measurement Date		Change
	8/31/18	8/31/19	
District's Proportion of the Collective Net OPEB Liability	0.000372685897	0.000487103993	0.000114418096
District's Proportionate Share of the Net OPEB Liability	\$ 18,608,548	\$ 23,035,744	\$ 4,427,196
State's Proportionate Share of the Net OPEB Liability Associated with the District	24,989,678	30,609,352	5,619,674
Total OPEB Liability	<u>\$ 43,598,226</u>	<u>\$ 53,645,096</u>	<u>\$ 10,046,870</u>

At August 31, 2020, Cleveland Independent School District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,130,099	\$ 3,769,555
Changes in actuarial assumptions	1,279,456	6,196,050
Difference between projected and actual investment earnings	2,989	504
Change in proportion and difference between the employer's contributions and the proportionate share of contributions	8,932,046	-
Contributions paid to TRS subsequent to the measurement date	420,547	-
Total	<u>\$ 11,765,137</u>	<u>\$ 9,966,109</u>

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

Measurement Year Ended August 31,	OPEB Expense Amount
2020	\$ (113,505)
2021	(113,505)
2022	(114,309)
2023	(114,769)
2024	(114,643)
Thereafter	1,949,212

For the year ended August 31, 2020, Cleveland Independent School District recognized OPEB expense of \$1,331,515 and revenue of \$806,739 for support provided by the State.

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

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2020 and August 31, 2019, the subsidy payments received by TRS-Care on behalf of the District were \$215,045 and \$113,361, respectively.



CLEVELAND INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020

**12. FUND BALANCES**

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

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

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

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

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

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

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

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

**13. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

Type	General Fund	Debt Service Fund	Capital Projects Funds	Non-Major Governmental Funds	Internal Service Fund	Trust Funds	Total
Property Taxes	\$ 16,359,114	\$ 6,245,709	\$ -	\$ -	\$ -	\$ -	\$ 22,604,823
Investment Income	626,864	176,347	1,064,942	10,302	1,795	28	1,880,278
Rent	7,850	-	-	-	-	-	7,850
Gifts	561,103	-	-	-	-	-	561,103
Insurance Recovery	66,709	-	-	-	-	-	66,709
Food Sales	-	-	-	124,956	-	-	124,956
Athletics	31,724	-	-	-	-	-	31,724
Enterprising Revenues	1,917	-	-	113	-	-	2,030
Misc. Local Revenue	267,910	-	-	8,670	241,723	-	518,303
<b>Total</b>	<b>\$ 17,923,191</b>	<b>\$ 6,422,056</b>	<b>\$ 1,064,942</b>	<b>\$ 144,041</b>	<b>\$ 243,518</b>	<b>\$ 28</b>	<b>\$ 25,797,776</b>

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CLEVELAND INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2020

**14. UNEARNED REVENUE**

Unearned revenue at August 31, 2020 consisted of the following amounts:

Fund	State Grants
Non-Major Governmental Funds	\$ 88,197
Total	\$ 88,197

**15. RISK MANAGEMENT**

The District’s risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers’ compensation, and other miscellaneous bonds. During the year ended August 31, 2020, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

**16. COMMITMENTS AND CONTINGENCIES**

The District participates in a number of federal financial assistance programs. Although the District’s grant programs have been audited in accordance with the provisions of *Government Auditing Standards* and when applicable, the Uniform Guidance, for the year ended August 31, 2020, these programs are subject to financial and compliance audits performed by the specific grantors. These audits, if performed, could result in amounts of expenditures being disallowed by the granting agencies and subject to repayment. The District however expects that such amounts, if any, would be immaterial.

**17. SELF-INSURANCE FUND**

The District participates in a workers’ compensation plan through a Fixed Cost/Loss Fund Program administered by Claims Administrative Services, Inc (CAS). The District’s ultimate liability is the ending liability in its loss fund. CAS has excess insurance for the pool and the current self-insured retention is \$1 million.

A reconciliation of the estimated claim liability is as follows:

Year Ended August 31,	Beginning Liability	Estimated Current Year Claims	Claim Payments	Ending Liability
2017	\$ 202,865	\$ 218,450	\$ 113,505	\$ 307,810
2018	307,810	205,145	273,917	239,038
2019	239,038	275,854	211,071	303,820
2020	303,820	266,209	169,725	400,304

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**REQUIRED SUPPLEMENTARY INFORMATION**

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
TEACHER RETIREMENT SYSTEM  
FOR THE YEAR ENDED AUGUST 31, 2020

	Measurement Year			
	2019	2018	2017	2016
District's Proportion of the Net Pension Liability	0.0380607465%	0.0298757371%	0.0247555359%	0.0229515000%
District's Proportionate Share of the Net Pension Liability	\$ 19,785,166	\$ 16,444,331	\$ 7,915,487	\$ 8,673,039
State's Proportionate Share of the District Net Pension Liability	23,956,292	21,624,585	11,157,968	12,662,136
Total Pension Liability	<u>\$ 43,741,458</u>	<u>\$ 38,068,916</u>	<u>\$ 19,073,455</u>	<u>\$ 21,335,175</u>
District's Covered-Employee Payroll	\$ 36,711,515	\$ 29,348,914	\$ 23,989,275	\$ 21,501,503
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	53.89%	56.03%	33.00%	40.34%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	75.24%	73.74%	82.17%	78.00%

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

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

Measurement Year	
2015	2014

0.0202044000%    0.0123378000%

\$ 7,141,986    \$ 3,295,597

11,497,247	9,733,933
<u>\$ 18,639,233</u>	<u>\$ 13,029,530</u>

\$ 19,259,052    \$ 18,017,998

37.08%    18.29%

78.43%    83.25%

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS –  
TEACHER RETIREMENT SYSTEM  
FOR THE YEAR ENDED AUGUST 31, 2020

	Fiscal Year			
	2020	2019	2018	2017
Contractually Required Contribution	\$ 1,731,571	\$ 1,281,681	\$ 985,371	\$ 760,469
Contribution in Relation to the Contractually Required Contribution	<u>(1,731,571)</u>	<u>(1,281,681)</u>	<u>(985,371)</u>	<u>(760,469)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 45,767,519	\$ 36,711,515	\$ 29,348,914	\$ 23,989,275
Contributions as a Percentage of Covered- Employee Payroll	3.78%	3.49%	3.36%	3.17%

The amounts presented are as of the District's fiscal year end of August 31.

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



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Fiscal Year	
2016	2015
\$ 725,127	\$ 598,057
<u>(725,127)</u>	<u>(598,057)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 21,501,503	\$ 19,259,052
3.37%	3.11%

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY –  
 TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PLAN  
 FOR THE YEAR ENDED AUGUST 31, 2020

	Measurement Year		
	2019	2018	2017
District's Proportion of the Net Liability for Other Post Employment Benefits	0.0487103993%	0.0372685897%	0.0318529802%
District's Proportionate Share of the Net Post Employment Benefit Liability	\$23,035,744	\$18,608,548	\$13,851,666
State's Proportionate Share of the Net Post Employment Benefit Liability Associated with the District	30,609,352	24,989,678	18,624,069
Total Other Post Employment Benefits Liability	<u>\$ 53,645,096</u>	<u>\$ 43,598,226</u>	<u>\$ 32,475,735</u>
District's Covered Payroll	\$ 36,711,515	\$ 29,348,914	\$ 23,989,275
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	62.75%	63.40%	57.74%
Plan Fiduciary Net Position as a Percentage of the Total Net OPEB Liability	2.66%	1.57%	0.91%

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

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

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS –  
 TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PLAN  
 FOR THE YEAR ENDED AUGUST 31, 2020

	Fiscal Year			
	2020	2019	2018	2017
Contractually Required Contribution	\$ 420,547	\$ 316,798	\$ 232,960	\$ 151,445
Contribution in Relation to the Contractually Required Contribution	<u>(420,547)</u>	<u>(316,798)</u>	<u>(232,960)</u>	<u>(151,445)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 45,767,519	\$ 36,711,515	\$ 29,348,914	\$ 23,989,275
Contributions as a Percentage of Covered Payroll	0.92%	0.86%	0.79%	0.63%

The amounts presented are as of the District's fiscal year end of August 31.

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

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CLEVELAND INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2020

## Teacher Retirement System

### *Actuarial Assumptions*

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

### *Changes of Benefit Terms*

In May 2019, the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. These increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

### *Changes of Assumptions*

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

## Texas Public School Retired Employees Group Insurance Plan

### *Actuarial Assumptions*

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

### *Changes of Benefit Terms*

The General Appropriations Act passed by the 86<sup>th</sup> Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86<sup>th</sup> legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

### *Changes of Assumptions Since the Prior Measurement Date*

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

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent, as of August 31, 2019. This change increased the total OPEB liability (TOL).
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.

The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.

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**INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2020

Last 10 Years Ended August 31,		1		2		3	
		Tax Rates				Assessed/Appraised Value for School Tax Purposes	
		Maintenance		Debt Service			
2011	and prior years	Various		Various		Various	
2012		1.04000		0.27500	\$	710,410,722	
2013		1.04000		0.27500		714,875,011	
2014		1.04000		0.27500		757,768,745	
2015		1.04000		0.27500		850,307,008	
2016		1.04000		0.27500		932,700,302	
2017		1.04000		0.34000		1,071,937,872	
2018		1.04000		0.37500		1,191,258,516	
2019		1.04000		0.37500		1,393,607,710	
2020	(School year under audit)	0.97000		0.37500		1,655,512,193	
TOTALS							



	10	20	31	32	40	50
	Beginning Balance 9/1/19	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/20
\$	1,070,288	\$ -	\$ 31,647	\$ 8,368	\$ (91,717)	\$ 938,556
	216,718	-	7,253	1,918	(3,912)	203,635
	182,380	-	10,573	2,796	(5,529)	163,482
	167,198	-	16,010	4,233	(9,127)	137,828
	203,246	-	34,209	9,046	4,452	164,443
	229,564	-	48,521	12,830	8,821	177,034
	370,766	-	71,038	23,224	3,681	280,185
	525,315	-	85,736	30,915	(24,052)	384,612
	1,079,506	-	253,162	91,285	(113,868)	630,310
	-	22,266,639	15,139,421	5,852,869	163,418	1,428,648
\$	<u>4,044,981</u>	<u>\$ 22,266,639</u>	<u>\$ 15,697,570</u>	<u>\$ 6,037,484</u>	<u>\$ (67,833)</u>	<u>\$ 4,508,733</u>

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – CHILD NUTRITION FUND  
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget	
	Original	Final	Amounts (GAAP BASIS)		
<b>REVENUES</b>					
5700	Local & Intermediate Sources	\$ 143,600	\$ 135,100	\$ 144,041	\$ 8,941
5800	State Program Revenues	103,240	125,855	126,799	944
5900	Federal Program Revenues	4,290,000	3,790,000	4,031,868	241,868
5020	Total Revenues	<u>4,536,840</u>	<u>4,050,955</u>	<u>4,302,708</u>	<u>251,753</u>
<b>EXPENDITURES</b>					
0035	Food Services	4,298,340	5,146,617	3,831,817	1,314,800
0051	Facilities Maint. & Operations	238,500	200,000	190,245	9,755
6030	Total Expenditures	<u>4,536,840</u>	<u>5,346,617</u>	<u>4,022,062</u>	<u>1,324,555</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(1,295,662)</u>	<u>280,646</u>	<u>1,576,308</u>
1200	Net Change in Fund Balances	-	(1,295,662)	280,646	1,576,308
0100	Fund Balance-September 1 (Beginning)	1,862,784	1,862,784	1,862,784	-
3000	Fund Balance-August 31 (Ending)	<u>\$ 1,862,784</u>	<u>\$ 567,122</u>	<u>\$ 2,143,430</u>	<u>\$ 1,576,308</u>

CLEVELAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget	
	Original	Final	Amounts (GAAP BASIS)		
<b>REVENUES</b>					
5700	Local & Intermediate Sources	\$ 6,439,907	\$ 6,369,907	\$ 6,422,056	\$ 52,149
5800	State Program Revenues	1,572,168	3,806,171	3,806,171	-
5020	Total Revenues	8,012,075	10,176,078	10,228,227	52,149
<b>EXPENDITURES</b>					
Debt Service:					
0071	Principal on Long Term Debt	2,345,000	2,345,000	2,345,000	-
0072	Interest on Long Term Debt	5,382,561	7,606,739	7,606,739	-
0073	Bond Issuance Cost and Fees	284,514	284,514	282,763	1,751
6030	Total Expenditures	8,012,075	10,236,253	10,234,502	1,751
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(60,175)	(6,275)	53,900
<b>OTHER FINANCING SOURCES (USES)</b>					
7911	Capital-Related Debt Issued	-	16,945,000	16,945,000	-
7916	Prem. or Disc. on Issuance of Bonds	-	9,765,050	9,765,050	-
8949	Other (Uses)	-	(20,068,988)	(20,068,988)	-
7080	Total Other Finance Sources (Uses)	-	6,641,062	6,641,062	-
1200	Net Change in Fund Balances	-	6,580,887	6,634,787	53,900
0100	Fund Balance-September 1 (Beginning)	6,488,620	6,488,620	6,488,620	-
3000	Fund Balance-August 31 (Ending)	\$ 6,488,620	\$ 13,069,507	\$ 13,123,407	\$ 53,900

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CLEVELAND INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes		1 Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	\$ 1,464,283

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**FEDERAL AWARDS SECTION**

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of  
Cleveland Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cleveland Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Cleveland Independent School District's basic financial statements, and have issued our report thereon dated December 18, 2020.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cleveland Independent School District's internal control over financial reporting ("internal control") to determine the 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 Cleveland Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cleveland 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 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 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.

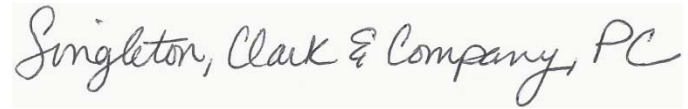
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cleveland 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 determination of financial statement amounts. 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*.

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## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive style and is set against a light beige rectangular background.

Singleton, Clark & Company, PC  
Cedar Park, Texas

December 18, 2020

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL  
FOR EACH MAJOR PROGRAM AS REQUIRED BY UNIFORM GUIDANCE AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Trustees of  
Cleveland Independent School District

### **Report on Compliance for Each Major Federal Program**

We have audited Cleveland Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cleveland Independent School District's major federal programs for the year ended August 31, 2020. Cleveland Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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

In our opinion, Cleveland Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

### **Report on Internal Control over Compliance**

Management of Cleveland Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cleveland Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cleveland Independent School District's internal control over compliance.

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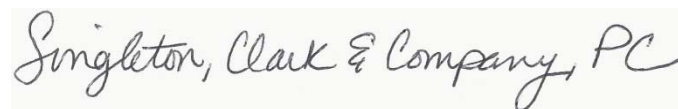
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by *Uniform Guidance***

We have audited the financial statements of Cleveland Independent School District as of and for the year ended August 31, 2020, and have issued our report thereon dated December 18, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Singleton, Clark & Company, PC  
Cedar Park, Texas

December 18, 2020

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CLEVELAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2020

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	1 Federal CFDA Number	2a Pass-Through Entity Identifying Number	3 Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed through Montgomery County and San Jacinto County</u>			
Impact Aid	84.041	20-146901	\$ 7,944
Total Passed through Montgomery County and San Jacinto County			<u>7,944</u>
<u>Passed through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101146901	1,420,304
ESEA, Title I, 1003, School Improvement Grant	84.010A	20610141146901	224,799
IDEA - Part B, Formula <sup>1</sup>	84.027A	206600011469016600	1,092,809
IDEA - Part B, Preschool <sup>1</sup>	84.173A	206610011469016610	22,001
IDEA - Part B, Discretionary - High Cost Fund <sup>1</sup>	84.027A	66002006	49,320
Career and Technical Education - Basic Grant	84.048A	20420006146901	68,685
Perkins Career Clusters	84.048A	184200557110008	22,616
ESEA, Title II, Part A - Supporting Effective Instruction	84.367A	20694501146901	156,352
Title III, Part A - English Lang. Acquisition and Enhancement	84.365A	20671001146901	247,453
ESSER Grant	84.425D	20521001146901	884,064
Texas Gear Up Grants	84.334S	195111017110001	227,960
Texas Gear Up Grants	84.334S	185111017110007	118,103
Instructional Continuity	84.377A	17610740146901	18,000
Texas Hurricane Homeless Youth	84.938B	19513701146901	5,500
Title IV, Part A, Subpart 1	84.424A	20680101146901	82,168
Restart for 2019 Flooding	84.938A	20511703146901	26,857
Total Passed through Texas Education Agency			<u>4,666,991</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>4,674,935</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed through Texas Education Agency</u>			
National School Breakfast Program <sup>2</sup>	10.553	71402001	794,774
National School Lunch Program <sup>2</sup>	10.555	71302001	2,986,127
Summer Feeding Program <sup>2</sup>	10.559	20-146901	522,699
Total Passed through Texas Education Agency			<u>4,303,600</u>
<u>Passed through Texas Department of Agriculture</u>			
Food Distribution Program - Non-Cash Assistance <sup>2</sup>	10.555	20-146901	250,967
Total Passed through Texas Department of Agriculture			<u>4,554,567</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>4,554,567</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<u>Direct Programs</u>			
Reserve Officers' Training Corps	12.000	20-146901	62,454
Total Direct Programs			<u>62,454</u>
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<u>62,454</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed through Texas Health and Human Services Commission</u>			
Medicaid Administrative Claiming (MAC)	93.778	529-07-0157-00165	37,856
Total Passed through Texas Health and Human Services Commission			<u>37,856</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>37,856</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 9,329,812</u>
<i>Not Considered Federal Financial Assistance:</i>			
School Health and Related Services (SHARS) Revenue			\$ 929,388
<b>TOTAL FEDERAL REVENUE PER STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE</b>			<u>\$ 10,259,200</u>

<sup>1</sup> Special Education (IDEA) Cluster as defined in OMB Compliance Supplement.

<sup>2</sup> Child Nutrition Cluster as defined in OMB Compliance Supplement.

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CLEVELAND INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2020

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal awards expenditures of Cleveland Independent School District (the “District”) under programs of the federal government for the year ended August 31, 2020. The information in the accompanying Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** - The expenditures on the accompanying schedule of expenditures of federal awards are presented using the modified accrual basis of accounting, with the exception of the National School Lunch Program, School Breakfast Program and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Expenditures for the National School Lunch Program, School Breakfast Program and the Food Distribution Program are shown on the accompanying schedule of expenditures of federal awards in an amount equal to the related revenue, but are not specifically attributable to this revenue source. Expenditures are reported in this manner due to the Child Nutrition Fund being a fund that combines local, state, and federal revenues, and spends those resources together to support the overall operations of the Child Nutrition Program.

**Relationship to Basic Financial Statements** - Expenditures of federal awards are reported in the District’s basic financial statements in the special revenue funds.

**Relationship to Federal Financial Reports** - Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports in all significant respects.

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CLEVELAND INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2020

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

**FINANCIAL STATEMENTS**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

**FEDERAL AWARDS**

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs:

National School Breakfast and Lunch Program	Unmodified
IDEA – Part B	Unmodified
ESSER	Unmodified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	National School Breakfast and Lunch Program
84.027A, 84.173A	IDEA – Part B
84.425D	ESSER

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

Auditee qualified as low-risk auditee?  Yes  No

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CLEVELAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED AUGUST 31, 2020

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

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

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2020 and 2019.

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

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

No findings or questioned costs required to be reported in accordance with federal Uniform Guidance for the years ended August 31, 2020 and 2019.