

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE**  
**YEAR ENDED AUGUST 31, 2020**



**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**  
**Annual Financial Report**  
**For the Year Ended August 31, 2020**

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**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
CERTIFICATE OF BOARD**

<u>Shelbyville Independent School District</u>	<u>Shelby</u>	<u>210-903</u>
Name of School District	County	County-District 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 9<sup>th</sup> day of November, 2020.

  
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**





Goff & Herrington, P.C.

A.J. Goff, CPA  
Ronnie Herrington, CPA  
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Certified Public Accountants

## Independent Auditor's Report

Members of the Board of Trustees  
Shelbyville Independent School District  
Shelbyville, Texas

### 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 Shelbyville Independent School District (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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## **Independent Auditor's Report**

Members of the Board of Trustees  
October 30, 2020  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Shelbyville Independent School District, as of August 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5–11, the budgetary comparison schedule on page 49, and the Teacher's Retirement System of Texas pension and OPEB schedules on pages 50–58, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining schedules and required Texas Education Agency (TEA) 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.

## **Independent Auditor's Report**

Members of the Board of Trustees

October 30, 2020

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The combining schedules, required TEA 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 schedules, required TEA 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 October 30, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

*Goff & Herrington, P.C.*

GOFF & HERRINGTON, P.C.

Certified Public Accountants

October 30, 2020

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## **SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Shelbyville Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

#### **FINANCIAL HIGHLIGHTS**

- ▶ The District's total combined net position was \$7,211,385 as of August 31, 2020.
- ▶ During the year ended August 31, 2020, the District's net position decreased by \$29,060.
- ▶ The District generated \$10,780,226 in taxes and other revenues from governmental activities.
- ▶ The total cost of the District's programs was \$10,809,286.
- ▶ The general fund reported a total fund balance this year of \$4,068,547, of which \$2,022,253 is unassigned.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual financial report consists of three parts - **management's discussion and analysis** (this section), the **basic financial statements**, and **required supplementary information**. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information further explains and supports the information in the financial statements.

#### **Government-wide Financial Statements**

The District's annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's finances. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide financial statements is the **Statement of Net Position**. This is the District wide statement of financial position presenting information that includes all of the District's assets, liabilities, and deferred outflows and inflows, with the difference reported as **net position**. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non financial factors such as changes to the District's tax base.

The second government-wide financial statement is the **Statement of Activities**, which reports how the District's net position changed during the current year. All current revenues and expenses are included regardless of when the cash is received or paid.

## **SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**

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The government-wide financial statements of the District include the governmental activities of the District. These are the basic services such as instruction, extracurricular activities, curriculum and staff development, health services, and administration. Property taxes, state aid, and federal grants finance most of these activities.

### **Fund Financial Statements**

The fund financial statements focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.

- ▶ The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- ▶ The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

- ▶ Some funds are required by State law and by bond covenants.
- ▶ The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

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

**Fiduciary funds** - The District is the trustee, or fiduciary, for money raised by student activities and an alumni scholarship program. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

The accompanying notes to the financial statements provide essential information to a full understanding of the government-wide and fund financial statements.

## SHELBYVILLE INDEPENDENT SCHOOL DISTRICT

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### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net Position.** The District's combined net position was \$7,211,385 as of August 31, 2020. The following table provides a summary of the District's net position.

#### The District's Net Position

	Governmental Activities		% Change
	2020	2019	
Current and Other Assets	5,218,574	5,038,663	3.6%
Capital and Non-Current Assets	8,847,424	8,815,810	0.4%
<b>Total Assets</b>	<b>14,065,998</b>	<b>13,854,473</b>	1.5%
Deferred Outflows	1,571,971	1,533,488	2.5%
<b>Total Deferred Outflows of Resources</b>	<b>1,571,971</b>	<b>1,533,488</b>	2.5%
Other Liabilities	651,912	604,713	7.8%
Long Term Liabilities	6,044,538	6,358,517	(4.9)%
<b>Total Liabilities</b>	<b>6,696,450</b>	<b>6,963,230</b>	(3.8)%
Deferred Inflows	1,730,134	1,184,286	46.1%
<b>Total Deferred Inflows of Resources</b>	<b>1,730,134</b>	<b>1,184,286</b>	46.1%
Net Position:			
Net Investment in Capital Assets	8,096,628	7,930,850	2.1%
Restricted	345,861	436,251	(20.7)%
Unrestricted	(1,231,104)	(1,126,656)	9.3%
<b>Total Net Position</b>	<b>7,211,385</b>	<b>7,240,445</b>	(0.4)%

The District's restricted net position of \$345,861 consists of \$12,518 restricted for food service, \$14,735 for state textbook fund, and \$318,608 restricted for debt service.

**Changes in net position.** The District's total revenues were \$10,780,226. A significant portion, 52.12 percent, of the District's revenue comes from state aid-formula grants. Property taxes represent 27.75 percent of the District's revenue. The rest of the District's revenue comes from federal operating grants, charges for services, investment earnings, and other local sources.

The total cost of all programs and services was \$10,809,286; 79.23 percent of these costs are for instructional and student services.

## **SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**

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### **Governmental Activities**

The following table provides a summary of the District's changes in net position.

#### **Changes in the District's Net Position**

<b>Revenues:</b>	Governmental Activities		
	2020	2019	% Change
Program Revenues:			
Charges for services	103,218	131,299	(21.4)%
Operating grants	1,055,001	777,681	35.7%
General Revenues:			
Property taxes	2,991,485	2,588,694	15.6%
State aid - formula	5,619,137	4,780,310	17.5%
Investment earnings	82,734	127,616	(35.2)%
Other general revenues	928,651	717,647	29.4%
<b>Total revenues</b>	<b>10,780,226</b>	<b>9,123,247</b>	<b>18.2%</b>
 <b>Expenses:</b>			
Instructional and instructional related	6,463,568	5,611,202	15.2%
Instructional and school leadership	574,024	534,146	7.5%
Counseling, health, transportation, and	1,651,632	1,618,655	2.0%
Food services	420,667	433,815	(3.0)%
General administration	303,817	291,213	4.3%
Plant maintenance and security	1,018,862	1,004,857	1.4%
Data processing services	256,144	236,881	8.1%
Debt services	20,261	23,942	(15.4)%
Payments to fiscal agent/member districts	28,433	23,867	19.1%
Other intergovernmental charges	71,878	87,948	(18.3)%
<b>Total expenses</b>	<b>10,809,286</b>	<b>9,866,526</b>	<b>9.6%</b>
 Increase (Decrease) in Net Position	(29,060)	(743,279)	(96.1)%
Beginning Net Position	<u>7,240,445</u>	<u>7,983,724</u>	<u>(9.3)%</u>
Ending Net Position	<b>7,211,385</b>	<b>7,240,445</b>	<b>(0.4)%</b>

## **SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**

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The District's 2020 maintenance and operations property tax rate of \$1.0294, decreased 7.26 percent from last year's rate of 1.11. The District's 2020 interest and sinking property tax rate of \$0.0560 decreased 11.81 percent from last year's rate of \$0.0635. Total property tax revenue increased 15.56 percent due to increased property valuations.

The cost of governmental activities may be summarized as follows:

- ▶ The cost of all governmental activities this year was \$10,809,286.
- ▶ The amount that our taxpayers paid for these activities through property taxes was \$2,991,485.
- ▶ Some of the cost was paid by those who directly benefitted from the programs (\$103,218), or
- ▶ By operating grants (\$1,055,001).

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

### **Net Cost of Selected District Functions**

	Total cost of services			Net cost of services		
	2020	2019	% Change	2020	2019	% Change
Instruction	6,137,630	5,305,644	15.7%	5,502,074	4,869,955	13.0%
Maintenance & operations	838,508	823,776	1.8%	838,508	823,776	1.8%
Cocurricular/extracurricular	877,333	917,783	(4.4)%	852,296	884,283	(3.6)%
Student transportation	585,729	558,634	4.9%	482,756	555,251	(13.1)%
Food Service	420,667	433,815	(3.0)%	121,498	30,771	294.8%

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$10,473,222, an increase of 17.53 percent from the preceding year. The increase was due to increases in local, state and federal program revenues.

The District's governmental funds ended the year with a reported combined fund balance of \$4,414,408, an increase of \$118,747 from last years ending balance of \$4,295,661.

## **SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**

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### **General Fund Budgetary Highlights**

Over the course of the year the District revised the operating budget as actual results were analyzed. Actual expenditures were \$242,439 below final budget amounts. The most significant positive variance results were in the instruction and facilities maintenance/operations functions as expenditures in these areas were less than expected.

Additionally reported total revenues were \$23,346 above the final budgeted amounts as local and intermediate sources and state and federal program revenues were more than anticipated.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of 2020, the District had invested \$24,837,344, less depreciation of \$15,989,920, in a broad range of capital assets, including land, school buildings, athletic facilities, instructional equipment, and school buses. The following table provides a summary of the District's capital assets.

**District's Capital Assets**  
(Net of depreciation)

	Governmental Activities		% Change
	2020	2019	
Land	100,961	100,961	0.0%
Buildings & improvements	8,062,419	8,278,536	(2.6)%
Equipment & vehicles	676,844	428,713	57.9%
Infrastructure	7,200	7,600	(5.3)%
Net capital assets	<u>8,847,424</u>	<u>8,815,810</u>	<u>0.4%</u>

Significant capital asset expenditures include baseball and softball field improvements, new roofing on the junior high, campus security upgrades, purchasing a new campus police vehicle, and purchasing three new buses.

More detailed information about the District's capital assets is presented in the notes to the financial statements. The District's fiscal year 2021 capital budget includes widening and expanding the existing campus driveways and making improvements to the field house. The District plans to pay for these projects using fund balance.

## **SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**

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### **Long-term Debt**

The following table provides a summary of the District's long-term debt.

**District's Long-term Debt**

	Governmental Activities		
	2020	2019	% Change
Series 2014 Refunding Bonds	705,000	830,000	(15.1)%
Total long term debt	705,000	830,000	(15.1)%

At year end the District had \$705,000 in school building bonds outstanding as shown above. The District's bonds presently carry very favorable ratings of "AAA" with Standard and Poors.

More detailed information about the District's debt is presented in the notes to the financial statements.

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

- ▶ Appraised values used for the 2021 budget preparation were \$249,242,339, an 11.81 percent decrease from 2020.
- ▶ The District's average daily attendance is expected to be 691 which is a 2.95 percent decrease from 2020.

These indicators were taken into account when adopting the general fund budget for 2021. Amounts available for expenditure in the general fund budget are \$9,134,122, a decrease of 0.82 percent from the final 2020 budget of \$9,209,754. The District will use these revenues to finance programs we currently offer.

Expenditures are budgeted to decrease 2.22 percent to \$9,060,301. If the budgeted estimates are realized, the District's budgetary general fund balance is expected to remain the same at the close of 2021.

### **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 demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information contact the District's Business Manager.

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## **Government-Wide Financial Statements**



**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2020**

Data Control Codes		<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>		
1110	Cash and cash equivalents	3,800,707
1120	Investments - current	1,131,797
1220	Property taxes receivable - delinquent	766,876
1230	Allowance for uncollectible taxes (credit)	(613,500)
1240	Due from other governments	132,694
Capital Assets:		
1510	Land	100,961
1520	Buildings, net	8,062,419
1530	Furniture and equipment, net	676,844
1590	Infrastructure, net	7,200
1000	Total assets	14,065,998
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1701	Deferred charge on refunding	13,291
1705	Deferred outflow related to TRS - Pension	1,093,075
	Deferred outflow related to TRS - OPEB	465,605
1700	Total deferred outflows of resources	1,571,971
<b>LIABILITIES</b>		
2140	Interest payable	1,121
2160	Accrued wages payable	330,749
2200	Accrued expenses	8,676
2300	Unearned revenue	311,366
Long Term Liabilities:		
2501	Due within one year	120,000
2502	Due after one year	644,087
2540	Net pension liability	2,279,085
2545	Net OPEB liability	3,001,366
2000	Total liabilities	6,696,450
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2605	Deferred inflow related to TRS - Pension	431,698
2606	Deferred inflow related to TRS - OPEB	1,298,436
2600	Total deferred inflows of resources	1,730,134
<b>NET POSITION</b>		
3200	Net investment in capital assets	8,096,628
3820	Restricted for Federal and State programs	27,253
3850	Restricted for debt service	318,608
3900	Unrestricted net position	(1,231,104)
3000	Total net position	7,211,385

The accompanying notes are an integral part of this statement

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

Data Control Codes		Expenses	<b>Program Revenues</b>	
			1	3
Governmental activities:			Operating Grants and Contributions	
11	Instruction	6,137,630	43,560	591,996
12	Instructional resources and media services	66,071	-	-
13	Curriculum and staff development	259,867	-	20,107
21	Instructional leadership	141,540	-	10,815
23	School leadership	432,484	-	-
31	Guidance, counseling, and evaluation services	94,202	-	-
32	Social work services	54	-	54
33	Health services	94,314	-	25,866
34	Student transportation	585,729	-	102,973
35	Food service	420,667	34,621	264,548
36	Cocurricular/extracurricular activities	877,333	25,037	-
41	General administration	303,817	-	-
51	Plant maintenance and operations	838,508	-	-
52	Security and monitoring services	180,354	-	38,642
53	Data processing services	256,144	-	-
72	Interest on long-term debt	19,455	-	-
73	Bond issuance cost and fees	806	-	-
93	Payments related to shared services arrangements	28,433	-	-
99	Other intergovernmental charges	71,878	-	-
TP	Total primary government	10,809,286	103,218	1,055,001
	Data Control Codes		General revenues:  Taxes:  MT              Property taxes, levied for general purposes DT              Property taxes, levied for debt service SF              State aid formula grants GC              Grants and contributions, not restricted to specific programs IE              Investment earnings MI              Miscellaneous TR              Total general revenues CN              Change in net position NB              Net position, beginning  NE              Net position, ending	

The accompanying notes are an integral part of this statement

<b>Program Revenues</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>
<b>5 Capital Grants and Contributions</b>	<b>Governmental Activities</b>
-	(5,502,074)
-	(66,071)
-	(239,760)
-	(130,725)
-	(432,484)
-	(94,202)
-	-
-	(68,448)
-	(482,756)
-	(121,498)
-	(852,296)
-	(303,817)
-	(838,508)
-	(141,712)
-	(256,144)
-	(19,455)
-	(806)
-	(28,433)
-	(71,878)
<b>-</b>	<b>(9,651,067)</b>
<hr/>	
	2,838,336
	153,149
	5,619,137
	880,498
	82,734
	48,153
	<hr/> <b>9,622,007</b>
	(29,060)
	<hr/> <b>7,240,445</b>
	<hr/> <b>7,211,385</b>

The accompanying notes are an integral part of this statement

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**Governmental Fund Financial Statements**



**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2020**

Data Control Codes		10	Other	98
		General Fund	Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
1110	Cash and cash equivalents	3,468,976	331,731	3,800,707
1120	Investments - current	1,098,151	33,646	1,131,797
1220	Property taxes receivable - delinquent	722,852	44,024	766,876
1230	Allowance for uncollectible taxes (credit)	(578,281)	(35,219)	(613,500)
1240	Due from other governments	682	132,012	132,694
1260	Due from other funds	106,279	-	106,279
1000	Total Assets	<u>4,818,659</u>	<u>506,194</u>	<u>5,324,853</u>
<b>LIABILITIES</b>				
2160	Accrued wages payable	297,920	32,829	330,749
2170	Due to other funds	-	106,279	106,279
2200	Accrued expenditures	6,114	2,562	8,676
2300	Unearned revenues	301,508	9,858	311,366
2000	Total Liabilities	<u>605,542</u>	<u>151,528</u>	<u>757,070</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601	Unavailable revenue - property taxes	144,570	8,805	153,375
2600	Total Inflows of Resources	<u>144,570</u>	<u>8,805</u>	<u>153,375</u>
<b>FUND BALANCES</b>				
Restricted fund balance:				
3450	Federal or State grants	-	27,253	27,253
3480	Retirement of long-term debt	-	318,608	318,608
Committed fund balance:				
3510	Construction	2,000,000	-	2,000,000
3540	Self insurance	46,294	-	46,294
3600	Unassigned fund balance	2,022,253	-	2,022,253
3000	Total Fund Balances	<u>4,068,547</u>	<u>345,861</u>	<u>4,414,408</u>
4000	Total Liabilities, Deferred Inflows and Fund Balances	<u>4,818,659</u>	<u>506,194</u>	<u>5,324,853</u>

The accompanying notes are an integral part of this statement

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

Total fund balances - governmental funds	4,414,408
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$23,871,068 and the accumulated depreciation was \$15,055,258. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the governmental funds. The net effect of including beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	7,930,850
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.	1,090,155
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$2,279,085, a deferred resource inflow related to TRS in the amount of \$431,698, and a deferred resource outflow related to TRS in the amount of \$1,093,075. This amounted to a decrease in net position in the amount of \$1,617,708.	(1,617,708)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$3,001,366, a deferred resource inflow related to TRS in the amount of \$1,298,436, and a deferred resource outflow related to TRS in the amount of \$465,605. This amounted to a decrease in net position in the amount of \$3,834,197.	(3,834,197)
5 The current depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(934,662)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position.	<u>162,539</u>
19 Net Position of governmental activities	<u><u>7,211,385</u></u>

The accompanying notes are an integral part of this statement

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

Data Control Codes		General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
5700	Total local and intermediate sources	3,015,466	196,315	3,211,781
5800	State program revenues	6,076,621	175,863	6,252,484
5900	Federal program revenues	141,013	867,944	1,008,957
5020	Total revenues	9,233,100	1,240,122	10,473,222
<b>EXPENDITURES</b>				
0011	Instruction	4,836,535	596,739	5,433,274
0012	Instructional resources and media services	58,571	-	58,571
0013	Curriculum and staff development	220,525	20,107	240,632
0021	Instructional leadership	128,652	10,815	139,467
0023	School leadership	395,013	-	395,013
0031	Guidance, counseling, evaluation services	85,048	-	85,048
0032	Social work services	-	54	54
0033	Health services	66,871	25,866	92,737
0034	Student transportation	688,053	102,973	791,026
0035	Food service	11,144	354,153	365,297
0036	Cocurricular/extracurricular activities	509,375	-	509,375
0041	General administration	283,539	-	283,539
0051	Plant maintenance and operations	900,942	26,786	927,728
0052	Security and monitoring services	202,649	38,642	241,291
0053	Data processing services	238,444	-	238,444
0071	Principal on long-term debt	-	125,000	125,000
0072	Interest on long-term debt	-	28,775	28,775
0073	Bond issuance costs and fees	-	806	806
0081	Facilities acquisition and construction	298,087	-	298,087
0093	Payments related to shared services	28,433	-	28,433
0099	Other intergovernmental charges	71,878	-	71,878
6030	Total expenditures	9,023,759	1,330,716	10,354,475
1100	Excess (deficiency) of revenues over expenditures	209,341	(90,594)	118,747
<b>OTHER FINANCING SOURCES (USES)</b>				
7915	Transfers in	-	204	204
8911	Transfers out	(204)	-	(204)
7080	Total other financing sources and uses	(204)	204	-
1200	Net change in fund balances	209,137	(90,390)	118,747
0100	Fund balance - September 1 (beginning)	3,859,410	436,251	4,295,661
3000	Fund balance - August 31 (ending)	4,068,547	345,861	4,414,408

The accompanying notes are an integral part of this statement

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

Net change in fund balances - governmental funds	118,747
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net position.	1,091,432
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(934,662)
Current year changes in amounts related to GASB 68 increased revenues in the amount of \$230,056, but also increased expenditures in the amount of \$516,303. The net effect on the change in the ending net position was a decrease in the amount of \$286,247.	(286,247)
Current year changes in amounts related to GASB 75 increased revenues in the amount of \$63,139, but also increased expenditures in the amount of \$104,442. The net effect on the change in the ending net position was a decrease in the amount of \$41,303.	(41,303)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position.	<u>22,973</u>
Change in net position of governmental activities	<u>(29,060)</u>

## **Fiduciary Fund Financial Statements**

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

	<b>Private Purpose Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	6,453	59,791
Investments - current	32,000	-
 Total Assets	 <u>38,453</u>	 <u>59,791</u>
<b>LIABILITIES</b>		
Due to student groups	-	59,791
 Total Liabilities	 <u>-</u>	 <u>59,791</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>38,453</u>	
 Total Net Position	 <u>38,453</u>	

The accompanying notes are an integral part of this statement

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

	<b><u>Private Purpose Trust Fund</u></b>
<b>ADDITIONS:</b>	
Local and Intermediate Sources	<u>3,357</u>
Total Additions	<u>3,357</u>
<b>DEDUCTIONS:</b>	
Scholarship Awarded	<u>3,557</u>
Total Deductions	<u>3,557</u>
Change in Net Position	(200)
Total Net Position - September 1 (Beginning)	<u>38,653</u>
Total Net Position - August 31 (Ending)	<u>38,453</u>

The accompanying notes are an integral part of this statement

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**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2020**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. FINANCIAL REPORTING ENTITY**

Shelbyville Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board; and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

Because the Board is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) in its statement No. 14, "The Financial Reporting Entity," including subsequent revisions. There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Government-wide Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities. Individual funds are not displayed but the statements present Governmental Activities which include programs supported by ad valorem taxes, state aid formula grants, and federal grants.

The statement of activities reports the expenses of the District's functions offset by program revenues directly connected with the function. A function is a general operational area in the District that groups together similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the function. Program revenues include: (1) charges for services which report charges to users of the District's services such as tuition paid by students not residing in the District, athletic gate receipts and school lunch charges; and (2) operating grants and contributions which finance annual operating activities of the District such as the Elementary and Secondary Education Act. Taxes, state aid formula grants, and other revenue sources not properly included with program revenues are reported as general revenues.

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2020**

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

**Fund Financial Statements**

Fund financial statements provide reports on the financial condition and results of operations for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. Interfund activity between governmental funds appear as due to/from on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grant revenues are recognized when allowable expenditures are made under the provisions of the grant.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for unmatured bond principal and interest on long-term debt, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, state aid formula grants, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2020**

The District does not allocate general administration or support services expenses to other functions. Depreciation expense for buildings that house District staff serving different functions is included in the direct expenses of the appropriate functions.

**D. FUND TYPES AND MAJOR FUNDS**

The District accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The District has established several individual funds that are organized within a separate set of self-balancing accounts comprised of assets, liabilities, fund balance, revenues, and expenditures or expenses as appropriate. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. District accounts are organized into funds as described below:

**Major Governmental Funds:**

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

**Non Major Governmental Funds:**

**Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some State financial assistance is accounted for in a special revenue fund. Sometimes any unused balances must be returned to the grantor at the close of the specified project periods.

**Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt.

**Other Fund Types:**

**Private Purpose Trust Fund** - The District accounts for donations for which the donor has stipulated that both the principal and income may be used for purposes that benefit parties outside the District. The District's private purpose trust fund is a scholarship fund.

**Agency Fund** - The District accounts for resources held for others in a custodial capacity in the agency fund. The District's agency fund is used to account for the activities of student groups and other organizational activities.

**E. OTHER ACCOUNTING POLICIES**

**Capital Assets and Depreciation** - The District's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2020**

wide financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with a cost of \$5,000 or more as purchases or construction occurs. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight line method. The District has elected not to report major general infrastructure assets retroactively. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded. Estimated useful lives, in years, for capital assets are as follows:

Buildings	15-30
Improvements (including infrastructure)	15-30
Transportation equipment	5-10
Furniture, fixtures, and equipment	5-10

The governmental fund financial statements recognize capital outlay as an expense of the current period. Proceeds from the sale of capital assets are reported as miscellaneous revenues when received.

**Long-Term Debt** - In the government-wide financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period and principal and interest payments are recognized as an expense of the current period.

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

**Pensions** - The fiduciary net position of the Teachers 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 the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2020**

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

**Net Position and Fund Balance** - Net position in the statement of net position include components that are restricted for use in a federal or state program, to pay debt service on capital related debt or for use in food service operations.

Unassigned fund balance in the governmental funds financial statements represents that portion of fund balance that is available for budgeting in future operations. The assigned fund balance represents fund balance that has been implicitly assigned as it is accounted for in particular funds, other than the general fund. Committed fund balance represents amounts approved by the Board of Trustees. Restricted fund balance is that portion of fund balance which is not available for appropriation or which has been legally separated for specific purposes. The General Fund commits \$2,000,000 for construction and \$46,294 for self insurance. The Special Revenue Fund restricts \$12,518 for the food service operations, \$14,735 for instructional materials. The Debt Service Fund restricts \$318,608 for retirement of long-term debt.

**Compensated Absences** - The District does not pay any employees accrued sick leave or vacation time upon termination or retirement. Therefore, no liability for accrued sick leave or vacation time is recorded in the government-wide or governmental fund financial statements.

**Fund Balance Policy** - The District reports fund balances for governmental funds in classifications based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The nonspendable classification represents assets that will be consumed or maintained intact; and, therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the restricted classification. The nature of these two classifications precludes a need for a policy from the Board. However, the Board has adopted fund balance policies for the three unrestricted classifications-committed, assigned, and unassigned.

The District's restricted fund balances represent amounts for retirement of long term debt, self insurance and for operation of the food service program.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures are charged to restricted balances. When the District incurs expenditures

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2020**

that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed, assigned and then unassigned.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Data Control Codes** - These codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.

**F. BUDGETARY DATA**

The Board of Trustees adopts an annual budget consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and the Food Service Fund (which is included in the Special Revenue Funds.) The District is required to present the adopted and final budgeted revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the budgetary comparison schedules.

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meeting. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end. During the fiscal year ended August 31, 2020, the District made significant amendments to the instruction, plant maintenance and operations, and capital outlay functions, which increased overall appropriations over the original budget.
4. Each budget is monitored by the business manager at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2020**

**DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

**Legal and Contractual Provisions Governing Deposits and Investments.** The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market saving accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

**Policies Governing Deposits and Investments.** In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. The policy addresses the following risks:

**Deposits**

**Custodial Credit Risk** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is that the funds of the District must be deposited under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The District's cash deposits 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.

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2020**

The District was not exposed to custodial credit risk during the year as all deposits were covered by depository insurance or by pledged collateral as follows:

1. Depository: Farmers State Bank, Center, Texas
2. The market value of securities pledged as of the date of the highest combined balance on deposit was \$3,103,732.
3. The highest combined balances of cash, savings, and time deposit accounts amounted to \$2,962,334 and occurred during the month August, 2020.
4. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

**Investments**

**Credit Risk** - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The District was not exposed to credit risk at August 31, 2020.

**Custodial Credit Risk** - Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the District. The District was not exposed to custodial credit risk at August 31, 2020.

**Interest Rate Risk** - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District was not exposed to interest rate risk at August 31, 2020.

**Concentration of Credit Risk** - This is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The District was not exposed to concentration of credit risk at August 31, 2020.

**Foreign Currency Risk** - This is the risk that exchange rates will adversely affect the fair value of an investment. The District was not exposed to foreign currency risk at August 31, 2020.

The District's temporary investments as of August 31, 2020, which are included as current investments, were in certificates of deposit at the District's local depository in the amount of \$1,098,151 in the General Fund and \$32,000 in the Private Purpose Trust Fund. The District also reported temporary investments in the amount of \$33,646 in the Debt Service Fund that were in investment pools.

The District's remaining deposits with investment pools are included in cash and cash equivalents. This amounted to \$2,397,676 with TexPool, TexStar, and Lone Star (First Public) Investment Pool (Pools) as of August 31, 2020.

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2020**

The investment pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of the District's funds in authorized short-term investments.

The investment in the Pools are based on contractual agreements and not the individual security itself, therefore, the District's investment in the Pools are not categorized as to credit risk. The market value of the Pools are based on quoted market values of underlying investments of the Pools. Authorized investments include obligations of the United States, or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its agencies and instrumentalities; and other investments authorized by statutes governing public funds investment pools.

The Pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the shares in the pool. The purpose of the Pools is to allow for the pooling of public funds to provide a higher yield on the pooled investments than would be possible with the investment of the individual public entity's funds. The investments in the Pools and any accrued interest may be redeemed at the District's discretion.

Financial reports issued by Lone Star Investment Pool may be obtained by contacting First Public, LLC, a subsidiary of the Texas Association of School Boards (TASB), 7620 Guadalupe, Austin, Texas 78752. Financial reports issued by TexPool maybe obtained by contacting TexPool Participant Services, c/o Federated Investors, Inc., 1001 Texas Avenue, Suite 1400, Houston, Texas 77002. Financial reports issued by TexStar may be obtained by contacting TexStar Participant Services, c/o First Southwest Asset Management, 325 North St. Paul, Suite 800, Dallas, Texas 75201.

The Pools are not registered with the SEC, however the State Comptroller of Public Accounts exercises oversight responsibility over TexPool, TASB exercises oversight responsibility over Lone Star and TexStar is governed by a board of directors, with JP Morgan Fleming Asset Management, Inc. acting as the investment manager and First Southwest Asset Management, Inc. serving as customer service and marketing agent.

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**B. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUES**

**Property Tax Calender, Property Tax Receivables, and Unavailable Revenue**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. In the governmental fund financial statements, property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Delinquent tax collections are prorated between maintenance and debt service based on rates adopted for year of the levy. Delinquent taxes receivable not paid within 60 days of year end, are recorded as deferred inflows of resources, net of an estimated allowance for uncollectible taxes. Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In the government-wide financial statements, property taxes receivable, net of an allowance for uncollectible taxes, and related revenue include all amounts due the District regardless of when the cash is received.

**Due From/To Other Governments and Unavailable Revenues**

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

Amounts due from federal and state governments as of August 31, 2020 are summarized as follows:

Fund	State Entitlements	Federal Grants	State Grants	Total
General Fund	682	-	-	682
Special Revenue Funds	-	65,235	66,777	132,012
	<b>682</b>	<b>65,235</b>	<b>66,777</b>	<b>132,694</b>

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Unearned revenues from federal, state, and other governments as of August 31, 2020 are summarized below:

	General Fund	Debt Service Fund	Total
Unearned Revenues - Allotment settle-up	<u>301,508</u>	<u>9,858</u>	<u>311,366</u>

Deferred inflows of resources at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Unavailable Revenues - Property Taxes	<u>144,570</u>	<u>8,805</u>	<u>153,375</u>

**C. INTERFUND BALANCES AND TRANSFERS**

Interfund due to/from balances at August 31, 2020 consisted of the following amounts:

Amounts due to General Fund from Other Governmental Funds:

Special revenue funds	<u>106,279</u>
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Interfund transfers for the year ended August 31, 2020 consisted of the following amounts:

Transfers to Other Governmental Funds from General Fund:

Food service fund	<u>204</u>
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Transfers are periodically used to move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**D. DISAGGREGATION OF RECEIVABLES**

The District disaggregates significant components of receivables in the financial statements. The only receivables not expected to be collected within one year is \$613,500 of delinquent property taxes.

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**E. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	100,961	-	-	100,961
Buildings and improvements	20,973,234	530,586	-	21,503,820
Vehicles and equipment	2,749,369	435,690	-	3,185,059
Infrastructure	<u>47,504</u>	<u>-</u>	<u>-</u>	<u>47,504</u>
Totals at cost	<u>23,871,068</u>	<u>966,276</u>	<u>-</u>	<u>24,837,344</u>
Less accumulated depreciation:				
Buildings and improvements	12,694,698	746,703	-	13,441,401
Vehicles and equipment	2,320,656	187,559	-	2,508,215
Infrastructure	<u>39,904</u>	<u>400</u>	<u>-</u>	<u>40,304</u>
Total accumulated depreciation	<u>15,055,258</u>	<u>934,662</u>	<u>-</u>	<u>15,989,920</u>
Governmental activities capital assets, net	<u>8,815,810</u>	<u>31,614</u>	<u>-</u>	<u>8,847,424</u>

Depreciation was charged to governmental functions as follows:

Instruction	295,682
Instructional Resources	6,147
Curriculum Development	1,966
Instructional Leadership	2,073
School Leadership	7,789
Counseling	2,948
Health Services	224
Student Transportation	135,115
Food Services	33,246
Cocurricular/Extracurricular	405,368
General Administration	7,862
Plant Maintenance	25,506
Security	6,805
Data Processing	<u>3,931</u>
Total depreciation expense	<u>934,662</u>

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**F. LONG-TERM DEBT**

In prior years, the District, as authorized by Texas Education Code Section 45.003, authorized the issuance of Unlimited Tax School Building, Current Refunding Bonds, and Advanced Refunding Bonds to provide funds for the construction, acquisition, and purchasing of equipment for new school buildings, and to refund older bonds.

In 2014, the District issued \$1,315,000 of unlimited tax refunding bonds plus premium to provide the resources to current refund prior years bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$28,444. This amount is included on the government-wide statement of net position and is amortized over the new debt's life. The sale of the Series 2014 bond issue also resulted in a premium received, which is being amortized over the life of the bond.

Unlimited tax bonds currently outstanding are as follows:

Series 2014 issued in the original amount of \$1,315,000. Interest rates range from 2.00% to 4.00%. The bonds final maturity is February 15, 2025.

Long term liability activity for the year ended August 31, 2020 was as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Bonds payable:					
2014 Advanced Refunding	830,000	-	125,000	705,000	120,000
Total long term debt payable	830,000	-	125,000	705,000	120,000
Unamortized Bond Premium	70,905	-	11,818	59,087	-
<b>Total long term liabilities</b>	<b>900,905</b>	<b>-</b>	<b>136,818</b>	<b>764,087</b>	<b>120,000</b>

Annual debt service requirements to maturity for the District's bonds are as follows:

Year Ending August 31,	Principal	Interest	Total
2021	130,000	24,950	154,950
2022	135,000	20,300	155,300
2023	140,000	14,800	154,800
2024	145,000	9,100	154,100
2025	155,000	3,100	158,100
Thereafter	-	-	-
<b>Totals</b>	<b>705,000</b>	<b>72,250</b>	<b>777,250</b>

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**G. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

For the year ended August 31, 2020, revenues from local and intermediate sources reported in the governmental funds consisted of the following:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
Property Taxes	2,776,289	-	151,597	2,927,886
Food Sales	-	34,621	-	34,621
Investment Income	75,906	1,006	5,822	82,734
Penalties, interest, and other tax related	49,791	-	3,269	53,060
Tuition	43,560	-	-	43,560
Co-curricular student activities	24,452	-	-	24,452
Other	45,468	-	-	45,468
<b>Total</b>	<b>3,015,466</b>	<b>35,627</b>	<b>160,688</b>	<b>3,211,781</b>

**H. PENSION PLAN AND RETIREE HEALTH PLAN**

**Defined Benefit Pension Plan**

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

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

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/TRS%20Documents/cafr2019>, selecting *About TRS the Publications* then *Financial Reports*, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698..

**Benefits Provided.** TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The

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pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

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

**Contributions.** Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2020 through 2025.

	2020	2019
Member	7.70%	7.70%
Non-Employer Contribution Rate (State)	7.50%	6.80%
Employers	7.50%	6.80%
District's 2020 Employer Contributions	\$ 180,790	
District's 2020 Member Contributions	\$ 438,192	
District's 2020 NECE On-Behalf Contributions	\$ 271,806	

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Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

During a new member's first 90 days of employment.

When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

When the employing District is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in the fiscal year 2019.

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

When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

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**Actuarial Assumptions.** The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial 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 Investment Rate of Return	7.25%
Municipal Bond Rate	2.63%*
Inflation	2.30%
Salary Increases	3.05% to 9.05%, including inflation
Last Year Ending 8/31 in Projection Period	2116 (100 years)
Ad hoc Post Employment Benefit Changes	None

\* - *Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with the 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

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

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

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

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

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return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	Target Allocation*	New Target Allocation**	Long-Term Expected Geometric Real Rate of Return***
<b>Global Equity</b>			
U.S.	18%	18%	6.4%
Non-U.S. Developed	13%	13%	6.3%
Emerging Markets	9%	9%	7.3%
Directional Hedge Funds	4%	0%	0%
Private Equity	13%	14%	8.4%
<b>Stable Value</b>			
U.S. Treasuries****	11%	16%	3.1%
Absolute Return	0%	0%	0%
Stable Value Hedge Funds	4%	5%	4.5%
<b>Real Return</b>			
Global Inflation Linked Bonds****	3%	0%	0%
Real Assets	14%	15%	7.3%
Energy and Natural Resources	5%	6%	0%
Commodities	0%	0%	0%
<b>Risk Parity</b>			
Risk Parity	5%	8%	5.8%/6.5% *****
<b>Leverage</b>			
Cash	1%	2%	2.5%
Asset Allocation Leverage	-	-6.0%	2.7%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>7.23%</b>

\* Target allocations are based on the Strategic Asset Allocation as of FY2019

\*\* New allocations are based on the Strategic Allocation to be implemented FY2020

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

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

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

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	\$3,503,284	\$2,279,085	\$1,287,247

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**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2020, the District reported a liability of \$2,279,085 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District.

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

District's Proportionate share of the collective net pension liability	\$2,279,085
State's proportionate share that is associated with the District	<u>4,036,985</u>
Total	<u><u>\$6,316,070</u></u>

The net pension liability was measured as of August 31, 2018 and rolled forward to 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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was .004384%, which was an increase of 2.25% from its proportion measured as of August 31, 2018.

**Changes Since the Prior Actuarial Valuation -** The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- 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 in the actuarial assumptions.
- The Texas 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.

For the year ended August 31, 2020, the District recognized pension expense of \$634,153 and revenue of \$271,806 for support provided by the State in the Government-wide Statement of Activities.

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At August 31, 2020, the 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	\$9,574	\$79,133
Changes in actuarial assumptions	707,084	292,201
Difference between projected and actual investment earnings	22,884	-
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	172,743	60,364
Contributions paid to TRS subsequent to the measurement date	180,790	-
<b>Total</b>	<b>\$1,093,075</b>	<b>\$431,698</b>

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

Year Ended August 31:	Pension Expense Amount
2021	\$311,880
2022	103,253
2023	114,999
2024	109,437
2025	40,730
Thereafter	(18,922)

## **I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

### **Other Post -Employment Benefit Plan (OPEB)**

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

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

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

**TRS-Care Plan Premium Rates**  
Effective January 1, 2019 - December 31, 2019

	<b>Medicare</b>	<b>Non-Medicare</b>
Retiree (or surviving spouse)	\$135	\$200
Retiree and spouse	\$529	\$689
Retiree or surviving spouse and	\$468	\$408
Retiree and family	\$1,020	\$999

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer

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contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	2020	2019
Member	0.65%	0.65%
Non-Employer Contribution Rate (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
District's 2020 Employer Contributions	\$ 52,566	
District's 2020 Member Contributions	\$ 36,990	
District's 2020 NECE On-Behalf Contributions	\$ 59,848	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

In addition to the pension plan and TRS-Care state contributions on behalf of the District, the District is allocated a portion of the Medicare Part D retiree drug subsidy that TRS-Care receives. The amounts allocated on behalf of the District were \$27,262, \$19,834, and \$16,152 for the years ended August 31, 2020, 2019, and 2018, respectively.

**Actuarial Assumptions.** The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

Rates of Mortality, Rates of Retirement, Rates of Termination, Rates of Disability Incidence, General Inflation, Wage Inflation, Expected Payroll Growth

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2020**

Additional 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
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 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expense related to the delivery of health care benefits are included in the age adjusted-claims cost.
Salary Increases	3.05% to 9.05%, including inflation
Ad hoc Post Employment Benefit	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.

**Discount Rate.** A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06 percent in the discount rate since the previous year. The Discount Rate can be found in the 2019 TRS CAFR on page 70. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2020**

**Discount Rate Sensitivity Analysis** The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.63%)	Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of the OPEB liability:	\$3,623,611	\$3,001,366	\$2,514,582

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

	1% Decrease in Health Care Cost Trend Rate	Current Health Care Cost Trend Rate	1% Increase in Health Care Cost Trend Rate
District's proportionate share of the OPEB liability:	\$2,448,409	\$3,001,366	\$3,742,074

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At August 31, 2020, the District reported a liability of \$3,001,366 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective OPEB liability	\$3,001,366
State's proportionate share that is associated with the District	<u>3,988,143</u>
<b>Total</b>	<b><u>\$6,989,509</u></b>

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to 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 employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was 0.006347% which is an increase of 2.31 percent from the proportion measured as of August 31, 2018.

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2020**

**Changes Since the Prior Actuarial Valuation.** The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) since the prior measurement period:

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the 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 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.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized an OPEB expense of \$105,111 and revenue of \$59,848 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$147,242	\$491,142
Changes in actuarial assumptions	166,702	807,294
Difference between projected and actual investment earnings	323	-
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	98,772	-
Contributions paid to TRS subsequent to the measurement date	52,566	-
<b>Total</b>	<b>\$465,605</b>	<b>\$1,298,436</b>

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2020**

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

Year Ended August 31:	Pension Expense Amount
2021	(\$100,400)
2022	(152,966)
2023	(153,071)
2024	(153,131)
2025	(153,116)
Thereafter	(120,147)

**J. HEALTH CARE COVERAGE**

During the year August 31, 2020, employees of the District were covered by a state wide health care program known as TRS-Active Care. TRS-Active Care is administered by the Teacher Retirement System of Texas. The District contributed \$275 per month per employee to TRS, and employees, at their option, authorized payroll withholdings to fund contributions for dependents.

**K. SELF-FUNDED WORKERS' COMPENSATION**

The District has joined together with other area districts to form a self-insurance workers' compensation risk pool (Pool). Claims administration and processing for the Pool is provided by Claim Administrative Services, Inc. The agreement for the formation of the Pool provides that the Pool will be self sustaining through member premiums and will reinsurance through commercial insurance companies for claims in excess of \$500,000 for each insured event, with an unlimited aggregate. The Pool contracts with Midwest Employers Casualty Company for reinsurance.

The District's administrative expenses for the years ended August 31, 2020 and 2019 were \$21,785 and \$21,480, respectively. The claims administrator estimates the District's annual loss maximum to be \$64,499 at August 31, 2020. Estimated total claims liability for the years ended August 31, 2020 and 2019, including estimated claims incurred by not reported, amount to \$46,294 and \$50,275.

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2020**

The estimated total liability for workers' compensation claims incurred but not reported claims amounted to \$19,389 and \$21,425 for 2020 and 2019, respectively.

	2020	2019
Claims liability, beginning of year	50,275	63,728
Incurred claims:		
Provision for insured events of current year	6,306	13,677
Increase (Decrease) in provision for insured events of prior years	(2,975)	(7,973)
Total incurred claims	<u>3,331</u>	<u>5,704</u>
Payments:		
Claims expenses attributable to insured events of current year	263	968
Claims expenses attributable to insured events of prior years	<u>7,049</u>	<u>18,189</u>
Total payments	<u>7,312</u>	<u>19,157</u>
Total unpaid claims at the end of the year	<u>46,294</u>	<u>50,275</u>

**L. LITIGATION AND CONTINGENCIES**

The District participates in numerous State and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the ability to collect any related receivable at August 31, 2020 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**M. JOINT VENTURE - SHARED SERVICE ARRANGEMENTS**

**Career and Technology:**

The District participates in a shared services arrangement (SSA) for a Career and Technology grant consortium with four other school districts. The District does not account for revenues or expenditures in this SSA and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Joaquin ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor liabilities that would give rise to future additional benefit or burden to the District. The fiscal manager is responsible for all financial activities of the SSA. Presented below are the revenues and expenditures attributable to the District's participation in the SSA:

Revenues:	5929	Federal revenue distributed by TEA	11,594
Expenditures:	6329	Certification tests	2,085
	6399	Capital outlay	9,509

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2020**

**Alternative Education Program:**

The District participates with other school districts in an alternative education program for its students under disciplinarian action. Center ISD acts as the fiscal agent and each member pays a prorated share based on enrollment.

**N. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended August 31, 2020, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**O. UNCERTAINTY DUE TO COVID-19**

The outbreak of coronavirus (COVID-19) in early 2020 was declared a pandemic by the World Health Organization. On March 13, 2020, the governor of Texas declared a state of emergency for all Texas counties, which resulted in state-wide school closings that lasted through the conclusion of the 2019-2020 school year. The total impact of COVID-19 on the District's operational and financial performance is unknown, but may result in decreased revenues due to property valuation declines, reduced attendance, reduced state aid, or combinations thereof. Management will continue to monitor COVID-19 and its impact on the District and the community.

## **Required Supplementary Schedules**



**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes		Budgeted Amounts		Variance	
		Original	Final	Actual Amounts	With Final Budget
				(Budgetary Basis)	Positive (Negative)
<b>REVENUES:</b>					
5700	Local and intermediate sources	2,971,270	3,008,285	3,015,466	7,181
5800	State program revenues	6,240,397	6,072,219	6,076,621	4,402
5900	Federal program revenues	95,000	129,250	141,013	11,763
5020	Total revenues	9,306,667	9,209,754	9,233,100	23,346
<b>EXPENDITURES:</b>					
0011	Instruction	4,765,254	4,905,795	4,836,535	69,260
0012	Instructional resources and media services	61,254	62,243	58,571	3,672
0013	Curriculum and staff development	245,391	226,191	220,525	5,666
0021	Instructional leadership	134,219	134,219	128,652	5,567
0023	School leadership	403,764	401,275	395,013	6,262
0031	Guidance, counseling, and evaluation services	93,992	87,992	85,048	2,944
0033	Health services	56,957	69,573	66,871	2,702
0034	Student transportation	738,406	693,906	688,053	5,853
0035	Food services	12,303	12,303	11,144	1,159
0036	Cocurricular/extracurricular activities	550,379	534,688	509,375	25,313
0041	General administration	332,380	311,380	283,539	27,841
0051	Plant maintenance and operations	1,366,846	978,424	900,942	77,482
0052	Security and monitoring services	202,257	206,457	202,649	3,808
0053	Data processing services	241,265	241,665	238,444	3,221
0081	Capital outlay	-	298,087	298,087	-
0093	Payments related to shared services arrangements	30,000	30,000	28,433	1,567
0099	Other intergovernmental charges	72,000	72,000	71,878	122
6030	Total expenditures	9,306,667	9,266,198	9,023,759	242,439
1100	Excess (deficiency) of revenues over expenditures	-	(56,444)	209,341	265,785
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers in	-	-	-	-
8911	Transfers out	-	(500)	(204)	296
7080	Total other financing sources (uses)	-	(500)	(204)	296
1200	Net change in fund balances	-	(56,944)	209,137	266,081
0100	Fund balance - September 1 (beginning)	3,859,410	3,859,410	3,859,410	-
3000	Fund balance - August 31 (ending)	3,859,410	3,802,466	4,068,547	266,081

The accompanying notes are an integral part of this statement

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS RETIREMENT SYSTEM  
FOR THE YEAR ENDED AUGUST 31, 2020**

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	FY 2020 <u>Plan Year 2019</u>	FY 2019 <u>Plan Year 2018</u>
District's Proportion of the Net Pension Liability (Asset)	0.00004384	0.00004288
District's Proportionate share of the Net Pension Liability (Asset)	\$ 2,279,085	\$ 2,360,385
State's Proportionate share of the Net Pension Liability (Asset) associated with the District	<u>4,036,985</u>	<u>4,314,029</u>
<b>TOTAL</b>	<b>\$ 6,316,070</b>	<b>\$ 6,674,414</b>
District's Covered Payroll	\$ 5,344,073	\$ 5,123,366
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	42.65%	46.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
<u>Plan Year 2017</u>	<u>Plan Year 2016</u>	<u>Plan Year 2015</u>	<u>Plan Year 2014</u>
0.00004359	0.00004576	0.00004711	0.00002957
\$ 1,393,651	\$ 1,729,094	\$ 1,665,311	\$ 789,855
<u>2,689,255</u>	<u>3,464,209</u>	<u>3,278,543</u>	<u>2,751,946</u>
<u>\$ 4,082,906</u>	<u>\$ 5,193,303</u>	<u>\$ 4,943,854</u>	<u>\$ 3,541,801</u>
 \$ 5,162,239	 \$ 5,346,066	 5,083,997	 \$ 4,826,946
27.00%	32.34%	32.76%	16.36%
82.17%	76.23%	78.43%	83.25%

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS  
TEACHERS RETIREMENT SYSTEM  
FOR FISCAL YEAR 2020**

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	<u>2020</u>	<u>2019</u>
Contractually Required Contribution	\$ 180,790	\$ 153,419
Contribution in Relation to Contractually Required Contribution	<u>(180,790)</u>	<u>(153,419)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 District's Covered Payroll	 \$ 5,690,799	 \$ 5,344,073
Contributions as a Percentage of Covered Payroll	3.18%	2.87%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$	143,815	142,847	145,381	89,559
	(143,815)	(142,847)	(145,381)	(89,559)
\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	5,123,366	5,162,239	5,346,066	5,083,997
	2.81%	2.77%	2.72%	1.76%

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**TEACHERS RETIREMENT SYSTEM OF TEXAS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

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District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits

District's Proportionate share of the Net Post Employment Benefit Liability (Asset)

State's Proportionate share of the Net Post Employment Benefit Liability (Asset)  
associated with the District

**TOTAL**

District's Covered Payroll

District's Proportionate Share of the Net Pension Liability (Asset)  
as a percentage of its Covered Payroll

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2020 <u>Plan Year 2019</u>	FY 2019 <u>Plan Year 2018</u>	FY 2018 <u>Plan Year 2017</u>
0.00006347	0.00006203	0.00006163
\$ 3,001,366	\$ 3,097,227	\$ 2,679,848
<u>3,988,143</u>	<u>4,327,702</u>	<u>3,991,053</u>
\$ <u>6,989,509</u>	\$ <u>7,424,929</u>	\$ <u>6,670,901</u>
\$ 5,344,073	\$ 5,123,366	\$ 5,162,239
56.16%	60.45%	51.91%
2.66%	1.57%	0.91%

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)**  
**TEACHERS RETIREMENT SYSTEM OF TEXAS**  
**FOR FISCAL YEAR 2020**

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Contractually Required Contribution

Contribution in Relation to Contractually Required Contribution

Contribution Deficiency (Excess)

District's Covered Payroll

Contributions as a Percentage of Covered Payroll

NOTE: GASB Codification, Vol. 2 P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided for the years where data is available.  
Eventually, 10 years of data should be presented.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
\$	52,566	\$ 45,043	\$ 42,265
	<u>(52,566)</u>	<u>(45,043)</u>	<u>(42,265)</u>
\$	<u>-</u>	<u>-</u>	<u>-</u>
\$	5,690,799	\$ 5,344,073	\$ 5,123,366
	0.92%	0.84%	0.82%

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**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED AUGUST 31, 2020**

**A. Notes to Schedules for the TRS Pension**

*Changes of Benefit terms.*

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

*Changes of Assumptions.*

There were no changes in the actuarial assumptions used in the determination of the Total Pension liability during the measurement period.

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

**B. Notes to Schedules for the TRS OPEB Plan**

*Changes of Benefit terms.*

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

*Changes in Assumptions.*

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

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the 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 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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## **Combining Schedules**

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2020**

Data Control Codes	<b>Special Revenue Funds</b>			
	<b>211</b> <b>ESEA</b> <b>Title I</b> <b>Part A</b>	<b>224</b> <b>IDEA</b> <b>Part B</b> <b>Formula</b>	<b>225</b> <b>IDEA</b> <b>Part B</b> <b>Preschool</b>	<b>240</b> <b>School Lunch</b> <b>&amp; Breakfast</b> <b>Program</b>
<b>ASSETS</b>				
1110 Cash and temporary investments	-	9,518	696	24,085
1120 Investments - Current	-	-	-	-
1220 Property taxes - delinquent	-	-	-	-
1230 Allowance for uncollectible (credit)	-	-	-	-
1240 Due from other governments	37,650	-	-	-
1000 Total Assets	<u>37,650</u>	<u>9,518</u>	<u>696</u>	<u>24,085</u>
<b>LIABILITIES</b>				
2160 Accrued wages payable	9,926	8,593	628	11,325
2170 Due to other funds	26,652	-	-	-
2200 Accrued expenditures	1,072	925	68	242
2300 Unearned revenues	-	-	-	-
2000 Total Liabilities	<u>37,650</u>	<u>9,518</u>	<u>696</u>	<u>11,567</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable revenue - property taxes	-	-	-	-
Total Inflows of Resources	-	-	-	-
<b>FUND BALANCES</b>				
Restricted for:				
3450 Federal or State grants	-	-	-	12,518
3480 Retirement of long-term debt	-	-	-	-
3000 Total Fund Balances	-	-	-	<u>12,518</u>
4000 Total Liabilities, Deferred Inflows and Fund Balances	<u>37,650</u>	<u>9,518</u>	<u>696</u>	<u>24,085</u>

Special Revenue Funds						Total Special Revenue Funds	Other Governmental	Total Nonmajor Governmental Funds
255 ESEA II Training/ Recruiting	266 ESSER Emergency Relief	270 ESEA Title VI Part B	289 Other Federal Funds	410 State Textbook Fund	429 Other State Programs		599 Debt Service Fund	
2,612	-	-	-	-	-	36,911	294,820	331,731
-	-	-	-	-	-	-	33,646	33,646
-	-	-	-	-	-	-	44,024	44,024
-	-	-	-	-	-	-	(35,219)	(35,219)
-	27,585	-	-	41,777	25,000	132,012	-	132,012
2,612	27,585	-	-	41,777	25,000	168,923	337,271	506,194
2,357	-	-	-	-	-	32,829	-	32,829
-	27,585	-	-	27,042	25,000	106,279	-	106,279
255	-	-	-	-	-	2,562	-	2,562
-	-	-	-	-	-	-	9,858	9,858
2,612	27,585	-	-	27,042	25,000	141,670	9,858	151,528
-	-	-	-	-	-	-	8,805	8,805
-	-	-	-	-	-	-	8,805	8,805
-	-	-	-	14,735	-	27,253	-	27,253
-	-	-	-	-	-	-	318,608	318,608
-	-	-	-	14,735	-	27,253	318,608	345,861
2,612	27,585	-	-	41,777	25,000	168,923	337,271	506,194

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes	<b>Special Revenue Funds</b>			
	<b>211</b>	<b>224</b>	<b>225</b>	<b>240</b>
	ESEA	IDEA Title I Part B	IDEA Part B Formula	School Lunch & Breakfast Preschool
	Part A			Program
<b>REVENUES</b>				
5700 Total local and intermediate sources	-	-	-	35,627
5800 State program revenues	-	-	-	6,777
5900 Federal program revenues	236,676	140,662	8,107	257,771
5020 Total Revenues	236,676	140,662	8,107	300,175
<b>EXPENDITURES</b>				
0011 Instruction	208,187	140,662	8,107	-
0013 Curriculum and staff development	20,020	-	-	-
0021 Instructional leadership	8,415	-	-	-
0032 Social work services	54	-	-	-
0033 Health services	-	-	-	-
0034 Student transportation	-	-	-	-
0035 Food service	-	-	-	354,153
0051 Plant maintenance and operations	-	-	-	26,786
0052 Security and monitoring services	-	-	-	-
0071 Principal on long-term debt	-	-	-	-
0072 Interest on long-term debt	-	-	-	-
0073 Bond issuance costs and fees	-	-	-	-
6030 Total Expenditures	236,676	140,662	8,107	380,939
1100 Excess (Deficiency) of Revenues Over Expenditures	-	-	-	(80,764)
<b>OTHER FINANCING SOURCES (USES)</b>				
7915 Transfers in	-	-	-	204
8949 Transfers out	-	-	-	-
7080 Total other financing sources and uses	-	-	-	204
1200 Net change in fund balances	-	-	-	(80,560)
0100 Fund balances, beginning	-	-	-	93,078
3000 Fund balances, ending	-	-	-	12,518

Special Revenue Funds						Total Special Revenue Funds	Other Governmental	Total Nonmajor Governmental Funds
255 ESEA II Training/ Recruiting	266 ESSER Emergency Relief	270 ESEA Title VI Part B	289 Other Federal Funds	410 State Textbook Fund	429 Other State Programs	599 Debt Service Fund		
-	-	-	-	-	-	35,627	160,688	196,315
-	-	-	-	155,280	25,000	187,057	(11,194)	175,863
29,719	165,255	15,312	14,442	-	-	867,944	-	867,944
29,719	165,255	15,312	14,442	155,280	25,000	1,090,628	149,494	1,240,122
28,832	38,952	11,976	-	160,023	-	596,739	-	596,739
87	-	-	-	-	-	20,107	-	20,107
800	-	800	800	-	-	10,815	-	10,815
-	-	-	-	-	-	54	-	54
-	25,866	-	-	-	-	25,866	-	25,866
-	100,437	2,536	-	-	-	102,973	-	102,973
-	-	-	-	-	-	354,153	-	354,153
-	-	-	-	-	-	26,786	-	26,786
-	-	-	13,642	-	25,000	38,642	-	38,642
-	-	-	-	-	-	-	125,000	125,000
-	-	-	-	-	-	-	28,775	28,775
-	-	-	-	-	-	-	806	806
29,719	165,255	15,312	14,442	160,023	25,000	1,176,135	154,581	1,330,716
-	-	-	-	(4,743)	-	(85,507)	(5,087)	(90,594)
-	-	-	-	-	-	204	-	204
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	204	-	204
-	-	-	-	(4,743)	-	(85,303)	(5,087)	(90,390)
-	-	-	-	19,478	-	112,556	323,695	436,251
-	-	-	-	14,735	-	27,253	318,608	345,861

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## **Required TEA Schedules**



**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
AUGUST 31, 2020**

Last Ten Years Ended August 31,	1	2	3	10	20	31	32	40	50
	<b>TAX RATES</b>		<b>Assessed or Appraised Valuation</b>	<b>Beginning Balance</b>	<b>Current Year's Total Levy</b>	<b>Maintenance Collections</b>	<b>Debt Service Collections</b>	<b>Entire Year's Adjustments</b>	<b>Ending Balance August 31</b>
	Maint- enance	Debt Service		September 1					
2010 & Prior	Various	Various	-	193,258		3,329	290	(2,469)	187,170
2012	1.1100	0.0900	279,745,997	35,480		1,017	54	(289)	34,120
2013	1.1100	0.0560	308,662,009	44,375		1,366	86	(172)	42,751
2014	1.1100	0.0700	243,672,385	69,559		2,494	144	(165)	66,756
2015	1.1100	0.0640	293,421,347	58,829		2,206	102	(155)	56,366
2016	1.1100	0.0515	287,951,590	79,901		4,224	249	(210)	75,218
2017	1.1100	0.0650	251,003,591	49,212		8,480	515	(61)	40,156
2018	1.1100	0.0675	226,847,877	59,263		9,108	554	(4,996)	44,605
2019	1.1100	0.0635	227,219,582	107,955		41,510	2,375	(5,007)	59,063
2020 (Current)	1.0294	0.0560	282,611,002	-	3,067,460	2,756,816	149,973	-	160,671
1000	Totals			697,832	3,067,460	2,830,550	154,342	(13,524)	766,876

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
CHILD NUTRITION FUND  
FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes		<b>Budgeted Amounts</b>		<b>Variance</b> <b>With Final</b> <b>Budget</b> <b>Positive</b> <b>(Negative)</b>
		<b>Original</b>	<b>Final</b>	
<b>REVENUES:</b>				
5700	Local and intermediate sources	50,921	39,021	35,627 (3,394)
5800	State program revenues	7,300	7,300	6,777 (523)
5900	Federal program revenues	343,000	265,000	257,771 (7,229)
5020	Total revenues	401,221	311,321	300,175 (11,146)
<b>EXPENDITURES:</b>				
0035	Food service	372,071	359,821	354,153 5,668
0051	Facilities maintenance and operations	37,250	29,250	26,786 2,464
6030	Total expenditures	409,321	389,071	380,939 8,132
1100	Excess (deficiency) of revenues over expenditures	(8,100)	(77,750)	(80,764) (3,014)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915	Transfers in	-	500	204 (296)
8911	Transfers out	-	-	- -
7080	Total other financing sources (uses)	-	500	204 (296)
1200	Net change in fund balances	(8,100)	(77,250)	(80,560) (3,310)
0100	Fund balance - September 1 (beginning)	93,078	93,078	93,078 -
3000	Fund balance - August 31 (ending)	84,978	15,828	12,518 (3,310)

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes		<b>Budgeted Amounts</b>		<b>Variance</b>	
		Actual Amounts	With Final (Budgetary Basis)	Budget	Positive (Negative)
		Original	Final		
<b>REVENUES:</b>					
5700	Local and intermediate sources	154,775	154,775	160,688	5,913
5800	State program revenues	-	-	(11,194)	(11,194)
5020	Total revenues	154,775	154,775	149,494	(5,281)
<b>EXPENDITURES:</b>					
0071	Debt service - principal on long-term debt	125,000	125,000	125,000	-
0072	Debt service - interest on long-term debt	28,775	28,775	28,775	-
0073	Debt service - bond issuance costs and fees	1,000	1,000	806	194
6030	Total expenditures	154,775	154,775	154,581	194
1100	Excess (deficiency) of revenues over expenditures	-	-	(5,087)	(5,087)
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers in	-	-	-	-
8911	Transfers out	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balances	-	-	(5,087)	(5,087)
0100	Fund balance - September 1 (beginning)	323,695	323,695	323,695	-
3000	Fund balance - August 31 (ending)	323,695	323,695	318,608	(5,087)

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**FEDERAL AWARDS SECTION**





Goff & Herrington, P.C.

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Certified Public Accountants

**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**

Members of the Board of Trustees of  
Shelbyville Independent School District  
Shelbyville, Texas

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 Shelbyville Independent School District (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, and have issued our report thereon dated October 30, 2020.

### **Internal Control Over Financial Reporting**

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

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

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

**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**

Members of the Board of Trustees  
October 30, 2020  
Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

**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.

*Goff & Herrington, P.C.*

GOFF & HERRINGTON, P.C.  
Certified Public Accountants

October 30, 2020



Goff & Herrington, P.C.

A.J. Goff, CPA  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board of Trustees of  
Shelbyville Independent School District  
Shelbyville, Texas

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

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

Members of the Board of Trustees

October 30, 2020

Page 2

**Report on Internal Control over Compliance**

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

*Goff & Herrington, P.C.*

GOFF & HERRINGTON, P.C.

Certified Public Accountants

October 30, 2020

**SHELBYVILLE 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 weaknesses identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

*Federal Awards*

Type of auditor's report on compliance for major programs	Unmodified
Internal control over major programs:	
Material weaknesses identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

*Identification of Major Programs*

CFDA 10.550, 10.553, 10.555, 10.559

Child Nutrition Cluster (CNC)

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as a low risk auditee?

yes    no

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2020**

There were no findings reported for the prior year.

**SHELBYVILLE INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2020**

None required.

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

(1)	(2)	(3)	(4)
Federal Grantor/ Pass-Through Grantor/ Program title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Education</b>			
Impact Aid - Federal Forest	84.041	2020FF210903	94,287
Total direct			<u>94,287</u>
<i>Passed through Texas Education Agency:</i>			
Title 1, Part A	84.010A	20610101210903	242,535
IDEA Part B Formula	84.027A	20660001210903	145,298
IDEA Part B Preschool	84.173A	20661001210903	<u>8,374</u>
Special Education Cluster (IDEA)			<u>153,672</u>
ESSER Emergency Relief Grant	84.425D	20521001210903	165,255
Title IV, Part A, Subpart 1	84.424A	20680101210903	14,442
Title VI, Part B	84.358B	20696001210903	15,312
Title II, Part A	84.367A	20694501210903	<u>30,055</u>
Passed through Texas Education Agency			<u>621,271</u>
<b>Total Department of Education</b>			<u>715,558</u>
<b>U.S. Department of Agriculture</b>			
<i>Passed through Texas Education Agency:</i>			
School Breakfast Program	10.553	71402001	48,361
School Lunch Program	10.555	71302001	175,636
Commodities	10.550	210002A	<u>33,774</u>
Child Nutrition Cluster			<u>257,771</u>
<b>Total Department of Agriculture</b>			<u>257,771</u>
<b>Total expenditures of federal awards</b>			<u>973,329</u>

\$105,385 of federal revenues are in the General Fund.

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

**Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2020. The information on this Schedule is prepared 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, changes in net assets, or cash flows of the District.

**Summary of Significant Accounting Policies:**

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

The modified-accrual basis of accounting is used for the governmental funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (measurable and available) and expenditures in the accounting period in which the fund liability is incurred, except that principal and interest on general long-term debt are recognized when due.

Federal grant funds are considered to be earned when all eligibility requirements have been met. Any excess of revenues or expenditures is recorded as unearned revenues or accounts receivable, respectively.

The disbursement of funds received under federal grant programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. In the opinion of management, such disallowed claims, if any, will not have a material effect on any of the financial statements of the individual fund types or on the overall financial position of the District at August 31, 2020.

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

**Summary of Significant Accounting Policies (continued):**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Federal revenues in the accompanying financial statements include federal source revenues which are not considered federal assistance for purposes of the Schedule of Expenditures of Federal Awards. A reconciliation follows:

Total Federal Expenditure, Exhibit K-1	\$973,329
School Health and Related Services (SHARS)	<u>35,628</u>
Total Federal Revenues, Exhibit C-3	<u><u>\$1,008,957</u></u>