

**CROSBY INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2021**



**CROSBY INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2020**

TABLE OF CONTENTS

<b><u>Exhibit</u></b>	<b><u>Page</u></b>
Certificate of Board .....	1
Independent Auditor’s Report .....	2
Management’s Discussion and Analysis .....	4
 <b>Basic Financial Statements</b>	
Government-wide Statements:	
A-1 Statement of Net Position .....	10
B-1 Statement of Activities .....	11
Governmental Fund Financial Statements:	
C-1 Balance Sheet .....	13
C-2 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	15
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	16
C-4 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	18
Proprietary Fund Financial Statements:	
D-1 Statement of Net Position .....	19
D-2 Statement of Revenues, Expenses and Changes in Net Position .....	20
D-3 Statement of Cash Flows .....	21
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position.....	22
E-2 Statement of Changes in Fiduciary Net Position.....	23
Notes to the Financial Statements.....	24
 <b>Required Supplementary Information</b>	
G-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund.....	48
Notes to Required Budgetary Information .....	49
G-2 Schedule of the District’s Proportionate Share of the Net Pension Liability .....	50
G-3 Schedule of District Pension Contributions Teacher Retirement System.....	52

G-4	Schedule of the District's Proportionate Share of the Net OPEB Liability .....	54
G-5	Schedule of District OPEB Contributions Teacher Retirement System.....	55
<b>Combining Statements</b>		
Nonmajor Governmental Funds:		
H-1	Combining Balance Sheet .....	56
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	61
<b>Required TEA Schedules</b>		
J-1	Schedule of Delinquent Taxes Receivable.....	66
J-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – National School Breakfast and Lunch Program .....	68
J-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Debt Service Fund.....	69
<b>Federal Awards Section</b>		
	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 <i>Government Auditing Standards</i> .....	70
	Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance .....	72
K-1	Schedule of Expenditures of Federal Awards.....	74
	Notes to Schedule of Expenditures of Federal Awards .....	76
	Schedule of Findings and Questioned Costs .....	77
	Summary Schedule of Prior Audit Findings .....	78
<b>Other Information</b>		
L-1	Schedule of Required Responses to Selected School First Indicators.....	79

CERTIFICATE OF BOARD

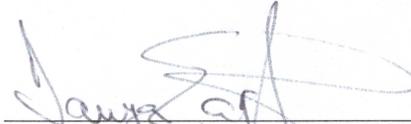
Crosby Independent School District  
Name of School District

Harris  
County

101-906  
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the year ended June 30, 2021, at a meeting of the Board of Trustees of such school district on the 15<sup>th</sup> day of November 2021.

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

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

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

**THIS PAGE LEFT BLANK INTENTIONALLY**



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees of  
Crosby Independent School District  
Crosby, 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 Crosby Independent School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Crosby Independent School 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.

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 Crosby Independent School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque

**Emphasis of Matter – Change in Accounting Principle**

As described in the notes to the financial statements, in fiscal year 2021 the District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. Our opinion was not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information, as listed in the table of contents, 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 Crosby Independent School District’s basic financial statements. The combining statements, required TEA schedules and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements, 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 statements, 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.

The Schedule of Required Responses to Selected School FIRST Indicators has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021 on our consideration of Crosby Independent School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Crosby Independent School District 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 Crosby Independent School District’s internal control over financial reporting and compliance.

*Patillo, Brown & Hill, L.L.P.*

Waco, Texas  
November 15, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Crosby Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,234,714 (*net position*). Of this amount, a deficit of \$22,235,518 (unrestricted net position) exists, which includes recognition of the District's pension and OPEB liabilities and net related deferred outflows/inflows of \$42,843,449.
- The District's total net position increased by \$8,913,437, from current fiscal year operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$33,864,384, an increase of \$4,839,857 from current operations.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$18,170,738, an increase of \$6,289,628, in comparison with the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and supplementary in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, 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 is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and incurred but unpaid workers' compensation benefits).

The governmental activities of the District include instruction, instructional resources and media services, curriculum and instructional staff development, instructional leadership, school leadership, guidance, counseling, and evaluation services, health services, student transportation, food service, extracurricular activities, general administration, plant maintenance and operations, security and monitoring services, data processing services, community services, interest on long-term debt, bond issuance costs and fees, payments to shared services arrangements, and other governmental charges.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, which are considered to be major funds. Data from the other 22 governmental funds are combined into a single, aggregated presentation titled *other governmental*.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs.

The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information and supplementary information, which includes schedules required by the Texas Education Agency. Such information can be found as noted in the table of contents of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a District’s financial position. In the case of the District, the District’s net position increased \$8,913,437 this year from operations. Unrestricted net position – the part of net position that can be used for financing day-to-day operations without constraints by debt covenants, enabling legislation, or other legal requirements – was a deficit \$22,235,518 on June 30, 2021 compared to \$27,526,701 deficit on June 30, 2020.

**TABLE 1  
CROSBY INDEPENDENT SCHOOL DISTRICT  
NET POSITION**

	Governmental Activities		Increase/ (Decrease)
	2021	2020	
Current and other assets	\$ 44,055,212	\$ 38,437,276	\$ 5,617,936
Capital assets	<u>165,921,307</u>	<u>170,707,214</u>	( 4,785,907)
Total assets	<u>209,976,519</u>	<u>209,144,490</u>	<u>832,029</u>
Total deferred outflows of resources	<u>20,247,467</u>	<u>15,734,105</u>	<u>4,513,362</u>
Long-term liabilities	192,953,959	198,574,275	( 5,620,316)
Other liabilities	<u>8,678,497</u>	<u>8,898,698</u>	( 220,201)
Total liabilities	<u>201,632,456</u>	<u>207,472,973</u>	( 5,840,517)
Total deferred inflows of resources	<u>19,356,816</u>	<u>17,088,863</u>	<u>2,267,953</u>
Net position:			
Net investment in capital assets	20,214,945	16,014,794	4,200,151
Restricted	11,255,287	11,828,666	( 573,379)
Unrestricted	( 22,235,518)	( 27,526,701)	<u>5,291,183</u>
Total net position	\$ <u>9,234,714</u>	\$ <u>316,759</u>	\$ <u>8,917,955</u>

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings and improvements, and furniture and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Net position that is restricted for debt service and grants total \$11,255,287.

The District reported a deficit unrestricted net position \$22,235,518 in the current fiscal period. The deficit is caused by an excess of non-capital debt and liabilities/deferred inflows over non-capital assets/deferred outflows. The pension and OPEB liabilities, and related net deferred outflows/inflows, are the largest components, lowering the District’s net position by \$42,843,449.

**Governmental Activities.** Governmental activities increased the District's net position by \$8,913,437 from current operations. The elements giving rise to this change may be determined from the table below.

**TABLE 2**  
**CROSBY INDEPENDENT SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**

	Governmental Activities		Increase/ (Decrease)
	2021	2020	
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$ 500,784	\$ 1,180,688	\$( 679,904)
Operating grants and contributions	12,993,912	13,311,175	( 317,263)
Capital grants and contributions	252,816	1,033,200	( 780,384)
General revenues:			
Property taxes, levied for general purposes	22,439,402	21,984,216	455,186
Property taxes, levied for debt service	10,753,893	9,855,992	897,901
Grants and contributions not restricted	36,138,330	34,072,564	2,065,766
Investment earnings	38,691	352,655	( 313,964)
Miscellaneous	409,251	375,125	34,126
Total revenues	<u>83,527,079</u>	<u>82,165,615</u>	<u>1,361,464</u>
<b>EXPENSES</b>			
Instruction	43,452,140	43,278,150	173,990
Instructional resources and media services	132,723	192,758	( 60,035)
Curriculum and staff development	1,499,772	902,438	597,334
Instructional leadership	725,868	741,098	( 15,230)
School leadership	3,494,107	3,715,977	( 221,870)
Guidance, counseling and evaluation services	2,793,048	2,711,851	81,197
Health services	636,259	707,375	( 71,116)
Student transportation	2,591,300	2,915,801	( 324,501)
Food service	2,430,369	2,987,157	( 556,788)
Extracurricular activities	2,285,375	2,006,622	278,753
General administration	2,703,826	2,612,105	91,721
Plant maintenance and operations	5,436,236	4,862,226	574,010
Security and monitoring services	613,441	544,667	68,774
Data processing services	348,642	352,947	( 4,305)
Community services	78,222	130,954	( 52,732)
Interest on long-term debt	4,280,399	6,029,804	( 1,749,405)
Bond issuance cost and fees	815,085	11,650	803,435
Payments to shared services arrangements	62,500	62,500	-
Other governmental charges	234,330	230,055	4,275
Total expenses	<u>74,613,642</u>	<u>74,996,135</u>	<u>( 382,493)</u>
<b>CHANGE IN NET POSITION</b>	<u>8,913,437</u>	<u>7,169,480</u>	<u>1,743,957</u>
<b>NET POSITION, BEGINNING</b>	<u>316,759</u>	<u>( 6,852,721)</u>	<u>7,169,480</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>4,518</u>	<u>-</u>	<u>4,518</u>
<b>NET POSITION, ENDING</b>	<u>\$ 9,234,714</u>	<u>\$ 316,759</u>	<u>\$ 8,917,955</u>

The District's total revenues increased \$1,361,464, or 2%, over the previous year. This is largely due to an increase in foundation funding and increased property tax revenues. This was offset by a decrease in capital grants due to a prior year grant for buses, as well as decreases in charges for services and operating grants.

The District's total expenses decreased \$382,493, or 1%, over the previous year. This was largely due to a decrease in interest expense on long term debt.

## FINANCIAL ANALYSIS DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal period.

As of the end of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$33,864,384, an increase of \$4,839,857 in comparison with the prior year, from current operations. This increase represents combined revenues in excess of expenditures of \$4,060,191, coupled with a net increase due to the issuance of bonds of \$779,666.

The general fund is the chief operating fund of the District. At the end of the current fiscal period, unassigned fund balance of the general fund had a balance of \$18,170,738 while total fund balance reached \$22,774,794. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32% of total general fund expenditures. Total fund balance represents 40% of total general fund expenditures.

The fund balance of the District's general fund increased by \$6,911,143 from current operations. The increase is largely attributed to an increase in state revenue from student growth. Current period revenues exceeded prior year revenues by \$2,644,262.

The debt service fund has a total fund balance of \$6,814,156, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$2,088,783 from current operations and was primarily due to a large increase in debt service expenditures in the current year. Debt service expenditures increased \$5,034,965.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The District revised the General Fund budget several times during the year ended June 30, 2021. Budget revenue amendments totaling \$1.4 million were approved by the Board resulting in revenue increases. The increase constituted a \$1 million increase in state funding for anticipated hold harmless for the fast growth allotment from the Texas Education Agency, and an increase of \$325,715 million in federal funding primarily associated with the Coronavirus Relief Fund (CRF) Operation Connectivity Prior Purchase Reimbursement Program (PPRP).

Budget appropriations for expenditures for the General Fund increased \$1.6 million due to \$660,000 for technology upgrades and replacements, \$325,715 for Coronavirus Relief Fund (CRF) Operation Connectivity Prior Purchase Reimbursement Program (PPRP), \$58,000 for the TEA allocation of personal protective equipment, \$200,000 for maintenance repairs, \$74,000 for additional staff positions (three custodians and a nurse aide position).

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The District's investment in capital assets for its governmental type activities as of June 30, 2021, amounts to \$165,921,307 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, and furniture and equipment. Due to the COVID-19 pandemic, the District paused progress on construction projects currently in construction in progress and the District only made capital asset additions of \$844,858, all in furniture and equipment. The largest expenditures were \$588,177 for 6 new school buses.

Additional information on the District's capital assets can be found in the notes to the financial statements as indicated in the table of contents of this report.

**Long-term Liabilities.** The District's bonded debt and tax notes decreased by \$1,610,689 during the current fiscal period. Scheduled debt principal payments during the year were \$9,520,000. Additionally, the District issued refunding bonds in the amount of \$67,020,000, during the current year to take advantage of lower interest rates.

Additional information on the District's long-term liabilities can be found in the notes to the financial statements as indicated in the table of contents of this report.

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

The District's elected and appointed officials considered many factors when setting the fiscal year 2021-2022 budget and tax rates. These factors included, but were not limited to, the state foundation school program formula, property values, student growth, and anticipated District needs. The District also considered the effects of the ongoing COVID-19 pandemic. Although the pandemic has resulted in an economic downturn and presents significant future uncertainty, the District's property tax revenues were not significantly affected.

The adopted General Fund budget for fiscal year 2021-2022 was approved by the Board of Trustees on June 21, 2021. The approved budget includes \$62,090,906 in revenues, \$60,371,682 in expenditures, and \$10,000 in other uses, resulting in a budget surplus of \$1,709,224. A general pay increase of 1% was included.

House Bill 3, which was passed during the 86th legislative session in 2019, resulted in changes to the allocation of District revenue. HB 3 limits property value growth for school districts to 2.5%. This limit impacts the District's maintenance and operations (M&O) tax rate and results in compression of the tax rate each year based on property valuation growth. Based on property value growth and the required HB 3 compression, the District's M&O rate decreased from \$0.9983 in 2020-2021 fiscal year to \$0.9603 for the 2021-2022 fiscal year. The compression of the tax rate does not impact overall revenues, as the loss of local revenues is offset by an increase in state aid.

The Debt Service budget for 2021-2022 was adopted and maintains the tax rate of \$0.48 to fund required principal and interest payments. The total tax rate, based on HB 3 compression of the M&O rate of \$0.9603, is \$1.4403 and was approved by the Board of Trustees on October 13, 2021.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is intended to provide a general overview of the District's finances for all those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Crosby Independent School District, P.O. Box 2009, Crosby, Texas, 77532-2009.

## **BASIC FINANCIAL STATEMENTS**

**THIS PAGE LEFT BLANK INTENTIONALLY**

CROSBY INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION

JUNE 30, 2021

Data Control Codes		1 <u>Primary Government</u> Governmental Activities
	<b>ASSETS</b>	
1110	Cash and cash equivalents	\$ 7,447,573
1120	Current investments	17,613,868
1220	Property taxes receivables	3,137,297
1230	Allowance for uncollectible taxes	( 94,119)
1240	Due from other governments	11,122,352
1250	Accrued interest	37
1290	Other receivables	176,239
1300	Inventories	115,334
1410	Prepaid items	20,453
1800	Restricted cash and cash equivalents	4,516,178
	Capital assets:	
1510	Land and improvements	4,195,527
1520	Buildings and improvements, net	153,580,211
1530	Furniture and equipment, net	5,606,656
1580	Construction in progress	2,538,913
1000	Total assets	<u>209,976,519</u>
	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701	Deferred charge on bond refunding	8,064,087
1705	Deferred outflow related to pensions	8,033,347
1706	Deferred outflow related to other post-employment benefit	4,150,033
1700	Total deferred outflows of resources	<u>20,247,467</u>
	<b>LIABILITIES</b>	
2110	Accounts payable	1,640,867
2140	Interest payable	1,687,052
2150	Payroll deductions and withholdings	732,685
2160	Accrued wages	4,360,735
2180	Due to other governments	204,679
2300	Unearned revenue	52,479
	Noncurrent liabilities:	
2501	Due within one year	5,465,124
2502	Due in more than one year	151,818,822
2540	Net pension liability	18,935,911
2545	Net other post-employment benefit liability	16,734,102
2000	Total liabilities	<u>201,632,456</u>
	<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605	Deferred inflow related to pensions	3,900,273
2606	Deferred inflow related to other post-employment benefit	15,456,543
2600	Total deferred inflows of resources	<u>19,356,816</u>
	<b>NET POSITION</b>	
3200	Net investment in capital assets	20,214,945
3820	Restricted for grants	742,682
3850	Restricted for debt service	10,512,605
3900	Unrestricted (deficit)	<u>( 22,235,518)</u>
3000	Total net position	<u>\$ 9,234,714</u>

The accompanying notes are an integral part of this financial statement.

**CROSBY INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	1	Program Revenues <u>3</u>	
Functions/Programs	Expenses	Charges for Services	
<b>Primary government:</b>			
Governmental activities:			
11	Instruction	\$ 43,452,140	\$ 2,200
12	Instructional resources and media services	132,723	-
13	Curriculum and staff development	1,499,772	-
21	Instructional leadership	725,868	-
23	School leadership	3,494,107	-
31	Guidance, counseling, and evaluation services	2,793,048	-
33	Health services	636,259	-
34	Student transportation	2,591,300	-
35	Food service	2,430,369	109,701
36	Extracurricular activities	2,285,375	300,836
41	General administration	2,703,826	-
51	Facilities maintenance and operations	5,436,236	85,347
52	Security and monitoring services	613,441	-
53	Data processing services	348,642	-
61	Community services	78,222	2,700
72	Interest on long-term debt	4,280,399	-
73	Bond issuance costs and fees	815,085	-
93	Payments to shared services arrangements	62,500	-
99	Other governmental changes	234,330	-
TG	Total governmental activities	\$ <u>74,613,642</u>	\$ <u>500,784</u>
General revenues:			
MT	Property taxes, levied for general purposes		
DT	Property taxes, levied for debt service		
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		
PA	Prior period adjustment		
NE	Net position - ending		

The accompanying notes are an integral part of this financial statement.

**EXHIBIT B-1**

Program Revenues		Revenue and Changes in Net Position
4	5	6
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$ 6,949,452	\$ -	\$( 36,500,488)
8,757	-	( 123,966)
118,684	-	( 1,381,088)
126,123	-	( 599,745)
238,364	-	( 3,255,743)
1,125,638	-	( 1,667,410)
57,641	-	( 578,618)
458,413	252,816	( 1,880,071)
2,219,786	-	( 100,882)
63,259	-	( 1,921,280)
141,833	-	( 2,561,993)
171,050	-	( 5,179,839)
168,799	-	( 444,642)
64,430	-	( 284,212)
29,187	-	( 46,335)
1,045,557	-	( 3,234,842)
-	-	( 815,085)
6,939	-	( 55,561)
-	-	( 234,330)
<u>\$ 12,993,912</u>	<u>\$ 252,816</u>	<u>( 60,866,130)</u>
		22,439,402
		10,753,893
		36,138,330
		38,691
		<u>409,251</u>
		<u>69,779,567</u>
		<u>8,913,437</u>
		316,759
		<u>4,518</u>
		<u>\$ 9,234,714</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

Data Control Codes		199	599
		General	Debt Service
<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 6,078,676	\$ 1,680
1120	Current investments	7,303,708	6,999,397
1220	Property taxes receivable	2,241,088	896,209
1230	Allowance for uncollectible taxes	( 67,233)	( 26,886)
1240	Due from other governments	9,057,101	17,746
1250	Accrued interest	37	-
1260	Due from other funds	1,574,554	-
1290	Other receivables	176,239	-
1300	Inventories	67,425	-
1410	Prepaid items	20,453	-
1800	Restricted cash and cash equivalents	4,516,178	-
1000	Total assets	30,968,226	7,888,146
<b>LIABILITIES</b>			
2110	Accounts payable	1,279,177	-
2150	Payroll deductions and withholdings	691,391	-
2160	Accrued wages payable	4,049,009	-
2170	Due to other funds	-	-
2180	Due to other governments	-	204,667
2300	Unearned revenue	-	-
2000	Total liabilities	6,019,577	204,667
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2610	Unavailable revenue - property taxes	2,173,855	869,323
2600	Total deferred inflows of resources	2,173,855	869,323
<b>FUND BALANCES</b>			
3410	Nonspendable - inventories	67,425	-
3430	Nonspendable - prepaid items	20,453	-
3450	Restricted - grant funds	-	-
3470	Restricted - capital projects	-	-
3480	Restricted - debt service	4,516,178	6,814,156
3545	Committed - campus activity	-	-
3600	Unassigned	18,170,738	-
3000	Total fund balances	22,774,794	6,814,156
4000	Total liabilities, deferred inflows of resources and fund balances	\$ 30,968,226	\$ 7,888,146

The accompanying notes are an integral part of this financial statement.

<u>Other Governmental</u>	<u>98 Total Governmental Funds</u>
\$ 943,766	\$ 7,024,122
3,310,763	17,613,868
-	3,137,297
-	( 94,119)
2,047,505	11,122,352
-	37
-	1,574,554
-	176,239
47,909	115,334
-	20,453
-	4,516,178
<u>6,349,943</u>	<u>45,206,315</u>
94,444	1,373,621
41,294	732,685
311,726	4,360,735
1,574,554	1,574,554
12	204,679
52,479	52,479
<u>2,074,509</u>	<u>8,298,753</u>
-	3,043,178
-	<u>3,043,178</u>
-	67,425
-	20,453
742,682	742,682
3,078,079	3,078,079
-	11,330,334
454,673	454,673
-	18,170,738
<u>4,275,434</u>	<u>33,864,384</u>
<u>\$ 6,349,943</u>	<u>\$ 45,206,315</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CROSBY INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT C-2**

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2021

Total fund balances - governmental funds	\$ 33,864,384
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	165,921,307
Uncollected property taxes are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.	3,043,178
Long-term liabilities, including bonds and tax notes payable, workers compensation, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds. Also, the loss on refunding bonds and the premium on issuance of bonds and tax notes payable payable are not reported in the funds. Liabilities at year-end related to such items consist of:	
Bonds and tax notes payable	( 141,470,000)
Issuance premium	( 15,378,528)
Deferred charge on refunding	8,064,087
Compensated absences	( 405,265)
CAB interest accretion	( 30,153)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	( 1,687,052)
The District has a litigation payable that is not due and payable in the current period, therefore, is not reported as a liability in the governmental funds.	( 51,915)
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. The net position related to pensions included a deferred resource outflow in the amount of \$8,033,347, a deferred resource inflow in the amount of \$3,900,273, and a net pension liability in the amount of \$18,935,911. This resulted in a decrease in net position.	( 14,802,837)
Included in the items related to debt is the recognition of the District's proportionate share of the net other post-employment benefit (OPEB) liability required by GASB 75. The net position related to the OPEB included a deferred resource outflow in the amount of \$4,150,033, a deferred resource inflow in the amount of \$15,456,543, and a net OPEB liability in the amount of \$16,734,102.	( 28,040,612)
The internal service funds are used by management to charge the costs of fleet management and risk management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>208,120</u>
Net position of governmental activities	\$ <u>9,234,714</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		199	599
		<u>General</u>	<u>Debt Service</u>
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ 23,097,798	\$ 10,698,975
5800	State programs	39,120,003	649,687
5900	Federal programs	<u>1,879,865</u>	<u>-</u>
5020	Total revenues	<u>64,097,666</u>	<u>11,348,662</u>
<b>EXPENDITURES</b>			
Current:			
0011	Instruction	34,734,236	-
0012	Instructional resources and media services	128,574	-
0013	Curriculum and instructional staff development	1,441,210	-
0021	Instructional leadership	637,466	-
0023	School leadership	3,347,976	-
0031	Guidance, counseling, and evaluation services	1,830,850	-
0033	Health services	619,964	-
0034	Student transportation	2,436,119	-
0035	Food service	-	-
0036	Extracurricular activities	1,609,735	-
0041	General administration	2,609,781	-
0051	Plant maintenance and operations	5,375,921	-
0052	Security and monitoring services	447,500	-
0053	Data processing services	370,878	-
0061	Community services	4,819	-
Debt service:			
0071	Principal on long-term debt	560,000	8,960,000
0072	Interest on long-term debt	733,014	4,443,676
0073	Issuance costs and fees	1,650	813,435
Intergovernmental:			
0093	Payments to shared services arrangements	62,500	-
0099	Other intergovernmental charges	<u>234,330</u>	<u>-</u>
6030	Total expenditures	<u>57,186,523</u>	<u>14,217,111</u>
1100	<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>6,911,143</u>	<u>( 2,868,449)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
7911	Issuance of bonds	-	67,020,000
7916	Premium on issuance of bonds	-	9,646,226
8940	Payments to escrow agent	-	<u>( 75,886,560)</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>779,666</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	<u>6,911,143</u>	<u>( 2,088,783)</u>
0100	<b>FUND BALANCES, BEGINNING</b>	15,863,651	8,902,939
1300	<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 22,774,794</u>	<u>\$ 6,814,156</u>

The accompanying notes are an integral part of this financial statement.

<u>Other Governmental</u>	<u>98 Total Governmental Funds</u>
\$ 293,419	\$ 34,090,192
1,111,303	40,880,993
<u>6,156,028</u>	<u>8,035,893</u>
<u>7,560,750</u>	<u>83,007,078</u>
3,696,493	38,430,729
1,646	130,220
21,170	1,462,380
66,871	704,337
54,892	3,402,868
874,836	2,705,686
-	619,964
252,816	2,688,935
2,312,381	2,312,381
62,916	1,672,651
63	2,609,844
1,051	5,376,972
165,316	612,816
-	370,878
32,802	37,621
-	9,520,000
-	5,176,690
-	815,085
-	62,500
-	<u>234,330</u>
<u>7,543,253</u>	<u>78,946,887</u>
<u>17,497</u>	<u>4,060,191</u>
-	67,020,000
-	9,646,226
-	( 75,886,560)
-	<u>779,666</u>
<u>17,497</u>	<u>4,839,857</u>
4,253,419	29,020,009
<u>4,518</u>	<u>4,518</u>
<u>\$ 4,275,434</u>	<u>\$ 33,864,384</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT****EXHIBIT C-4**RECONCILIATION OF THE GOVERNMENTAL FUDNS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION

FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds	\$ 4,839,857
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	( 4,785,907)
Property tax revenues that do not provide current financial resources are not reported as revenues in the funds.	126,898
Bond and tax note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and tax note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.	8,710,181
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	851,899
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,279,261. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$1,225,333. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$1,824,741. The net result is a decrease in the change in net position.	( 1,770,813)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$289,878. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$279,608. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$698,382. The net result is an increase in the change in net position.	708,652
Internal Services Funds are used by management to charge the costs of certain activities, such as workers' compensation to individual funds. The net revenue (expense) of the Internal Service Funds is reported with governmental activities.	<u>232,670</u>
Change in net position of governmental activities	<u>\$ 8,913,437</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT D-1**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

JUNE 30, 2021

	<u>Governmental Activities Internal Service Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ <u>423,451</u>
Total current assets	<u>423,451</u>
 Total assets	 <u>423,451</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	2,782
Accrued liabilities	<u>212,549</u>
Total current liabilities	<u>215,331</u>
 Total liabilities	
<b>NET POSITION</b>	
Unrestricted net position	<u>208,120</u>
 Total net position	 \$ <u><u>208,120</u></u>

**CROSBY INDEPENDENT SCHOOL DISTRICT****EXHIBIT D-2**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
Local and intermediate sources	\$ <u>392,484</u>
Total operating revenues	<u>392,484</u>
<b>OPERATING EXPENSES</b>	
Workers' compensation claims and premiums	<u>159,814</u>
Total operating expenses	<u>159,814</u>
<b>OPERATING INCOME</b>	<u>232,670</u>
<b>CHANGE IN NET POSITION</b>	232,670
<b>NET POSITION, BEGINNING</b>	( <u>24,550</u> )
<b>NET POSITION, ENDING</b>	\$ <u>208,120</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT****EXHIBIT D-3**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities
	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received for workers comp premiums	\$ 392,484
Cash payments for insurance claims	( 179,790)
Net cash provided by operating activities	<u>212,694</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>212,694</u>
<b>CASH, BEGINNING</b>	<u>210,757</u>
<b>CASH, ENDING</b>	\$ <u>423,451</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 232,670
Effects of increases and decreases in current assets and liabilities:	
Increase (decrease) in accounts payable	2,556
Increase (decrease) in accrued liabilities	( 22,532)
Net cash provided by operating activities	<u>\$ 212,694</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT****EXHIBIT E-1**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND

JUNE 30, 2021

	<u>Custodial Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 128,785
Inventories	<u>92</u>
Total assets	<u>128,877</u>
<b>LIABILITIES</b>	
Accounts payable	<u>1,110</u>
Total liabilities	<u>1,110</u>
<b>NET POSITION</b>	
Restricted for student groups	<u>127,767</u>
Total net position	<u>\$ 127,767</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT E-2**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Custodial Fund</u>
<b>ADDITIONS</b>	
Collections from student groups	\$ <u>93,622</u>
Total additions	<u>93,622</u>
<b>DEDUCTIONS</b>	
Payments on-behalf of student groups	<u>74,253</u>
Total deductions	<u>74,253</u>
<b>NET INCREASE IN FIDUCIARY NET POSITION</b>	19,369
<b>NET POSITION, BEGINNING</b>	-
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>108,398</u>
<b>NET POSITION, ENDING</b>	\$ <u>127,767</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

# CROSBY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The Crosby Independent School District (the District) is governed by a seven-member board of trustees (the Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Members of the Board are elected by the public, have authority to make decisions, appoint management and significantly influence operations, and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (the District). All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

The **General Fund** is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The **Debt Service Fund** is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Additionally, the District reports the following fund types:

The **Capital Projects Fund** accounts for the acquisition and construction of the District's major capital facilities.

The **Nonmajor Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than those identified as a major fund) that are restricted or committed to expenditures for specific purposes.

The **Internal Service Fund** is used to account for workers' compensation risk management services provided throughout the District on a cost-reimbursement basis.

The **Custodial Fund** accounts for assets held by the District for student organizations.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds are eliminated in governmental activities.

### **C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources or economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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

**1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand and bank demand or time and savings deposits and short term, highly liquid investments with original maturities of three months or less from the date of acquisition.

**2. Investments**

Investments for the District, except for certain investment pools, are reported at fair value. The District's investments in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

TexPool, Lone Star and LOGIC have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity. The District also has a treasury money market fund with Wells Fargo that is classified as a cash equivalent investment with a redemption period of one day.

**3. Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". All interfund transactions are eliminated on the government-wide financial statements.

All property taxes receivable are shown net of any allowance for uncollectible. The property tax receivable allowance is equal to 3% of outstanding property taxes at June 30, 2021.

**4. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**5. Capital Assets**

Capital assets, which include land and improvements, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and improvements and construction in progress are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Class	Years
Buildings and improvements	5-50
Furniture and equipment	5-20

**6. Deferred Outflows/Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. The District has two items that qualify for reporting in this category. They are deferred charge on bond refunding and deferred outflows related to TRS reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The item related to TRS represents the District’s share of the unrecognized plan deferred outflow of resources which TRS uses in calculating the ending net pension and other post-employment benefit (OPEB) liabilities.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for this reporting category. The first item, unavailable revenue from property taxes, is reported only in the governmental funds balance sheet. Under the modified accrual basis of accounting, these amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The item related to TRS represents the District’s share of the unrecognized TRS plan deferred inflows of resources which TRS uses in calculating the ending net pension and other post-employment benefit (OPEB) liabilities.

**7. Compensated Absences**

It is the District’s policy to permit employees to accumulate earned but unused leave benefits. The term leave includes state personal days and state sick leave days. Payment for unused leave days accumulated will be made upon retirement (in accordance with guidelines established by the Teacher Retirement System of Texas) for all eligible employees. All sick pay is accrued when incurred for employees who are eligible for retirement and meet the District’s eligibility guidelines in the government-wide financial statements.

The District does not have a liability for unpaid vacation at year-end due to the District’s policy does not allow a carryover of vacation days not taken by June 30.

## **8. Net Position Flow Assumption**

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

It is the District's policy to consider restricted - net position to have been depleted before unrestricted net position is applied.

## **9. Net Position**

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## **10. Fund Balance Flow Assumption**

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

## **11. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees (the Board) is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by board action or resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by policy, authorized the superintendent or his designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

In the general fund, the District intends to maintain a minimum fund balance of 12.5% of the District's general fund annual operating expenditures. If a fund balance drops below 5%, the District plans to recover at a rate of 1% minimally, each year.

## **12. Pension**

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

## **13. Other Post-Employment Benefits**

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

## **E. Revenues and Expenditures/Expenses**

### **1. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

### **2. Property Taxes**

Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

## **F. Use of Estimates**

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## **G. Data Control Codes**

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

**II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES**

**A. Deposits and Investments**

***Cash Deposits***

The District’s funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The irrevocable standby letter of credit which complies with state law is in favor of the District. The letter of credit shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The irrevocable standby letter of credit is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash deposits of the District include all amounts deposited at the District’s depository bank, including demand deposits, money market and certificates of deposit. The District’s cash deposits at June 30, 2021, were entirely covered by FDIC insurance or by an irrevocable standby letter of credit in favor of the District.

***Investments***

The District’s investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Fully collateralized repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Securities lending program as permitted by Government Code 2256.0115; 5) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 6) Commercial paper if it has a stated maturity of 270 days or fewer from the date of its issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 7) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission and have an dollar-weighted average stated maturity of 90 days or fewer; 8) No-load mutual funds which shall be registered with the Securities and Exchange Commission, have an average weighted maturity of less than two years, include investments that comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 9) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 10) Public funds investment pools which meet the requirements of the Public Funds Investment Act.

The District’s investment measurements and balances, weighted average maturity and credit risks of such investments are as follows:

<u>Investment Type</u>	<u>Reported Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Standard &amp; Poor's Rating</u>
TexPool Prime	\$ 15,472,551	53	AAAm
Lone Star Corporate Overnight Plus	2,026,060	47	AAAm
LOGIC	181,473	59	AAAm
Wells Fargo Treasury Money Market Fund	<u>4,515,179</u>	47	AAAm
Total	<u>\$ 22,195,263</u>		
Portfolio weighted average maturity		51	

***Credit Risk***

For fiscal year 2021, the District invested in TexPool, Lone Star, and LOGIC. TexPool is duly chartered and administered by the State Comptroller's Office. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC, formerly the Texas Association of School Boards Financial Services. LOGIC is administered by First Southwest, a division of Hilltop Securities, and J.P. Morgan Investment Inc. The Treasury Money Market Fund is administered by Wells Fargo. The credit rating for these investment pools are noted in the preceding table.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis and specific identification. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 180 days, and any individual investment not to exceed one year, unless specifically authorized by the Board of Trustees.

***Concentration of Credit Risk***

The District's investment policy does not limit an investment in any one issuer. The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

***Custodial Credit Risk - Investments***

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. District policy requires investments to be in the District's name or held by the District's agent in the District's name. The District is not exposed to custodial risk due to the investments are insured or registered, or securities held by the District or its agent in the District's name.

***Public Funds Investment Pools***

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

***Restricted Cash and Cash Equivalents***

The District has restricted cash and cash equivalents in the amount of \$4,516,178 as of June 30, 2021 which are restricted for the purpose of future debt requirements of the Qualified School Construction Maintenance Tax Notes.

**B. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business 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. Property tax revenue is considered available (1) when it becomes due or past due and receivable within the current period and (2) when it is expected to be collected during a 60-day period after the close of the school fiscal year.

Allowances for uncollectible tax receivables within the General Fund and Debt Service 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.

**C. Due from Other Governments**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the state through the School Foundation and Per Capital Programs. Amounts due from local, federal, and state governments as of June 30, 2021, are summarized below.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental</u>	<u>Total</u>
State Entitlements	\$ 8,588,970	\$ -	\$ -	\$ 8,588,970
Federal/State Grants	428,416	-	2,047,505	2,475,921
Local	<u>39,715</u>	<u>17,746</u>	<u>-</u>	<u>57,461</u>
Totals	<u>\$ 9,057,101</u>	<u>\$ 17,746</u>	<u>\$ 2,047,505</u>	<u>\$ 11,122,352</u>

**D. Interfund Balances**

***Receivables/Payables***

The composition of interfund receivable/payable balances as of June 30, 2021, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 1,574,554

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**E. Capital Assets**

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

	Beginning Balance	Additions	Retirements, Transfers, and Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 4,195,527	\$ -	\$ -	\$ 4,195,527
Construction in progress	<u>2,538,913</u>	<u>-</u>	<u>-</u>	<u>2,538,913</u>
Total capital assets, not being depreciated	<u>6,734,440</u>	<u>-</u>	<u>-</u>	<u>6,734,440</u>
Capital assets, being depreciated:				
Buildings and improvements	218,412,209	-	-	218,412,209
Furniture and equipment	<u>13,986,589</u>	<u>844,858</u>	<u>-</u>	<u>14,831,447</u>
Total capital assets, being depreciated	<u>232,398,798</u>	<u>844,858</u>	<u>-</u>	<u>233,243,656</u>
Less accumulated depreciation for:				
Buildings and improvements	( 60,297,674)	( 4,534,324)	-	( 64,831,998)
Furniture and equipment	<u>( 8,128,350)</u>	<u>( 1,096,441)</u>	<u>-</u>	<u>( 9,224,791)</u>
Total accumulated depreciation	<u>( 68,426,024)</u>	<u>( 5,630,765)</u>	<u>-</u>	<u>( 74,056,789)</u>
Total capital assets, being depreciated, net	<u>163,972,774</u>	<u>( 4,785,907)</u>	<u>-</u>	<u>159,186,867</u>
Total capital assets, net	<u>\$ 170,707,214</u>	<u>\$ (4,785,907)</u>	<u>\$ -</u>	<u>\$ 165,921,307</u>

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

Governmental activities:	
Instruction	\$ 4,367,607
Student pupil transportation	449,935
Food services	68,985
Co-curricular/extracurricular	581,631
General administration	39,563
Plant maintenance and operations	76,042
Security and monitoring services	606
Data processing services	6,186
Community services	<u>40,210</u>
Total depreciation expense - governmental activities	<u>\$ 5,630,765</u>

## F. Long-term Liabilities

### Changes in Long-term Liabilities

Changes in the District's long-term liabilities for the year ended June 30, 2021 are as follows:

	Beginning Balance	Additions	Reductions	Refundings	Ending Balance	Due Within One Year
Governmental activities:						
Bonds payable:						
General obligation bonds	\$ 133,510,000	\$ 67,020,000	\$( 8,960,000)	\$( 67,020,000)	\$ 124,550,000	\$ 4,840,000
Accreted interest on CAB's	-	30,153	-	-	30,153	-
Premium on CAB's	-	9,385,323	-	-	9,385,323	-
Issuance premium (discount)	<u>7,049,761</u>	<u>260,903</u>	<u>( 461,584)</u>	<u>( 1,241,658)</u>	<u>5,607,422</u>	-
Total bonds payable, net	140,559,761	76,696,379	( 9,421,584)	( 68,261,658)	139,572,898	4,840,000
Limited maintenance tax notes:						
Tax notes	17,480,000	-	( 560,000)	-	16,920,000	575,000
Issuance premium	<u>419,456</u>	-	<u>( 33,673)</u>	-	<u>385,783</u>	-
Total limited maintenance tax notes, net	17,899,456	-	( 593,673)	-	17,305,783	575,000
Compensated absences	<u>382,635</u>	<u>69,028</u>	<u>( 46,398)</u>	-	<u>405,265</u>	<u>50,124</u>
Totals	<u>\$ 158,841,852</u>	<u>\$ 76,765,407</u>	<u>\$(10,061,655)</u>	<u>\$( 68,261,658)</u>	<u>\$ 157,283,946</u>	<u>\$ 5,465,124</u>

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for tax notes principal and interest expenditures are accounted for in the general fund. Compensated absences liabilities are generally paid from the general fund and appropriate special revenue funds.

The District's outstanding bonds payable contain a provision that in an event of default, outstanding amounts will be paid from the corpus of the Texas Permanent School Fund. The District's outstanding tax notes contain a provision that in an event of default, outstanding amounts become immediately due.

### General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG), school buses and to refund general obligation bonds (REF).

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as current interest bonds (CIB) with various amounts of principal maturing each year. Rates may be fixed or variable. The following is a summary of changes in the general obligation bonds for the fiscal year ended June 30, 2021:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Refundings	Ending Balance
Bonds:								
2009 REF	2.50-4.20%	4,385,000	2024	\$ 1,770,000	\$ -	\$( 1,770,000)	\$ -	\$ -
2012 REF	2.00-3.00%	9,275,000	2029	9,095,000	-	-	-	9,095,000
2013 REF	1.00-4.00%	25,025,000	2029	16,685,000	-	( 3,440,000)	-	13,245,000
2013 BLDG	4.00-5.00%	67,020,000	2043	67,020,000	-	-	(67,020,000)	-
2014 BLDG	3.50-4.00%	8,985,000	2043	8,985,000	-	-	-	8,985,000
2015 BLDG	3.00-3.625%	9,400,000	2043	4,345,000	-	( 180,000)	-	4,165,000
2015 REF	3.00-4.00%	7,450,000	2024	5,875,000	-	( 1,450,000)	-	4,425,000
2018 BLDG	4.00-5.00%	20,010,000	2048	19,735,000	-	( 70,000)	-	19,665,000
2020 REF CIBs	1.75-5.00%	65,045,000	2043	-	65,045,000	( 2,050,000)	-	62,995,000
2020 REF CABs	1.03-2.02%	1,975,000	2030	-	<u>1,975,000</u>	-	-	<u>1,975,000</u>
Totals				<u>\$ 133,510,000</u>	<u>\$ 67,020,000</u>	<u>\$( 8,960,000)</u>	<u>\$(67,020,000)</u>	<u>\$ 124,550,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2022	\$ 4,840,000	\$ 3,803,646	\$ 8,643,646
2023	5,055,000	3,596,056	8,651,056
2024	4,160,000	3,379,156	7,539,156
2025	4,445,000	3,256,456	7,701,456
2026	4,465,000	3,168,656	7,633,656
2027-2031	18,175,000	14,080,432	32,255,432
2032-2036	26,965,000	11,508,873	38,473,873
2037-2041	30,760,000	7,828,084	38,588,084
2042-2046	20,505,000	3,301,503	23,806,503
2047-2049	<u>5,180,000</u>	<u>391,750</u>	<u>5,571,750</u>
Totals	<u>\$ 124,550,000</u>	<u>\$ 54,314,612</u>	<u>\$ 178,864,612</u>

In December 2020, the District issued Unlimited Tax Refunding Bonds, Taxable Series 2020 in the amount of \$67,020,000, for the purpose of refunding a portion of existing bonds at a present value savings. The issuance includes \$65,045,000 of current interest bonds with interest rates ranging from 0.297% to 2.636% and \$1,975,000 of capital appreciation bonds (CABs) with interest rates ranging from 1.034% and 2.024%. Beginning in FY21, the CABs will accrete interest annually to the final maturity value of \$11,090,000, to be redeemed each year from 2024 to 2030. The proceeds were used to advance refund \$67,020,000 of Unlimited Tax School Building Bonds, Series 2013 that had interest rates ranging from 2 - 5%.

The net proceeds of \$75,886,560 (including a \$9,646,226 total premium after payment of underwriting fees and other issuance costs) from the new debt have been placed in an irrevocable escrow account to be paid when the bonds become callable in August 2023. Thus, the old bonds are considered defeased and have been removed from the District's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$7,624,902. This amount is reported as a deferred outflow of resources and amortized over the remaining life of the refunding debt, which had a shorter remaining life than the refunded debt. The advance refunding reduced the District's total debt service payments by \$18,319,013 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$13,020,540.

### **Tax Notes**

The District issued maintenance tax notes to provide funds for capital improvements and equipping facilities. The maintenance tax notes are secured by the proceeds of a continuing direct annual ad valorem tax levied for maintenance. The notes are issued as current interest notes.

The following is a summary of changes in the tax notes for the fiscal year ended June 30, 2021:

Description	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
Limited maintenance tax notes:							
2010 Qualified school construction maintenance tax notes (QSCMT)	5.95%	\$ 7,235,000	2025	\$ 7,235,000	\$ -	\$ -	\$ 7,235,000
2016 Maintenance tax notes	2.5-3.25%	9,255,000	2036	7,915,000	-	( 395,000)	7,520,000
2017 Maintenance tax notes	3.00%	2,970,000	2032	<u>2,330,000</u>	-	( 165,000)	<u>2,165,000</u>
Totals				<u>\$ 17,480,000</u>	<u>\$ -</u>	<u>\$ ( 560,000)</u>	<u>\$ 16,920,000</u>

Annual debt service requirements to maturity for the notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2022	\$ 575,000	\$ 716,214	\$ 1,291,214
2023	595,000	698,964	1,293,964
2024	610,000	681,114	1,291,114
2025	7,865,000	662,814	8,527,814
2026	645,000	213,431	858,431
2027-2031	3,520,000	792,181	4,312,181
2032-2036	<u>3,110,000</u>	<u>281,951</u>	<u>3,391,951</u>
Totals	<u>\$ 16,920,000</u>	<u>\$ 4,046,669</u>	<u>\$ 20,966,669</u>

In accordance with the 2010 QSCMT tax notes the District has obligated itself to make deposits into a cumulative sinking fund account. On February 15 each year until maturity of the tax notes in fiscal year 2025 the District is required to make a deposit in the amount of \$680,000. The balance of the sinking fund deposit account is reported on the balance sheet as restricted assets with a balance of \$4,516,478 at year-end.

**G. Risk Management**

***Property/Liability***

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

***Health Insurance***

During the fiscal year ended June 30, 2021, employees of the District were covered by TRS-Active Care (the Plan), a statewide health coverage program for Texas public education employees implemented by the Teacher Retirement System of Texas (TRS). The District's contribution of \$150 per month is combined with the state contribution of \$75 per month per participating employee to be used for healthcare coverage premiums. Employees, at their option, authorized payroll deductions to pay remaining premium amounts. All premiums were paid to the TRS.

***Workers' Compensation***

The District established a new limited risk management program for workers' compensation in 2016, replacing the previously established program, by participating as a self-funded member of the Texas Public Schools Workers' Compensation Project (Pool). The Pool was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. As a self-funded member of the Pool, the District is solely responsible for all claim's costs, both reported and unreported. A third-party administrator provides administrative services to its self-funded members including claims administration and customer service. Premiums are paid into an internal service fund by the other funds and are available to pay claims, claim reserves, and administrative costs of the program.

Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. The Texas Public Schools Workers' Compensation Project limits the Pool's liability to \$350,000 per occurrence with a maximum aggregate exposure of \$5,000,000. Settlements have not exceeded coverages for each of the past three fiscal years and there were no significant reductions in insurance coverage from the prior year. Changes in the balances of claims liabilities during the past two fiscal periods are as follows:

	Year Ended <u>6/30/2020</u>	Year Ended <u>6/30/2021</u>
Unpaid claims, beginning of fiscal year	\$ 330,953	\$ 235,081
Incurred claims	94,768	184,871
Claim payments	<u>( 190,640)</u>	<u>( 207,403)</u>
Unpaid claims, end of fiscal year	<u>\$ 235,081</u>	<u>\$ 212,549</u>

#### **H. Litigation and Contingencies**

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through June 30, 2021, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

The District was a defendant in pending litigation at year-end, in which a settlement was reached in October 2021 for \$51,915. A liability was recorded in the government-wide financials as the incident had occurred before year-end. As a result of the payment not being due at year-end a liability was not reported in the governmental funds.

#### **I. 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). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

**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 TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**Benefits Provided.** TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension 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 is 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. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

	Contribution Rates	
	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Current fiscal year employer contributions		\$ 1,512,668
Current fiscal year member contributions		3,232,261
2020 measurement year NECE on-behalf contributions		2,037,157

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

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

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

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

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

**Actuarial Assumptions.** The total pension liability in the August 31, 2019 actuarial valuation was rolled forward to August 31, 2020, and was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
Ad Hoc Post-Employment Benefit Changes	None

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

**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 return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:

Asset Class	Target Allocation <sup>1</sup>	Long-Term Expected Geometric Real Rate of Return <sup>2</sup>	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	-0.70%	-0.05%
Absolute Return	0.00%	1.80%	0.00%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.02%
Energy and Natural Resources	6.00%	6.00%	0.42%
Commodities	0.00%	0.80%	0.00%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Leverage			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag <sup>3</sup>			-0.67%
Total	100.00%		7.33%

<sup>1</sup>Target allocations are based on the FY2020 policy model.

<sup>2</sup>Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

<sup>3</sup>The volatility drag results from the conversion between arithmetic and geometric mean returns.

**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	\$ 29,198,835	\$ 18,935,911	\$ 10,597,509

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2021, the District reported a liability of \$18,935,911 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	\$	18,935,911
State's proportionate share that is associated with the District		<u>26,443,384</u>
Total	\$	<u><u>45,379,295</u></u>

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0353559220% which was a decrease of 0.0006551237% from its proportion measured as of August 31, 2019.

The net pension liability is liquidated from the general fund and appropriate special revenues funds.

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

For the year ended June 30, 2021, the District recognized pension expense of \$6,230,626 and revenue of \$3,180,552 for support provided by the State.

At June 30, 2021, the District's 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	\$ 34,575	\$ 528,451
Changes in actuarial assumptions	4,393,805	1,868,215
Differences between projected and actual investment earnings	383,341	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,942,365	1,503,607
Contributions paid to TRS subsequent to the measurement date	<u>1,279,261</u>	<u>-</u>
Totals	<u><u>\$ 8,033,347</u></u>	<u><u>\$ 3,900,273</u></u>

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

For the Year Ended June 30,	Pension Expense
2022	\$ 1,044,261
2023	1,137,170
2024	933,923
2025	90,306
2026	( 334,055)
Thereafter	( 17,792)

**J. Defined Other Post-Employment Benefit Plans**

**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 TRS-Care program was established in 1986 by the Texas Legislature

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

**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 TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**Benefits Provided.** TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all 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. There are no automatic post-employment benefit changes; including automatic COLAs.

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

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

**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% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .75% 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 contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2020	2021
Active employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions		\$ 344,845
Current fiscal year member contributions		272,856
2020 measurement year NECE on-behalf contributions		449,596

In addition, the State of Texas contributed \$189,739, \$174,123 and \$165,119 in 2021, 2020, and 2019, respectively, for on-behalf payments for Medicare Part D.

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 \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

**Actuarial Assumptions.** The total OPEB liability in the August 31, 2019 was rolled forward to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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

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

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

**Additional Actuarial Methods and Assumptions**

Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33% as of August 31, 2019
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Expected Payroll Growth	3.00%
Projected Salary Increases	3.05% to 9.05%
Healthcare Trend Rates	4.50% to 9.00%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

**Discount Rate.** A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.30 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. 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.

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

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

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of net OPEB liability	\$ 20,080,884	\$ 16,734,102	\$ 14,090,625

**Healthcare Cost Trend Sensitivity Analysis.** The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 13,669,617	\$ 16,734,102	\$ 20,815,562

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At June 30, 2021, the District reported a liability of \$16,734,102 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 16,734,102
State's proportionate share that is associated with the District	<u>22,486,622</u>
Total	<u>\$ 39,220,724</u>

The net OPEB liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The 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, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net OPEB liability was 0.0440202951% which was a decrease of 0.0004123801% from its proportion measured as of August 31, 2019.

The net OPEB liability is liquidated from the general fund and appropriate special revenues funds.

**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 since the prior measurement period:

- The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB liability.

For the year ended June 30, 2021, the District recognized OPEB expense of (\$574,913) and revenue of (\$156,139) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 876,191	\$ 7,658,381
Changes in actuarial assumptions	1,032,146	4,595,271
Differences between projected and actual investment earnings	5,438	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,946,380	3,202,891
Contributions paid to TRS subsequent to the measurement date	<u>289,878</u>	<u>-</u>
Totals	<u>\$ 4,150,033</u>	<u>\$ 15,456,543</u>

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

For the Year Ended June 30,	OPEB Expense
2022	\$( 1,851,825)
2023	( 1,852,552)
2024	( 1,852,968)
2025	( 1,852,854)
2026	( 1,405,885)
Thereafter	( 2,780,304)

**K. Negative Operating Grants and Contributions – Statement of Activities**

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

During the year under audit, the NECE expense was negative due to changes in actuarial assumptions within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in a decrease to revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

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

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11-Instruction	\$ 6,949,452	\$( 101,361)	\$ 6,848,091
12-Instructional resources and media services	8,757	( 425)	8,332
13-Curriculum and staff development	118,684	( 4,040)	114,644
21-Instructional leadership	126,123	( 1,822)	124,301
23-School leadership	238,364	( 11,492)	226,872
31-Guidance, counseling, and evaluation services	1,125,638	( 5,860)	1,119,778
33-Health services	57,641	( 1,907)	55,734
34-Student transportation	458,413	( 7,707)	450,706
35-Food services	2,219,786	( 2,591)	2,217,195
36-Extracurricular activities	63,259	( 3,077)	60,182
41-General administration	141,833	( 6,897)	134,936
51-Facilities maintenance and operations	171,050	( 8,320)	162,730
52-Security and monitoring services	168,799	-	168,799
53-Data processing	64,430	( 566)	63,864
61-Community services	29,187	( 74)	29,113
72-Interest on long-term debt	1,045,557	-	1,045,557
93-Payments to shared services arrangements	6,939	-	6,939
	<u>\$ 12,993,912</u>	<u>\$( 156,139)</u>	<u>\$ 12,837,773</u>

**L. Prior Period Adjustment**

In the implementation of GASB Statement No. 84 relating to the presentation of fiduciary activities, the District adjusted the beginning net position of the custodial fund and the beginning fund balance of the non-major special revenue fund, Campus Activities. The beginning balance of the custodial fund was established to be \$108,398, being presented as a prior period adjustment in Exhibit E-2. Some activities that were previously recorded to the custodial fund were determined to have significant administrative involvement by district faculty and recorded to the Campus Activities Fund, causing a prior period adjustment to fund balance of \$4,518.

**M. New Accounting Standard**

A significant new accounting standard issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District includes the following:

Statement No. 87, *Leases* – This Statement will improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under the Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the District in fiscal year 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CROSBY INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT G-1**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 22,172,267	\$ 22,216,195	\$ 23,097,798	\$ 881,603
5800	State programs	38,177,600	39,253,981	39,120,003	( 133,978)
5900	Federal program	<u>1,355,923</u>	<u>1,681,638</u>	<u>1,879,865</u>	<u>198,227</u>
5020	Total revenues	<u>61,705,790</u>	<u>63,151,814</u>	<u>64,097,666</u>	<u>945,852</u>
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	35,874,381	36,356,509	34,734,236	1,622,273
0012	Instructional resources and media sources	139,808	150,427	128,574	21,853
0013	Curriculum and staff development	1,320,942	1,484,504	1,441,210	43,294
0021	Instructional leadership	645,441	668,718	637,466	31,252
0023	School leadership	3,391,304	3,411,304	3,347,976	63,328
0031	Guidance, counseling, and evaluation services	1,806,840	1,961,667	1,830,850	130,817
0033	Health services	637,794	725,425	619,964	105,461
0034	Student transportation	3,477,702	3,478,244	2,436,119	1,042,125
0036	Extracurricular activities	1,736,357	1,874,001	1,609,735	264,266
0041	General administration	2,780,010	2,884,507	2,609,781	274,726
0051	Facilities maintenance and operations	5,723,372	6,096,214	5,375,921	720,293
0052	Security and monitoring services	504,553	509,653	447,500	62,153
0053	Data processing services	351,931	405,485	370,878	34,607
0061	Community services	10,650	10,750	4,819	5,931
Debt service:					
0071	Principal on long-term debt	560,000	560,000	560,000	-
0072	Interest on long-term debt	733,014	733,014	733,014	-
0073	Bond issuance costs and fees	5,000	5,000	1,650	3,350
Intergovernmental:					
0093	Payments to shared services arrangements	77,000	77,000	62,500	14,500
	Payments to juvenile justice alternative				
0095	education programs	19,800	19,800	-	19,800
0099	Other governmental charges	<u>246,691</u>	<u>246,691</u>	<u>234,330</u>	<u>12,361</u>
6030	Total expenditures	<u>60,042,590</u>	<u>61,658,913</u>	<u>57,186,523</u>	<u>4,472,390</u>
1100	<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,663,200</u>	<u>1,492,901</u>	<u>6,911,143</u>	<u>5,418,242</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
8949	Transfers out	( 10,000)	( 10,000)	-	10,000
7080	Total other financing sources (uses)	( 10,000)	( 10,000)	-	10,000
1200	<b>NET CHANGE IN FUND BALANCES</b>	<u>1,653,200</u>	<u>1,482,901</u>	<u>6,911,143</u>	<u>5,428,242</u>
0100	<b>FUND BALANCES, BEGINNING</b>	<u>15,863,651</u>	<u>15,863,651</u>	<u>15,863,651</u>	<u>-</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 17,516,851</u>	<u>\$ 17,346,552</u>	<u>\$ 22,774,794</u>	<u>\$ 5,428,242</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

# **CROSBY INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO BUDGETARY INFORMATION**

JUNE 30, 2021

### **Budgetary Information**

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than June 19 and adopted by June 30 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 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 after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year-end.

### **Encumbrances**

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**CROSBY INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2021

Measurement period ended August 31,	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0188607%	0.0323325%
District's proportionate share of the net pension liability (asset)	\$ 5,037,954	\$ 11,429,108
State's proportionate share of the net pension liability (asset) associated with the District	<u>16,313,927</u>	<u>19,600,726</u>
Total	\$ <u>21,351,881</u>	\$ <u>31,029,834</u>
District's covered payroll	\$ 29,518,270	\$ 32,541,661
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	17.07%	35.12%
Plan fiduciary net position as a percentage of the total pension liability	83.25%	78.43%

Note: The information for all periods for this 10-year schedule is not available.

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
0.0335771%	0.0373845%	0.0408791%	0.0360110%	0.0353559%
\$ 12,688,305	\$ 11,953,552	\$ 22,500,858	\$ 18,719,667	\$ 18,935,911
<u>21,022,958</u>	<u>19,031,719</u>	<u>32,105,118</u>	<u>25,368,891</u>	<u>26,443,384</u>
\$ <u>33,711,263</u>	\$ <u>30,985,271</u>	\$ <u>54,605,976</u>	\$ <u>44,088,558</u>	\$ <u>45,379,295</u>
\$ 35,355,165	\$ 39,985,219	\$ 42,652,914	\$ 38,155,802	\$ 40,769,939
35.89%	29.89%	52.75%	49.06%	46.45%
78.00%	82.17%	73.74%	75.24%	75.54%

**CROSBY INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Fiscal Year Ended August 31,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 957,378	\$ 1,065,900
Contributions in relation to the contractually required contribution	<u>( 957,378)</u>	<u>( 1,065,900)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>
District's covered payroll	\$ 32,541,661	\$ 35,355,165
Contribution as a percentage of covered payroll	2.94%	3.01%

Note: The information for all periods for this 10-year schedule is not available.

<sup>(1)</sup> Fiscal Year 2017 presents ten months of data - September 1, 2016 - June 30, 2017, due to the District changing its fiscal year-end to June 30 from August 31.

Fiscal Year Ended June 30,				
2017 <sup>(1)</sup>	2018	2019	2020	2021
\$ 994,987	\$ 1,368,942	\$ 1,294,013	\$ 1,425,866	\$ 1,512,668
<u>( 994,987)</u>	<u>( 1,368,942)</u>	<u>( 1,294,013)</u>	<u>( 1,425,866)</u>	<u>( 1,512,668)</u>
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 33,078,371	\$ 42,528,472	\$ 39,010,561	\$ 40,138,908	\$ 41,977,425
3.01%	3.22%	3.32%	3.55%	3.60%

**CROSBY INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT G-4**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2021

Measurement period ended August 31,	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net OPEB liability (asset)	0.0458408%	0.0505663%	0.0444327%	0.0440203%
District's proportionate share of the net OPEB liability (asset)	\$ 19,934,458	\$ 25,248,202	\$ 21,012,756	\$ 16,734,102
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>31,736,731</u>	<u>36,564,861</u>	<u>27,921,253</u>	<u>22,486,622</u>
Total	\$ <u>51,671,189</u>	\$ <u>61,813,063</u>	\$ <u>48,934,009</u>	\$ <u>39,220,724</u>
District's covered-employee payroll	\$ 39,985,219	\$ 42,652,914	\$ 38,155,802	\$ 40,769,939
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	49.85%	59.19%	55.07%	41.05%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	1.57%	2.66%	4.99%

Note: The information for all periods for this 10-year schedule is not available.

**CROSBY INDEPENDENT SCHOOL DISTRICT****EXHIBIT G-5**SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2021

Fiscal year ended June 30,	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 324,330	\$ 322,924	\$ 330,887	\$ 344,845
Contributions in relation to the contractually required contribution	( 324,330)	( 322,924)	( 330,887)	( 344,845)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 42,528,472	\$ 39,010,561	\$ 40,138,908	\$ 41,977,425
Contribution as a percentage of covered-employee payroll	0.76%	0.83%	0.82%	0.82%

Note: The information for all periods for this 10-year schedule is not

**THIS PAGE LEFT BLANK INTENTIONALLY**

## **COMBINING STATEMENTS**

**CROSBY INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2021

	Special Revenue Funds			
	206	211	224	225
	Texas Education for Homeless Children & Youth	Title I, Part A- Improving Basic Programs	IDEA-B Formula	IDEA-B Preschool
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Current investments	-	-	-	-
Due from other governments	1,105	201,660	198,859	5,084
Inventories	-	-	-	-
Total assets	<u>1,105</u>	<u>201,660</u>	<u>198,859</u>	<u>5,084</u>
<b>LIABILITIES</b>				
Accounts payable	-	-	21,500	-
Payroll deductions and withholdings	-	12,481	11,814	278
Accrued wages	-	103,714	84,398	2,743
Due to other funds	1,105	85,465	81,147	2,063
Due to other governments	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>1,105</u>	<u>201,660</u>	<u>198,859</u>	<u>5,084</u>
<b>FUND BALANCES</b>				
Restricted - grant funds	-	-	-	-
Restricted - capital projects	-	-	-	-
Committed - campus activity funds	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,105</u>	<u>\$ 201,660</u>	<u>\$ 198,859</u>	<u>\$ 5,084</u>

Special Revenue Funds						
240	244	255	263	266	276	277
National School Breakfast and Lunch Program	Carl D. Perkins Career & Technical Basic Grant	Title II, Part A- Supporting Effective Instruction	Title III, Part A- ELA	ESSER I	Title I, School Improvement Program	Coronavirus Relief Fund
\$ 468,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
236,694	-	-	-	-	-	-
206,324	7,133	33,374	18,903	676,208	-	-
47,909	-	-	-	-	-	-
<u>959,807</u>	<u>7,133</u>	<u>33,374</u>	<u>18,903</u>	<u>676,208</u>	<u>-</u>	<u>-</u>
58,008	-	-	-	-	-	-
13,737	595	2,056	294	-	-	-
92,917	-	17,777	8,977	-	-	-
-	6,538	13,541	9,632	676,208	-	-
-	-	-	-	-	-	-
52,463	-	-	-	-	-	-
<u>217,125</u>	<u>7,133</u>	<u>33,374</u>	<u>18,903</u>	<u>676,208</u>	<u>-</u>	<u>-</u>
742,682	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>742,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 959,807</u>	<u>\$ 7,133</u>	<u>\$ 33,374</u>	<u>\$ 18,903</u>	<u>\$ 676,208</u>	<u>\$ -</u>	<u>\$ -</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2021

	Special Revenue Funds			
	281	289	410	424
	ESSER II	Title IV, Part A, Subpart I	State Textbook Fund	Career and Technical Education
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Current investments	-	-	-	-
Due from other governments	696,386	2,469	-	-
Inventories	-	-	-	-
Total assets	<u>696,386</u>	<u>2,469</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable	-	-	-	-
Payroll deductions and withholdings	-	-	-	-
Accrued wages	-	-	-	-
Due to other funds	696,386	2,469	-	-
Due to other governments	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>696,386</u>	<u>2,469</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted - grant funds	-	-	-	-
Restricted - capital projects	-	-	-	-
Committed - campus activity funds	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total liabilities and fund balances	<u>\$ 696,386</u>	<u>\$ 2,469</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds

425 School Safety and Security Grant	426 Special Education Fiscal Support	427 TCEQ VW Environmental Program	428 Read to Succeed License Plate Program	461 Campus Activity Funds	494 Target Grant	498 Crosby Education Foundation
\$ -	\$ 1,239	\$ -	\$ -	\$ 469,621	\$ 16	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,239	-	-	469,621	16	-
-	-	-	-	14,936	-	-
-	39	-	-	-	-	-
-	1,200	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	12	-	-
-	-	-	-	-	16	-
-	1,239	-	-	14,948	16	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	454,673	-	-
-	-	-	-	454,673	-	-
\$ -	\$ 1,239	\$ -	\$ -	\$ 469,621	\$ 16	\$ -

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CROSBY INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT H-1**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2021

	Special Revenue Funds <u>499</u>	699	Total Nonmajor Governmental Funds
	Region IV School Support Grant	Capital Projects	
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 4,010	\$ 943,766
Current investments	-	3,074,069	3,310,763
Due from other governments	-	-	2,047,505
Inventories	-	-	47,909
Total assets	<u>-</u>	<u>3,078,079</u>	<u>6,349,943</u>
<b>LIABILITIES</b>			
Accounts payable	-	-	94,444
Payroll deductions and withholdings	-	-	41,294
Accrued wages	-	-	311,726
Due to other funds	-	-	1,574,554
Due to other governments	-	-	12
Unearned revenue	-	-	52,479
Total liabilities	<u>-</u>	<u>-</u>	<u>2,074,509</u>
<b>FUND BALANCES</b>			
Restricted - grant funds	-	-	742,682
Restricted - capital projects	-	3,078,079	3,078,079
Committed - campus activity funds	-	-	454,673
Total fund balances	<u>-</u>	<u>3,078,079</u>	<u>4,275,434</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 3,078,079</u>	<u>\$ 6,349,943</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds			
	206	211	224	225
	Texas Education for Homeless Children & Youth	Title I, Part A- Improving Basic Programs	IDEA-B Formula	IDEA-B Preschool
<b>REVENUES</b>				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State programs	-	-	-	-
Federal programs	<u>12,528</u>	<u>946,256</u>	<u>1,111,686</u>	<u>24,874</u>
Total revenues	<u>12,528</u>	<u>946,256</u>	<u>1,111,686</u>	<u>24,874</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	12,328	934,474	319,196	24,874
Instructional resources and media services	-	-	-	-
Curriculum and instructional staff development	-	-	10,847	-
Instructional leadership	-	-	6,569	-
School leadership	50	-	1,702	-
Guidance, counseling, and evaluating services	100	-	773,372	-
Student transportation	-	-	-	-
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
General administration	50	-	-	-
Facility maintenance and operations	-	-	-	-
Security and monitoring services	-	-	-	-
Community services	-	<u>11,782</u>	-	-
Total expenditures	<u>12,528</u>	<u>946,256</u>	<u>1,111,686</u>	<u>24,874</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, BEGINNING</b>	-	-	-	-
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-	-
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds						
240	244	255	263	266	276	277
National School Breakfast and Lunch Program	Carl D. Perkins Career & Technical Basic Grant	Title II, Part A- Supporting Effective Instruction	Title III, Part A- ELA	ESSER I	Title I, School Improvement Program	Coronavirus Relief Fund
\$ 110,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
60,416	-	-	-	-	-	-
<u>2,152,852</u>	<u>60,228</u>	<u>162,089</u>	<u>112,593</u>	<u>680,063</u>	<u>40,430</u>	<u>83,600</u>
<u>2,323,691</u>	<u>60,228</u>	<u>162,089</u>	<u>112,593</u>	<u>680,063</u>	<u>40,430</u>	<u>83,600</u>
-	-	162,089	92,419	680,063	40,430	83,600
-	-	-	-	-	-	-
-	-	-	10,114	-	-	-
-	60,228	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	6,260	-	-	-
-	-	-	-	-	-	-
2,312,381	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	3,800	-	-	-
<u>2,312,381</u>	<u>60,228</u>	<u>162,089</u>	<u>112,593</u>	<u>680,063</u>	<u>40,430</u>	<u>83,600</u>
<u>11,310</u>	-	-	-	-	-	-
731,372	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 742,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds			
	281	289	410	424
	ESSER II	Title IV, Part A, Subpart I	State Textbook Fund	Career and Technical Education
<b>REVENUES</b>				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State programs	-	-	582,975	25,014
Federal programs	696,386	72,443	-	-
Total revenues	<u>696,386</u>	<u>72,443</u>	<u>582,975</u>	<u>25,014</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	696,386	2,862	582,975	25,014
Instructional resources and media services	-	-	-	-
Curriculum and instructional staff development	-	-	-	-
Instructional leadership	-	-	-	-
School leadership	-	-	-	-
Guidance, counseling, and evaluating services	-	-	-	-
Student transportation	-	-	-	-
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
General administration	-	-	-	-
Facility maintenance and operations	-	-	-	-
Security and monitoring services	-	69,581	-	-
Community services	-	-	-	-
Total expenditures	<u>696,386</u>	<u>72,443</u>	<u>582,975</u>	<u>25,014</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, BEGINNING</b>	-	-	-	-
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-	-
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds						
425 School Safety and Security Grant	426 Special Education Fiscal Support	427 TCEQ VW Environmental Program	428 Read to Succeed License Plate Program	461 Campus Activity Funds	494 Target Grant	498 Crosby Education Foundation
\$ -	\$ -	\$ -	\$ -	\$ 144,722	\$ 984	\$ 31,817
95,418	93,307	252,816	30	-	-	1,327
-	-	-	-	-	-	-
<u>95,418</u>	<u>93,307</u>	<u>252,816</u>	<u>30</u>	<u>144,722</u>	<u>984</u>	<u>33,144</u>
-	-	-	-	22,875	984	15,924
-	-	-	30	1,616	-	-
-	-	-	-	199	-	-
-	-	-	-	-	-	-
-	-	-	-	53,140	-	-
-	93,307	-	-	1,797	-	-
-	-	252,816	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	62,916	-	-
-	-	-	-	13	-	-
-	-	-	-	1,051	-	-
95,418	-	-	-	317	-	-
-	-	-	-	-	-	17,220
<u>95,418</u>	<u>93,307</u>	<u>252,816</u>	<u>30</u>	<u>143,924</u>	<u>984</u>	<u>33,144</u>
-	-	-	-	798	-	-
-	-	-	-	449,357	-	-
-	-	-	-	4,518	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 454,673</u>	<u>\$ -</u>	<u>\$ -</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CROSBY INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT H-2**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds <u>499</u>	699	
	Region IV School Support Grant	Capital Projects	Total Nonmajor Governmental
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Local and intermediate sources	\$ 84	\$ 5,389	\$ 293,419
State programs	-	-	1,111,303
Federal programs	-	-	6,156,028
Total revenues	<u>84</u>	<u>5,389</u>	<u>7,560,750</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	-	-	3,696,493
Instructional resources and media services	-	-	1,646
Curriculum and instructional staff development	10	-	21,170
Instructional leadership	74	-	66,871
School leadership	-	-	54,892
Guidance, counseling, and evaluating services	-	-	874,836
Student transportation	-	-	252,816
Food services	-	-	2,312,381
Extracurricular activities	-	-	62,916
General administration	-	-	63
Facility maintenance and operations	-	-	1,051
Security and monitoring services	-	-	165,316
Community services	-	-	32,802
Total expenditures	<u>84</u>	<u>-</u>	<u>7,543,253</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>5,389</u>	<u>17,497</u>
<b>FUND BALANCES, BEGINNING</b>	-	3,072,690	4,253,419
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>4,518</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ 3,078,079</u>	<u>\$ 4,275,434</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

## **REQUIRED TEA SCHEDULES**

**CROSBY INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2021

Last Ten Years Ended June 30,	Tax Rates		3 Net Assessed/ Appraised Value for School Tax Purpose
	1 Maintenance	2 Debt Service	
2012 and prior years	various	various	various
2013	1.170000	0.270000	1,287,574,028
2014	1.170000	0.500000	1,323,928,443
2015	1.170000	0.500000	1,510,967,066
2016	1.170000	0.500000	1,606,094,132
2017	1.170000	0.500000	1,671,335,749
2018	1.170000	0.500000	1,760,500,180
2019	1.170000	0.480000	1,843,055,758
2020	1.068350	0.480000	2,029,405,109
2021 (School year under audit)	0.998300	0.480000	2,207,625,042
<b>1000</b> Totals			

**EXHIBIT J-1**

10	20	31	32	40	50
Beginning Balance 07/01/20	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 06/30/21
\$ 687,473	\$ -	\$ 35,125	\$ 8,106	\$ ( 5,941)	\$ 638,301
74,490	-	4,578	1,056	-	68,856
90,539	-	5,372	2,296	-	82,871
103,992	-	11,436	4,887	264	87,933
108,142	-	15,607	6,669	337	86,203
139,581	-	25,482	10,890	2,763	105,972
203,246	-	43,834	18,732	7,180	147,860
355,472	-	75,727	31,066	( 50,123)	198,556
1,243,539		610,220	274,157	36,071	395,233
<u>-</u>	<u>32,635,321</u>	<u>21,143,599</u>	<u>10,166,210</u>	<u>-</u>	<u>1,325,512</u>
<u>\$ 3,006,474</u>	<u>\$ 32,635,321</u>	<u>\$ 21,970,980</u>	<u>\$ 10,524,069</u>	<u>\$ ( 9,449)</u>	<u>\$ 3,137,297</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-4**

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALNCE  
BUDGET AND ACTUAL -  
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

FOR THE YEAR ENDED JUNE 30, 2021

		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts	Positive (Negative)
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 919,000	\$ 104,200	\$ 110,423	\$ 6,223
5800	State programs	82,000	82,000	60,416	( 21,584)
5900	Federal programs	<u>2,437,759</u>	<u>1,999,759</u>	<u>2,152,852</u>	<u>153,093</u>
5020	Total revenues	<u>3,438,759</u>	<u>2,185,959</u>	<u>2,323,691</u>	<u>137,732</u>
<b>EXPENDITURES</b>					
Current:					
0035	Food service	3,514,469	2,575,959	2,312,381	263,578
0051	Facilities maintenance and operations	<u>60,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
6030	Total expenditures	<u>3,574,469</u>	<u>2,585,959</u>	<u>2,312,381</u>	<u>273,578</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	( 135,710)	( 400,000)	11,310	411,310
0100	<b>FUND BALANCES, BEGINNING</b>	<u>731,372</u>	<u>731,372</u>	<u>731,372</u>	<u>-</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 595,662</u>	<u>\$ 331,372</u>	<u>\$ 742,682</u>	<u>\$ 411,310</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-5**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICES FUND**

FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 7,535,215	\$ 10,375,400	\$ 10,698,975	\$ 323,575
5800	State programs	229,654	264,767	649,687	384,920
5020	Total revenues	<u>7,764,869</u>	<u>10,640,167</u>	<u>11,348,662</u>	<u>708,495</u>
<b>EXPENDITURES</b>					
Debt service:					
0071	Principal on long-term debt	3,550,000	8,960,000	8,960,000	-
0072	Interest on long-term debt	5,626,497	4,443,676	4,443,676	-
0073	Bond issuance costs and fees	25,000	821,666	813,435	8,231
6030	Total expenditures	<u>9,201,497</u>	<u>14,225,342</u>	<u>14,217,111</u>	<u>8,231</u>
1100	<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 1,436,628)	( 3,585,175)	( 2,868,449)	( 716,726)
<b>OTHER FINANCING SOURCES (USES)</b>					
7911	Issuance of bonds	-	67,020,000	67,020,000	-
7916	Premium on issuance of bonds	-	9,646,226	9,646,226	-
8940	Payments to escrow agent	-	( 75,886,560)	( 75,886,560)	-
7080	Total other financing sources (uses)	<u>-</u>	<u>779,666</u>	<u>779,666</u>	<u>-</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	( 1,436,628)	( 2,805,509)	( 2,088,783)	716,726
0100	<b>FUND BALANCES, BEGINNING</b>	<u>8,902,939</u>	<u>8,902,939</u>	<u>8,902,939</u>	<u>-</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 7,466,311</u>	<u>\$ 6,097,430</u>	<u>\$ 6,814,156</u>	<u>\$ 716,726</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

**FEDERAL AWARDS SECTION**

**THIS PAGE LEFT BLANK INTENTIONALLY**

---

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

Board of Trustees of  
Crosby Independent School District  
Crosby, 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 Crosby Independent School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Crosby Independent School District's basic financial statements, and have issued our report thereon dated November 15, 2021.

***Internal Control Over Financial Reporting***

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Crosby Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
November 15, 2021

---

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees of  
Crosby Independent School District  
Crosby, Texas

### Report on Compliance for Each Major Federal Program

We have audited Crosby Independent School District's compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Crosby Independent School District's major federal programs for the year ended June 30, 2021. Crosby Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Crosby Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Uniform Guidance requires 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 Crosby Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Crosby Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control over Compliance

Management of Crosby Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Crosby Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Crosby Independent School 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we considered 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.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
November 15, 2021

**CROSBY INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT K-1**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

(1) Federal Grantor/ Pass-through Grantor/ Program Title	(2) Assistance Listing Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the Texas Education Agency:			
School Breakfast Program (SBP)	10.553	71402001	\$ 40,917
School Breakfast Program (SBP)	10.553	71402101	448,235
Total Assistance Listing Number 10.553			<u>489,152</u>
National School Lunch Program (NSLP)	10.555	71302001	92,844
National School Lunch Program (NSLP)	10.555	71302101	1,219,658
Total Passed through the Texas Education Agency			<u>1,801,654</u>
Passed through the Texas Department of Agriculture:			
COVID-19 - NSLP Emergency Operational Cost	10.555	00516	178,496
NSLP - Commodities - Noncash Assistance	10.555	00516	172,702
Total Passed through the Texas Department of Agriculture			<u>351,198</u>
Total Assistance Listing Number 10.555			<u>1,663,700</u>
Total Child Nutrition Cluster			<u>2,152,852</u>
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>			<u>2,152,852</u>
<b>U. S. DEPARTMENT OF TREASURY</b>			
Passed through the Texas Education Agency:			
COVID-19 - Coronavirus Relief Fund	21.019	39312101	83,600
Total Passed through the Texas Education Agency			<u>83,600</u>
Passed through the Texas Department of Emergency Management:			
COVID-19 - Coronavirus Relief Fund	21.019	LEA2020	4,695
Total Passed through the Texas Department of Emergency Management			<u>4,695</u>
<b>TOTAL U. S. DEPARTMENT OF TREASURY</b>			<u>88,295</u>
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed through the Texas Education Agency:			
Title I, Part A-Improving Basic Programs	84.010A	20610101101906	12,070
Title I, Part A-Improving Basic Programs	84.010A	21610101101906	970,937
Total Assistance Listing Number 84.010A			<u>983,007</u>
IDEA B Formula	84.027A	206600011019066000	267,130
IDEA B Formula	84.027A	216600011019066000	887,733
IDEA B Preschool	84.173A	206610011019066000	14,094
IDEA B Preschool	84.173A	216610011019066000	11,746
Total Special Education Cluster (IDEA)			<u>1,180,703</u>
Career and Technical-Basic Grant	84.048A	21420006101906	62,567
Texas Education For Homeless Children and Youth	84.196A	214600057110018	13,014
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	20671001101906	43,805
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	21671001101906	73,160
Total Assistance Listing Number 84.365A			<u>116,965</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CROSBY INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT K-1**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

(1) Federal Grantor/ Pass-through Grantor/ Program Title	(2) Assistance Listing Number	(2A) Pass-through Entity Identifying Pass-through	(3) Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION (continued)</b>			
Passed through the Texas Education Agency (continued):			
Title II, Part A-Teacher and Principal Training and Recruiting	84.367A	20694501101906	\$ 1,861
Title II, Part A-Teacher and Principal Training and Recruiting	84.367A	21694501101906	<u>166,522</u>
Total Assistance Listing Number 84.367A			<u>168,383</u>
Instructional Continuity	84.377A	17610740101906	42,000
Title IV, Part A, Subpart 1	84.424A	20680101101906	1,102
Title IV, Part A, Subpart 1	84.424A	21680101101906	<u>71,341</u>
Total Assistance Listing Number 84.424A			<u>72,443</u>
COVID-19 - ESSER I Elementary and Secondary School Emergency Relief	84.425D	20521001101906	782,765
COVID-19 - ESSER II Elementary and Secondary School Emergency Relief - PPRP	84.425D	52102135	<u>1,022,100</u>
Total Assistance Listing Number 84.425D			<u>1,804,865</u>
Total Passed through the Texas Education Agency			<u>4,443,947</u>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>			<u>4,443,947</u>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through the Texas Department of Health and Human Services:			
Medical Assistance Program	93.778	529-14-0042-00005	<u>18,258</u>
Total Medicaid Cluster			<u>18,258</u>
Total Passed through the Texas Department of Health & Human Services			<u>18,258</u>
<b>TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>18,258</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ <u>6,703,352</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

**1. GENERAL**

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal award programs of Crosby Independent School District. The District's reporting entity is defined in Note I of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

**2. BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The District's significant account policies, including the modified accrual basis of accounting, are presented in Note 1 of the basic financial statements. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**3. PASS-THROUGH EXPENDITURES**

None of the federal programs expended by the District were provided to subrecipients.

**4. INDIRECT COSTS**

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

**5. EXPENDITURES REPORT IN PRIOR PERIOD FINANCIAL STATEMENTS**

Expenditures of \$325,714 for ESSER II-PPRP and \$4,695 for Coronavirus Relief Fund were incurred in a previous year but are reported on the Schedule of Expenditures of Federal Awards for the year ended June 30, 2021. These programs were awarded in fiscal year 2021.

**6. RECONCILIATION OF FEDERAL REVENUES**

The following is the reconciliation of federal revenues and the Schedule of Expenditures of Federal Awards for the year ended June 30, 2021:

Total expenditures of federal awards per Exhibit K-1	\$ 6,703,352
Additional federal revenues reported in general fund:	
SHARS	819,032
Interest subsidy on qualified school construction bonds	395,870
E-Rate	52,800
ROTC	<u>64,839</u>
Total federal revenues per exhibit C-3	<u>\$ 8,035,893</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

**Summary of Auditor's Results**

*Financial Statements*

Type of report on financial statements	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified, that were not considered a material weakness?	None reported
Material noncompliance to the financial statements noted?	No

*Federal Awards*

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified, that were not considered a material weakness?	None reported
Type of auditor's report on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or <i>Uniform Grant Management Standards</i> ?	None
Identification of major programs: Assistance Listing Numbers: 84.425D 10.553 and 10.555	Name of Federal/State Programs or Cluster: COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B federal programs	\$750,000
Auditee qualified as low-risk auditee?	No

**Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards**

None

**Findings and Questioned Costs for Federal Awards**

None

Crosby Independent School District  
14670 FM 2100 - P.O. Box 2009  
Crosby, TX 77532  
Phone: (281)328-9200 Fax: (281)328-9226

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021

**None noted.**

## **OTHER INFORMATION**

**CROSBY INDEPENDENT SCHOOL DISTRICT****EXHIBIT L-1**

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
(UNAUDITED)

JUNE 30, 2021

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.)	Yes
	<p>Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.</p> <p>Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.</p>	
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 30,153