

**CROSBY INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2019**

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CROSBY INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position .....	19
Notes to the Financial Statements .....	20
 <b>Required Supplementary Information</b>	
G-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund .....	45
Notes to Required Budgetary Information .....	47
G-2 Schedule of the District’s Proportionate Share of the Net Pension Liability .....	48
G-3 Schedule of District Contributions Teacher Retirement System .....	50
G-4 Schedule of the District’s Proportionate Share of the Net OPEB Liability .....	52
G-5 Schedule of District OPEB Contributions Teacher Retirement System .....	53

**Combining Statements**

Nonmajor Governmental Funds:

H-1 Combining Balance Sheet ..... 54

H-2 Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances ..... 59

**Required TEA Schedules**

J-1 Schedule of Delinquent Taxes Receivable ..... 63

J-4 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual – National School Breakfast and Lunch Program ..... 65

J-5 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual – Debt Service Fund..... 67

**Federal Awards Section**

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* ..... 69

Independent Auditor’s Report on Compliance for Each  
Major Federal Program and Report on Internal Control  
Over Compliance in Accordance with the Uniform Guidance ..... 71

K-1 Schedule of Expenditures of Federal Awards..... 73

Notes to Schedule of Expenditures of Federal Awards ..... 75

Schedule of Findings and Questioned Costs ..... 76

Summary Schedule of Prior Audit Findings ..... 79

Management’s Response and Corrective Action Plan ..... 81

**Other Information**

L-1 Schedule of Required Responses to Selected  
School FIRST Indicators (Unaudited)..... 82

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, 2019, at a meeting of the Board of Trustees of such school district on the 18th day of November 2019.

Carla Mills Windfont  
Signature of Board Secretary

John Swinney  
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, 2019, 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, 2019, 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

## **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 14, 2019 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.

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

Waco, Texas  
November 14, 2019



## 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, 2019.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District were exceeded by its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,852,721 (*net position*). Of this amount, a deficit of \$31,410,896 (unrestricted net position) exists, which includes recognition of the District's pension and OPEB liabilities and net related deferred outflows/inflows of \$38 million.
- The District's total net position increased by \$4,381,470, 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 \$22,719,492, an increase of \$5,773,978 from current operations.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,142,439, an increase of \$7,658,888 in comparison with the prior year.

Facing a significant shortage of financial resources for the fiscal 2018-2019 school year, the Board of Trustees declared financial exigency on October 8, 2018. As a component of the declaration of financial exigency, the Board of Trustees declared a need for reorganization to achieve savings through a reduction in force, which was completed in December 2018. Other cost savings measures were also implemented during the 2018-2019 fiscal year to address the District's financial situation. The Board of Trustees approved a resolution that terminated the declaration of financial exigency on March 25, 2019. The District's financial condition improved significantly during the 2018-2019 fiscal year as noted below:

- The District had a negative unassigned fund balance in the general fund of \$2,516,449 at June 30, 2018. The District had a positive unassigned fund balance of \$5,142,439 at June 30, 2019.
- The District's total fund balance in the general fund increased from \$1,968,034 at June 30, 2018 to \$8,453,867 at June 30, 2019, an increase of \$6,485,833.
- After a three-year trend of a deficiency of revenues under expenditures of (\$6,996,515), (\$7,997,147), and (\$4,759,649), the District had an excess of revenues over expenditures of \$6,598,393 for the year ended June 30, 2019.

### 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, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other 21 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 \$4,381,470 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 \$31,410,896 on June 30, 2019 compared to \$35,344,602 deficit on June 30, 2018.

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

	Governmental Activities		Increase/ (Decrease)
	2019	2018	
Current and other assets	\$ 33,375,394	\$ 26,676,241	\$ 6,699,153
Capital assets	<u>172,232,845</u>	<u>175,454,343</u>	<u>( 3,221,498)</u>
Total assets	<u>205,608,239</u>	<u>202,130,584</u>	<u>3,477,655</u>
Total deferred outflows of resources	<u>18,751,587</u>	<u>6,880,658</u>	<u>11,870,929</u>
Long-term liabilities	211,499,702	200,359,485	11,140,217
Other liabilities	<u>10,495,783</u>	<u>9,719,168</u>	<u>776,615</u>
Total liabilities	<u>221,995,485</u>	<u>210,078,653</u>	<u>11,916,832</u>
Total deferred inflows of resources	<u>9,217,062</u>	<u>10,166,780</u>	<u>( 949,718)</u>
Net position:			
Net investment in capital assets	15,355,757	16,865,165	( 1,509,408)
Restricted	9,202,418	7,245,246	1,957,172
Unrestricted	<u>( 31,410,896)</u>	<u>( 35,344,602)</u>	<u>3,933,706</u>
Total net position	<u>\$( 6,852,721)</u>	<u>\$( 11,234,191)</u>	<u>\$ 4,381,470</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 \$9,202,418.

The unrestricted net position \$31,410,896 reported a deficit 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 over \$38 million.

**Governmental Activities.** Governmental activities increased the District's net position by \$4,381,470 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)
	2019	2018	
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$ 1,488,888	\$ 1,585,319	\$( 96,431)
Operating grants and contributions	13,237,378	( 3,243,400)	16,480,778
General revenues:			
Property taxes, levied for general purposes	22,018,813	20,885,546	1,133,267
Property taxes, levied for debt service	8,989,127	8,902,381	86,746
Grants and contributions not restricted	29,411,966	30,490,968	( 1,079,002)
Investment earnings	355,490	186,701	168,789
Gain on sale of capital assets	-	31,719	( 31,719)
Miscellaneous	<u>199,392</u>	<u>292,316</u>	<u>( 92,924)</u>
Total revenues	<u>75,701,054</u>	<u>59,131,550</u>	<u>16,569,504</u>
<b>EXPENSES</b>			
Instruction	39,758,611	28,619,797	11,138,814
Instructional resources and media services	319,828	413,742	( 93,914)
Curriculum and staff development	920,954	846,980	73,974
Instructional leadership	841,385	426,264	415,121
School leadership	3,412,986	2,315,848	1,097,138
Guidance, counseling and evaluation services	2,551,933	1,495,130	1,056,803
Health services	620,567	353,908	266,659
Student transportation	3,085,383	2,693,076	392,307
Food service	3,067,612	2,148,454	919,158
Extracurricular activities	2,206,766	2,224,101	( 17,335)
General administration	2,045,946	1,570,528	475,418
Plant maintenance and operations	4,415,421	5,709,710	( 1,294,289)
Security and monitoring services	528,430	547,208	( 18,778)
Data processing services	802,104	1,066,875	( 264,771)
Community services	143,061	104,932	38,129
Interest on long-term debt	6,150,870	5,873,650	277,220
Bond issuance cost and fees	147,905	240,025	( 92,120)
Payments to shared services arrangements	77,000	66,000	11,000
Payments to juvenile justice alternative education programs	-	19,800	( 19,800)
Other governmental charges	<u>222,822</u>	<u>276,524</u>	<u>( 53,702)</u>
Total expenses	<u>71,319,584</u>	<u>57,012,552</u>	<u>14,307,032</u>
<b>CHANGE IN NET POSITION</b>	<u>4,381,470</u>	<u>2,118,998</u>	<u>2,262,472</u>
<b>NET POSITION, BEGINNING</b>	<u>( 11,234,191)</u>	<u>25,563,662</u>	<u>( 36,797,853)</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>( 38,916,851)</u>	<u>( 38,916,851)</u>
<b>NET POSITION, ENDING</b>	<u>\$( 6,852,721)</u>	<u>\$( 11,234,191)</u>	<u>\$ 4,381,470</u>

The District's total revenues increased \$16,569,504, or 28%, over the previous year. This is largely due to the negative revenue accrual of approximately \$10.6 million recorded in the prior period resulting from changes in benefits within the TRS-care plan.

The District's total expenses increased \$14,307,032, or 25%, over the previous year. This is largely due to the negative OPEB expense of approximately \$17.3 million recorded in the prior period resulting from changes in benefits within the TRS-care plan.

## 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 \$22,719,492, an increase of \$5,773,978 in comparison with the prior year, from current operations. This increase represents combined revenues in excess of expenditures of \$5,886,538, offset by a technology fee refund of \$112,560.

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 \$5,142,439 while total fund balance reached \$8,453,867. 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 10% of total general fund expenditures. Total fund balance represents 17% of total general fund expenditures.

The fund balance of the District's general fund increased by \$6,485,833 from current operations. The increase is largely attributed to additional local revenue from property taxes and property tax adjustments, an increase in state revenue from student growth, and the austerity measures taken by the District to reduce operating expenditures. Current period revenues exceeded expenditures by \$6,598,393.

The debt service fund has a total fund balance of \$7,542,219, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$1,050,327 from current operations and was primarily due to an increase in property tax values which resulted in additional property tax revenues.

The capital projects fund has a total fund balance of \$5,379,749, all of which is restricted for capital acquisitions and contractual obligations. The capital projects fund balance decreased by \$1,914,623 during the fiscal period, primarily due to the completion of the Barrett and Newport projects.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The original expenditure budget was amended during the fiscal year to decrease appropriations by \$4,570,042. This decrease in appropriations was primarily the result of revisions to the revenue budget for lower-than-anticipated revenues, requiring reductions in planned expenditures. Actual expenditures were less than budget by \$3,271,351 in total, with the variance due primarily to the reduction in force and other austerity measures taken by the District during the year.

The increase of (\$160,000) to other financing sources (uses) in the final amended budget was due to a mandated technology fee refund incurred by the District.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The District's investment in capital assets for its governmental type activities as of June 30, 2019, amounts to \$172,232,845 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, and furniture and equipment. Significant additions to capital assets in the current year total \$4,015,456 and include the following:

- Completion of campus renovations-Barrett and Newport (Total Cost) - \$3,623,172
- Buses - \$356,480
- Other equipment - \$35,804

Construction in progress of \$862,475 reflects the purchase of land and ongoing building projects. Additional information about 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 \$4,681,194 during the current fiscal period, due to scheduled debt payments being made. 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**

- Current enrollment totals 6,454 students, which is a 1.8 percent increase from the prior year.
- District staff totals 763 employees, which includes 392 teachers and 101 teachers' aides and secretaries.
- The District maintains 7 campuses for instruction.
- The unemployment rate for the County is currently 3.9 percent, which is a decrease from a rate of 4.4 percent a year ago. This compares to the state's average unemployment rate of 3.4 percent, which decreased from a rate of 4.0 percent.
- Property values of the District are projected to increase by 8.6 percent.
- A maintenance and operations tax rate of \$1.06835 and a debt service tax rate of \$0.48 for a total tax rate of \$1.54835 were adopted for 2019-2020. Preceding year rates were \$1.17, \$0.48, and \$1.65, respectively.

The District adopted an original 2019-2020 general fund budget with revenues at \$56,359,801 and expenditures at \$51,115,656 resulting in a budget surplus of \$5,244,145. The budget was amended to account for House Bill 3 legislation with revenues at \$61,098,957 and expenditures at \$57,266,977 resulting in a budget surplus of \$3,831,980.

## **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**

STATEMENT OF NET POSITION

JUNE 30, 2019

<u>Data Control Codes</u>		<u>1 Primary Government Governmental Activities</u>
	<b>ASSETS</b>	
1110	Cash and cash equivalents	\$ 6,886,637
1120	Current investments	13,825,975
1220	Property taxes receivables	2,670,970
1230	Allowance for uncollectible taxes	( 80,130)
1240	Due from other governments	6,671,619
1250	Accrued interest	4,902
1290	Other receivables	35,804
1300	Inventories	57,732
1410	Prepaid items	122,538
1800	Restricted cash and cash equivalents	3,179,347
	Capital assets:	
1510	Land and improvements	4,195,527
1520	Buildings and improvements, net	162,648,997
1530	Furniture and equipment, net	4,525,846
1580	Construction in progress	862,475
1000	Total assets	<u>205,608,239</u>
	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701	Deferred charge on bond refunding	777,039
1705	Deferred outflow related to pensions	13,353,905
1706	Deferred outflow related to other post-employment benefit	4,620,643
1700	Total deferred outflows of resources	<u>18,751,587</u>
	<b>LIABILITIES</b>	
2110	Accounts payable	410,840
2120	Short-term debt payable	2,000,000
2140	Interest payable	2,437,723
2150	Payroll deductions and withholdings	579,399
2160	Accrued wages	3,605,360
2180	Due to other governments	506,014
2300	Unearned revenue	956,447
	Noncurrent liabilities:	
2501	Due within one year	4,234,162
2502	Due in more than one year	159,516,480
2540	Net pension liability	22,500,858
2545	Net other post-employment benefit liability	25,248,202
2000	Total liabilities	<u>221,995,485</u>
	<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605	Deferred inflow related to pensions	1,232,972
2606	Deferred inflow related to other post-employment benefit	7,984,090
2600	Total deferred inflows of resources	<u>9,217,062</u>
	<b>NET POSITION</b>	
3200	Net investment in capital assets	15,355,757
3820	Restricted for grants	911,575
3850	Restricted for debt service	8,290,843
3900	Unrestricted	( 31,410,896)
3000	Total net position	<u>\$( 6,852,721)</u>

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

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CROSBY INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	1	<u>Program Revenues 3</u>
Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>
<b>Primary government:</b>		
Governmental activities:		
11	\$ 39,758,611	\$ 1,100
12	319,828	-
13	920,954	-
21	841,385	-
23	3,412,986	-
31	2,551,933	-
33	620,567	-
34	3,085,383	-
35	3,067,612	802,426
36	2,206,766	588,585
41	2,045,946	-
51	4,415,421	96,427
52	528,430	-
53	802,104	-
61	143,061	350
72	6,150,870	-
73	147,905	-
93	77,000	-
99	<u>222,822</u>	<u>-</u>
TG	<u>\$ 71,319,584</u>	<u>\$ 1,488,888</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	
NE	Net position - ending	

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

**EXHIBIT B-1**

Program Revenues	Net (Expenses) Revenue and Changes in Net Position
4	6
Operating Grants and Contributions	Governmental Activities
\$ 5,954,805	\$( 33,802,706)
29,953	( 289,875)
121,860	( 799,094)
115,812	( 725,573)
346,491	( 3,066,495)
1,150,514	( 1,401,419)
84,736	( 535,831)
701,833	( 2,383,550)
2,221,373	( 43,813)
95,377	( 1,522,804)
158,693	( 1,887,253)
219,239	( 4,099,755)
58,530	( 469,900)
126,611	( 675,493)
44,904	( 97,807)
1,791,353	( 4,359,517)
-	( 147,905)
15,294	( 61,706)
-	( 222,822)
<u>\$ 13,237,378</u>	<u>( 56,593,318)</u>

22,018,813
8,989,127
29,411,966
355,490
<u>199,392</u>
<u>60,974,788</u>
4,381,470
<u>( 11,234,191)</u>
<u>\$( 6,852,721)</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

Data Control Codes		199  General	599  Debt Service
<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 3,426,111	\$ 3,123
1120	Current investments	1,456,657	8,034,696
1220	Property taxes receivable	1,969,818	701,152
1230	Allowance for uncollectible taxes	( 59,095)	( 21,035)
1240	Due from other governments	5,894,463	10,360
1250	Accrued interest	4,902	-
1260	Due from other funds	560,809	-
1290	Other receivables	30,000	-
1300	Inventories	9,543	-
1410	Prepaid items	122,538	-
1800	Restricted cash and cash equivalents	<u>3,179,347</u>	<u>-</u>
1000	Total assets	<u>16,595,093</u>	<u>8,728,296</u>
<b>LIABILITIES</b>			
2110	Accounts payable	358,044	-
2120	Short-term debt payable	2,000,000	-
2140	Interest payable	7,000	-
2150	Payroll deductions and withholdings	547,014	-
2160	Accrued wages payable	3,316,423	-
2170	Due to other funds	2,021	-
2180	Due to other governments	-	505,959
2300	Unearned revenue	<u>-</u>	<u>-</u>
2000	Total liabilities	<u>6,230,502</u>	<u>505,959</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2610	Unavailable revenue - property taxes	<u>1,910,724</u>	<u>680,118</u>
2600	Total deferred inflows of resources	<u>1,910,724</u>	<u>680,118</u>
<b>FUND BALANCES</b>			
3410	Nonspendable - inventories	9,543	-
3430	Nonspendable - prepaid items	122,538	-
3450	Restricted - grant funds	-	-
3470	Restricted - capital projects	-	-
3480	Restricted - debt service	3,179,347	7,542,219
3545	Committed - campus activity	-	-
3600	Unassigned	<u>5,142,439</u>	<u>-</u>
3000	Total fund balances	<u>8,453,867</u>	<u>7,542,219</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,595,093</u>	<u>\$ 8,728,296</u>

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

699	98	98
Capital Projects Fund	Other Governmental	Total Governmental Funds
\$ 1,492,134	\$ 1,965,269	\$ 6,886,637
3,906,179	428,443	13,825,975
-	-	2,670,970
-	-	( 80,130)
-	766,796	6,671,619
-	-	4,902
-	2,021	562,830
-	5,804	35,804
-	48,189	57,732
-	-	122,538
-	-	3,179,347
<u>5,398,313</u>	<u>3,216,522</u>	<u>33,938,224</u>
18,564	34,232	410,840
-	-	2,000,000
-	-	7,000
-	32,385	579,399
-	288,937	3,605,360
-	560,809	562,830
-	55	506,014
-	956,447	956,447
<u>18,564</u>	<u>1,872,865</u>	<u>8,627,890</u>
-	-	2,590,842
-	-	2,590,842
-	48,189	57,732
-	-	122,538
-	911,575	911,575
5,379,749	-	5,379,749
-	-	10,721,566
-	383,893	383,893
-	-	5,142,439
<u>5,379,749</u>	<u>1,343,657</u>	<u>22,719,492</u>
\$ <u>5,398,313</u>	\$ <u>3,216,522</u>	\$ <u>33,938,224</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT C-2**

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

JUNE 30, 2019

Total fund balances - governmental funds	\$ 22,719,492
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	172,232,845
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.	2,590,842
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 are not reported in the funds. Liabilities at year-end related to such items consist of:	
Bonds and tax notes payable	( 155,020,000)
Issuance premium	( 8,013,876)
Deferred charge on refunding	777,039
Workers' compensation	( 312,606)
Compensated absences	( 404,160)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	( 2,430,723)
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 \$13,353,905, a deferred resource inflow in the amount of \$1,232,972, and a net pension liability in the amount of \$22,500,858. This resulted in a decrease in net position.	( 10,379,925)
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 \$4,620,643, a deferred resource inflow in the amount of \$7,984,090, and a net OPEB liability in the amount of \$25,248,202.	( <u>28,611,649</u> )
Net position of governmental activities	\$( <u>6,852,721</u> )

**THIS PAGE LEFT BLANK INTENTIONALLY**



**CROSBY INDEPENDENT SCHOOL DISTRICT**

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

FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes		199  General	599 Debt Service
		<u>                    </u>	<u>                    </u>
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ 22,556,206	\$ 9,139,814
5800	State program revenues	31,745,800	1,401,288
5900	Federal program revenues	<u>1,908,619</u>	<u>-</u>
5020	Total revenues	<u>56,210,625</u>	<u>10,541,102</u>
<b>EXPENDITURES</b>			
Current:			
0011	Instruction	29,888,775	-
0012	Instructional resources and media services	234,282	-
0013	Curriculum and instructional staff development	797,322	-
0021	Instructional leadership	753,056	-
0023	School leadership	3,035,493	-
0031	Guidance, counseling, and evaluation services	1,493,502	-
0033	Health services	559,290	-
0034	Student transportation	2,535,700	-
0035	Food service	-	-
0036	Extracurricular activities	1,270,273	-
0041	General administration	1,855,753	-
0051	Plant maintenance and operations	4,132,194	-
0052	Security and monitoring services	467,151	-
0053	Data processing services	720,602	-
0061	Community services	58,001	-
Debt service:			
0071	Principal on long-term debt	600,000	3,595,000
0072	Interest on long-term debt	776,614	5,882,272
0073	Issuance costs and fees	134,402	13,503
0081	Capital outlay	-	-
Intergovernmental:			
0093	Payments to shared services arrangements	77,000	-
0099	Other intergovernmental charges	<u>222,822</u>	<u>-</u>
6030	Total expenditures	<u>49,612,232</u>	<u>9,490,775</u>
1100	<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>6,598,393</u>	<u>1,050,327</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
8949	Other uses	<u>( 112,560)</u>	<u>-</u>
7080	Total other financing sources (uses)	<u>( 112,560)</u>	<u>-</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	<u>6,485,833</u>	<u>1,050,327</u>
0100	<b>FUND BALANCES, BEGINNING</b>	<u>1,968,034</u>	<u>6,491,892</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 8,453,867</u>	<u>\$ 7,542,219</u>

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

699 Capital Projects Fund	Other Governmental	98 Total Governmental Funds
\$ 68,144	\$ 1,365,973	\$ 33,130,137
-	249,848	33,396,936
-	4,990,820	6,899,439
<u>68,144</u>	<u>6,606,641</u>	<u>73,426,512</u>
-	1,994,645	31,883,420
-	60,508	294,790
-	25,936	823,258
-	7,240	760,296
-	46,224	3,081,717
-	787,929	2,281,431
-	352	559,642
95,961	340,079	2,971,740
-	2,808,738	2,808,738
-	246,956	1,517,229
-	2,156	1,857,909
-	44,108	4,176,302
-	52,917	520,068
-	-	720,602
-	36,412	94,413
-	-	4,195,000
-	-	6,658,886
-	-	147,905
1,886,806	-	1,886,806
-	-	77,000
-	-	222,822
<u>1,982,767</u>	<u>6,454,200</u>	<u>67,539,974</u>
<u>( 1,914,623)</u>	<u>152,441</u>	<u>5,886,538</u>
-	-	( 112,560)
-	-	( 112,560)
<u>( 1,914,623)</u>	<u>152,441</u>	<u>5,773,978</u>
<u>7,294,372</u>	<u>1,191,216</u>	<u>16,945,514</u>
<u>\$ 5,379,749</u>	<u>\$ 1,343,657</u>	<u>\$ 22,719,492</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT C-4**

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

FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	\$ 5,773,978
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.	( 3,221,498)
Property tax revenues that do not provide current financial resources are not reported as revenues in the funds.	43,806
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.	4,136,535
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.	606,120
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 \$1,059,829. 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 \$1,138,682. 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 \$2,254,531. The net result is a decrease in the change in net position.	( 2,333,384)
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 \$264,051. 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 \$289,897. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$598,241. The net result is a decrease in the change in net position.	( 624,087)
Change in net position of governmental activities	\$ <u>4,381,470</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CROSBY INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT E-1**

STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUND

JUNE 30, 2019

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 59,957
Current investments	<u>65,003</u>
Total assets	\$ <u>124,960</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 810
Due to student groups	<u>124,150</u>
Total liabilities	\$ <u>124,960</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

## CROSBY INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

#### 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.

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

Additionally, the District reports the following fund types:

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 **Agency Fund** accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

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 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).

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

### **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.

## **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, 2019.

## **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. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, National School Breakfast and Lunch Program special revenue fund, and debt service fund. All other governmental funds adopt project length budgets. All annual appropriations lapse at fiscal year-end. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- 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.
- 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.

- Prior to July 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions 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.

#### **B. 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.

As of June 30, 2019, there were no significant encumbrances included in governmental fund balances.

### **III. DETAILED NOTES ON ALL FUNDS**

#### **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 depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

When comparing highest cash balance for February and June to prior end of month coverage, February 13, 2019 is under pledged by \$4,098,481 and June 25, 2019 is under pledged by \$948,636. As of June 30, 2019, the District's bank deposit balances were not exposed to custodial credit risk because such balances were insured and collateralized with securities held by the District's agent in the District's name.

## **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>Net Asset Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Standard &amp; Poor's Rating</u>
TexPool Prime	\$ 11,529,596	39	AAAm
Lone Star Corporate Overnight Plus	2,183,256	49	AAAf/S1+
LOGIC	<u>178,126</u>	52	AAAm
Total	<u>\$ 13,890,978</u>		
Portfolio weighted average maturity		41	

## **Credit Risk**

For fiscal year 2019, 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 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 \$3,179,347 as of June 30, 2019 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, 2019, are summarized below.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental</u>	<u>Total</u>
State Entitlements	\$ 5,868,957	\$ -	\$ -	\$ 5,868,957
Federal Grants	-	-	766,796	766,796
Local	<u>25,506</u>	<u>10,360</u>	<u>-</u>	<u>35,866</u>
Totals	<u>\$ 5,894,463</u>	<u>\$ 10,360</u>	<u>\$ 766,796</u>	<u>\$ 6,671,619</u>

**D. Interfund Balances**

***Receivables/Payables***

The composition of interfund receivable/payable balances as of June 30, 2019, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 560,809
Other governmental funds	General fund	<u>2,021</u>
Total		<u>\$ 562,830</u>

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, 2019, 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>2,598,841</u>	<u>1,886,806</u>	<u>( 3,623,172)</u>	<u>862,475</u>
Total capital assets, not being depreciated	<u>6,794,368</u>	<u>1,886,806</u>	<u>( 3,623,172)</u>	<u>5,058,002</u>
Capital assets, being depreciated:				
Buildings and improvements	214,789,037	3,623,172	-	218,412,209
Furniture and equipment	<u>12,859,007</u>	<u>392,284</u>	<u>-</u>	<u>13,251,291</u>
Total capital assets, being depreciated	<u>227,648,044</u>	<u>4,015,456</u>	<u>-</u>	<u>231,663,500</u>
Less accumulated depreciation for:				
Buildings and improvements	( 51,198,557)	( 4,564,655)	-	( 55,763,212)
Furniture and equipment	<u>( 7,789,512)</u>	<u>( 935,933)</u>	<u>-</u>	<u>( 8,725,445)</u>
Total accumulated depreciation	<u>( 58,988,069)</u>	<u>( 5,500,588)</u>	<u>-</u>	<u>( 64,488,657)</u>
Total capital assets, being depreciated, net	<u>168,659,975</u>	<u>( 1,485,132)</u>	<u>-</u>	<u>167,174,843</u>
Total capital assets, net	<u>\$ 175,454,343</u>	<u>\$ 401,674</u>	<u>\$( 3,623,172)</u>	<u>\$ 172,232,845</u>

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

Governmental activities:	
Instruction	\$ 4,399,484
Student pupil transportation	250,747
Food services	94,668
Co-curricular/extracurricular	582,180
General administration	39,562
Plant maintenance and operations	73,250
Security and monitoring services	3,637
Data processing services	16,850
Community services	<u>40,210</u>
Total depreciation expense - governmental activities	<u>\$ 5,500,588</u>

## F. Short-term Liabilities

During fiscal year 2019, the District entered into a loan agreement to provide funds for maintenance and operations in the general fund. The taxable loan agreement was secured by the proceeds of a continuing annual ad valorem tax levied for maintenance and anticipated state aid from the Texas Education Agency (TEA). The period in which funds up to \$9,000,000 can be utilized by the District is for a 3-year period ending March 15, 2022. The District is obligated to pay down the principal amount of the loan to zero by March 15 of each year of the agreement and to maintain a zero balance for a period of at least 30 consecutive days thereafter. During the year the District borrowed \$2,000,000 and this amount is outstanding as of year-end. The interest rate stated in the loan agreement is 6%. Interest payment dates are each October 15, November 15, December 15, January 15, February 15 and March 15.

## G. Long-term Liabilities

### ***Changes in Long-term Liabilities***

Changes in the District's long-term liabilities for the year ended June 30, 2019 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 139,484,986	\$ -	\$( 2,564,986)	\$ 136,920,000	\$ 3,410,000
Issuance premium (discount) (CIB's)	8,071,733	-	( 510,986)	7,560,747	-
Accreted interest (CAB's)	<u>971,549</u>	<u>58,465</u>	<u>( 1,030,014)</u>	<u>-</u>	<u>-</u>
Total bonds payable, net	148,528,268	58,465	( 4,105,986)	144,480,747	3,410,000
Limited maintenance tax notes:					
Tax notes	18,700,000	-	( 600,000)	18,100,000	620,000
Issuance premium	<u>486,802</u>	<u>-</u>	<u>( 33,673)</u>	<u>453,129</u>	<u>-</u>
Total limited maintenance tax notes, net	19,186,802	-	( 633,673)	18,553,129	620,000
Workers' compensation	303,422	149,022	( 139,838)	312,606	109,412
Compensated absences	<u>452,983</u>	<u>36,442</u>	<u>( 85,265)</u>	<u>404,160</u>	<u>94,750</u>
Totals	<u>\$ 168,471,475</u>	<u>\$ 243,929</u>	<u>\$( 4,964,762)</u>	<u>\$ 163,750,642</u>	<u>\$ 4,234,162</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 and workers' compensation 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, 2019:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
Bonds:							
2006 CAB	4.10%	\$ 601,906	2019	\$ 439,986	\$ -	\$ ( 439,986)	\$ -
2009 REF	2.50-4.20%	4,385,000	2024	2,550,000	-	( 380,000)	2,170,000
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	19,380,000	-	( 1,320,000)	18,060,000
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	4,690,000	-	( 170,000)	4,520,000
2015 REF	3.00-4.00%	7,450,000	2024	7,315,000	-	-	7,315,000
2018 BLDG	4.00-5.00%	20,010,000	2048	<u>20,010,000</u>	<u>-</u>	<u>( 255,000)</u>	<u>19,755,000</u>
Totals				<u>\$ 139,484,986</u>	<u>\$ -</u>	<u>\$ ( 2,564,986)</u>	<u>\$ 136,920,000</u>

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

Year Ending June 30,	Principal	Interest	Total Requirements
2020	\$ 3,410,000	\$ 5,762,146	\$ 9,172,146
2021	3,550,000	5,626,496	9,176,496
2022	3,695,000	5,485,674	9,180,674
2023	3,845,000	5,339,071	9,184,071
2024	3,990,000	5,186,271	9,176,271
2025-2029	21,765,000	24,081,555	45,846,555
2030-2034	24,430,000	20,187,037	44,617,037
2035-2039	30,285,000	14,537,544	44,822,544
2040-2044	32,080,000	6,731,582	38,811,582
2045-2048	<u>9,870,000</u>	<u>1,264,500</u>	<u>11,134,500</u>
Totals	<u>\$ 136,920,000</u>	<u>\$ 94,201,876</u>	<u>\$ 231,121,876</u>

As of June 30, 2019, the District had \$86,500,000 of authorized but unissued bonds.

In previous years, the District defeased certain outstanding bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the District's financial statements. As of June 30, 2019, there were no outstanding defeased bonds.

### **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, 2019:

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	8,670,000	-	(370,000)	8,300,000
2017 Maintenance tax notes	3.00%	2,970,000	2032	<u>2,795,000</u>	-	<u>(230,000)</u>	<u>2,565,000</u>
Totals				<u>\$ 18,700,000</u>	<u>\$ -</u>	<u>\$ (600,000)</u>	<u>\$ 18,100,000</u>

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

Year Ending June 30,	Principal	Interest	Total Requirements
2020	\$ 620,000	\$ 751,614	\$ 1,371,614
2021	560,000	733,014	1,293,014
2022	575,000	716,214	1,291,214
2023	595,000	698,964	1,293,964
2024	610,000	681,114	1,291,114
2025-2029	10,560,000	1,410,838	11,970,838
2030-2034	3,375,000	481,295	3,856,295
2035-2036	<u>1,205,000</u>	<u>58,244</u>	<u>1,263,244</u>
Totals	<u>\$ 18,100,000</u>	<u>\$ 5,531,297</u>	<u>\$ 23,631,297</u>

## H. **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 2019, 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, 2019, 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 the general 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>6/30/2018</u>	Year Ended <u>6/30/2019</u>
Unpaid claims, beginning of fiscal year	\$ 275,891	\$ 303,422
Incurred claims	131,560	149,022
Claim payments	<u>( 104,029)</u>	<u>( 139,838)</u>
Unpaid claims, end of fiscal year	\$ <u>303,422</u>	\$ <u>312,606</u>

### **I. 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, 2019, 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.

### **J. 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 are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

**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. 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

	<b>Contribution Rates</b>	
	<b>2018</b>	<b>2019</b>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year employer contributions		\$ 1,294,013
Current fiscal year member contributions		3,003,454
2018 measurement year NECE on-behalf contributions		1,963,698

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.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

**Actuarial Assumptions.** The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.91%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases	3.05% to 9.05%, including inflation
Payroll Growth Rate	2.50%
Ad Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three-year period ending August 31, 2017 and adopted in July 2018.

**Discount Rate.** The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan 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 pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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, 2018, 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%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag <sup>3</sup>			-0.79%
Totals	100.00%		7.25%

<sup>1</sup> Target allocations are based on the FY2016 policy model.

<sup>2</sup> Capital market assumptions come from Aon Hewitt (2017 Q4).

<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 (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability	\$ 33,959,190	\$ 22,500,858	\$ 13,224,658



**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2019, the District reported a liability of \$22,500,858 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	\$ 22,500,858
State's proportionate share that is associated with the District	<u>32,105,118</u>
Total	<u>\$ 54,605,976</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0408791161% which was an increase of 0.0034946083% from its proportion measured as of August 31, 2017.

The net pension 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 pension liability since the prior measurement period.

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

For the year ended June 30, 2019, the District recognized pension expense of \$6,570,764 and revenue of \$3,177,551 for support provided by the State.

At June 30, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 140,252	\$ 552,082
Changes in actuarial assumptions	8,112,643	253,520
Differences between projected and actual investment earnings	-	426,937
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	4,041,181	433
Contributions paid to TRS subsequent to the measurement date	<u>1,059,829</u>	<u>-</u>
Totals	<u>\$ 13,353,905</u>	<u>\$ 1,232,972</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
2020	\$ 2,845,765
2021	1,947,298
2022	1,698,477
2023	1,884,715
2024	1,675,416
Thereafter	1,009,433

#### **K. 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 plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

**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 retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees			
January 1, 2018 - December 31, 2018			
	Medicare	Non-Medicare	
Retiree*	\$ 135	\$ 200	
Retiree and Spouse	529	689	
Retiree* and Children	468	408	
Retiree and Family	1,020	999	

\* or surviving spouse

**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 0.75% 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	
	2018	2019
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		\$ 322,924
Current fiscal year member contributions		253,538
2018 measurement year NECE on-behalf contributions		504,469

In addition, the State of Texas contributed \$136,671, \$125,103 and \$121,242 in 2019, 2018, and 2017, 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 \$182.6 million in fiscal year 2018. The 85<sup>th</sup> Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY 2018-2019 biennium to continue support for the program. This was also received in FY 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

**Actuarial Assumptions.** The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

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

**Additional Actuarial Methods and Assumptions**

Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
	3.69%. Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
Discount Rate	
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of healthcare benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.05% to 9.05%
Healthcare Trend Rates*	6.75% to 11.00%*
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

\* Initial trend rates are 6.75% for non-Medicare retirees; 9.00% for Medicare retirees and 11.00% for prescriptions for all retirees. The first year trend increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.

**Other Information.** In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

**Discount Rate.** A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

**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 (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	\$ 30,054,036	\$ 25,248,202	\$ 21,446,479

**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 healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 20,969,043	\$ 25,248,202	\$ 30,883,947

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At June 30, 2019, the District reported a liability of \$25,248,202 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	\$ 25,248,202
State's proportionate share that is associated with the District	<u>36,564,861</u>
Total	<u>\$ 61,813,063</u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The employer’s proportion of the Net OPEB Liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer’s proportion of the collective Net OPEB Liability was 0.0505662718%, which was an increase of 0.0047254393% from its proportion measured as of August 31, 2017.

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:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability
- The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB Liability \$2.3 billion.

**Change of Benefit Terms Since the Prior Measurement Date.** The 85<sup>th</sup> Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended June 30, 2019, the District recognized OPEB expense of \$2,218,148 and revenue of \$1,330,010 for support provided by the State.

At June 30, 2019, 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	\$ 1,339,828	\$ 398,454
Changes in actuarial assumptions	421,324	7,585,636
Differences between projected and actual investment earnings	4,416	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	2,591,024	-
Contributions paid to TRS subsequent to the measurement date	<u>264,051</u>	<u>-</u>
Totals	<u>\$ 4,620,643</u>	<u>\$ 7,984,090</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
2020	\$( 671,388)
2021	( 671,388)
2022	( 671,388)
2023	( 672,223)
2024	( 672,701)
Thereafter	( 268,410)

**L. Nonmonetary Transactions**

During fiscal year 2019, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$83,630. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$83,630 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

**M. New Accounting Standards**

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District include the following:

Statement No. 84, *Fiduciary Activities* – This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus is generally on whether a government is controlling the assets of the fiduciary activity and on the beneficiaries with whom a fiduciary relationship exists. This Statement will become effective for the District in fiscal year 2020.

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 2021.

**THIS PAGE LEFT BLANK INTENTIONALLY**



**REQUIRED SUPPLEMENTARY INFORMATION**

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CROSBY INDEPENDENT SCHOOL DISTRICT**

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

FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes		Budgeted Amounts	
		Original	Final
	<b>REVENUES</b>		
5700	Local and intermediate sources	\$ 23,104,509	\$ 22,136,405
5800	State programs	32,849,116	30,949,253
5900	Federal program	1,500,000	1,837,925
5020	Total revenues	<u>57,453,625</u>	<u>54,923,583</u>
	<b>EXPENDITURES</b>		
	Current:		
0011	Instruction	32,542,236	31,049,406
0012	Instructional resources and media sources	569,066	303,683
0013	Curriculum and staff development	1,074,631	885,466
0021	Instructional leadership	657,608	794,044
0023	School leadership	3,301,770	3,168,974
0031	Guidance, counseling, and evaluation services	1,953,505	1,624,570
0032	Social work services	103,500	-
0033	Health services	527,989	622,341
0034	Student transportation	2,720,831	2,790,191
0036	Extracurricular activities	1,681,627	1,443,210
0041	General administration	1,876,982	2,056,944
0051	Facilities maintenance and operations	6,150,428	4,914,206
0052	Security and monitoring services	781,963	509,518
0053	Data processing services	1,401,488	792,595
0061	Community services	79,119	73,821
	Debt service:		
0071	Principal on long-term debt	1,280,000	600,000
0072	Interest on long-term debt	380,382	784,614
0073	Bond issuance costs and fees	-	135,000
	Intergovernmental:		
0093	Payments to shared services arrangements	66,000	80,000
0095	Payments to juvenile justice alternative education programs	60,000	25,000
0099	Other governmental charges	244,500	230,000
6030	Total expenditures	<u>57,453,625</u>	<u>52,883,583</u>
1100	<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>2,040,000</u>
	<b>OTHER FINANCING SOURCES (USES)</b>		
8940	Other uses	-	( 160,000)
7080	Total other financing sources (uses)	-	( 160,000)
1200	<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>1,880,000</u>
0100	<b>FUND BALANCES, BEGINNING</b>	<u>1,968,034</u>	<u>1,968,034</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 1,968,034</u>	<u>\$ 3,848,034</u>

Actual Amounts	Variance with Final Budget Positive (Negative)
\$ 22,556,206	\$ 419,801
31,745,800	796,547
<u>1,908,619</u>	<u>70,694</u>
<u>56,210,625</u>	<u>1,287,042</u>
29,888,775	1,160,631
234,282	69,401
797,322	88,144
753,056	40,988
3,035,493	133,481
1,493,502	131,068
-	-
559,290	63,051
2,535,700	254,491
1,270,273	172,937
1,855,753	201,191
4,132,194	782,012
467,151	42,367
720,602	71,993
58,001	15,820
600,000	-
776,614	8,000
134,402	598
77,000	3,000
-	25,000
<u>222,822</u>	<u>7,178</u>
<u>49,612,232</u>	<u>3,271,351</u>
<u>6,598,393</u>	<u>4,558,393</u>
( 112,560)	47,440
( 112,560)	47,440
<u>6,485,833</u>	<u>4,605,833</u>
<u>1,968,034</u>	<u>-</u>
<u>\$ 8,453,867</u>	<u>\$ 4,605,833</u>

## **CROSBY INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO BUDGETARY INFORMATION**

JUNE 30, 2019

#### **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.

**THIS PAGE LEFT BLANK INTENTIONALLY**

**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, 2019

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-employee payroll	\$ 29,518,270	\$ 32,541,661
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee 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>
0.0335771%	0.0373845%	0.0408791%
\$ 12,688,305	\$ 11,953,552	\$ 22,500,858
<u>21,022,958</u>	<u>19,031,719</u>	<u>32,105,118</u>
\$ <u>33,711,263</u>	\$ <u>30,985,271</u>	\$ <u>54,605,976</u>
\$ 35,355,165	\$ 39,985,219	\$ 42,652,914
35.89%	29.89%	52.75%
78.00%	82.17%	73.74%



**CROSBY INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2019

	Fiscal Year Ended August 31,	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 957,378	\$ 1,065,900
Contributions in relation to the contractually required contribution	( 957,378)	( 1,065,900)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 32,541,661	\$ 35,355,165
Contribution as a percentage of covered-employee 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,		
<u>2017<sup>(1)</sup></u>	<u>2018</u>	<u>2019</u>
\$ 994,987	\$ 1,368,942	\$ 1,294,013
( 994,987)	( 1,368,942)	( 1,294,013)
\$ -	\$ -	\$ -
\$ 33,078,371	\$ 42,528,472	\$ 39,010,561
3.01%	3.22%	3.32%

**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, 2019

Measurement period ended August 31,	<u>2017</u>	<u>2018</u>
District's proportion of the net OPEB liability (asset)	0.0458408%	0.0505663%
District's proportionate share of the net OPEB liability (asset)	\$ 19,934,458	\$ 25,248,202
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>31,736,731</u>	<u>36,564,861</u>
Total	<u>\$ 51,671,189</u>	<u>\$ 61,813,063</u>
District's covered-employee payroll	\$ 39,985,219	\$ 42,652,914
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	49.85%	59.19%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	1.57%

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, 2019

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

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

## **COMBINING STATEMENTS**

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CROSBY INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2019

	Special Revenue Funds		
	206	211	224
	Texas Education for Homeless Children & Youth	Title I, Part A- Improving Basic Programs	IDEA-B Formula
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Current investments	-	-	-
Due from other governments	11,740	158,681	194,380
Due from other funds	-	-	-
Other receivables	-	-	-
Inventories	-	-	-
Total assets	11,740	158,681	194,380
<b>LIABILITIES</b>			
Accounts payable	366	-	14,305
Payroll deductions and withholdings	644	8,605	8,655
Accrued wages	4,409	86,799	69,267
Due to other funds	6,321	63,277	102,153
Due to other governments	-	-	-
Unearned revenue	-	-	-
Total liabilities	11,740	158,681	194,380
<b>FUND BALANCES</b>			
Nonspendable - inventories	-	-	-
Restricted - grant funds	-	-	-
Committed - campus activity funds	-	-	-
Total fund balances	-	-	-
Total liabilities and fund balances	\$ 11,740	\$ 158,681	\$ 194,380

Special Revenue Funds					
225	226	226	240	244	255
IDEA-B Preschool	IDEA-B High Cost	IDEA-B Evaluation Capacity	National School Breakfast and Lunch Program	Carl D. Perkins Career & Technical Basic Grant	Title II, Part A- Supporting Effective Instruction
\$ -	\$ -	\$ -	\$ 654,262	\$ -	\$ -
-	-	-	428,443	-	-
-	48,326	6,000	20,804	11,290	32,789
-	-	-	2,021	-	-
-	-	-	946	-	-
-	-	-	48,189	-	-
<u>-</u>	<u>48,326</u>	<u>6,000</u>	<u>1,154,665</u>	<u>11,290</u>	<u>32,789</u>
-	-	-	5,073	-	-
-	-	-	10,717	735	2,084
-	-	-	99,520	4,950	17,457
-	48,326	6,000	45,610	5,605	13,248
-	-	-	-	-	-
-	-	-	33,981	-	-
<u>-</u>	<u>48,326</u>	<u>6,000</u>	<u>194,901</u>	<u>11,290</u>	<u>32,789</u>
-	-	-	48,189	-	-
-	-	-	911,575	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>959,764</u>	<u>-</u>	<u>-</u>
\$ <u>-</u>	\$ <u>48,326</u>	\$ <u>6,000</u>	\$ <u>1,154,665</u>	\$ <u>11,290</u>	\$ <u>32,789</u>



**CROSBY INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2019

	Special Revenue Funds		
	263	289	289
	Title III, Part A- ELA	Restart Hurricane Recovery	LEP Summer School
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Current investments	-	-	-
Due from other governments	12,372	270,023	-
Due from other funds	-	-	-
Other receivables	-	-	-
Inventories	-	-	-
<b>Total assets</b>	<u>12,372</u>	<u>270,023</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts payable	-	9,504	-
Payroll deductions and withholdings	871	-	-
Accrued wages	6,535	-	-
Due to other funds	4,966	260,519	-
Due to other governments	-	-	-
Unearned revenue	-	-	-
<b>Total liabilities</b>	<u>12,372</u>	<u>270,023</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable - inventories	-	-	-
Restricted - grant funds	-	-	-
Committed - campus activity funds	-	-	-
<b>Total fund balances</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 12,372</u>	<u>\$ 270,023</u>	<u>\$ -</u>

Special Revenue Funds					
289	289	410	428	429	461
Texas Hurricane Emergency Impact Aid for Displaced Students	Title IV, Part A, Subpart I	State Textbook Fund	Read to Succeed License Plate Program	Literacy and Math Academies	Campus Activity Funds
\$ -	\$ 16	\$ 922,254	\$ 87	\$ -	\$ 388,525
-	-	-	-	-	-
-	391	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>407</u>	<u>922,254</u>	<u>87</u>	<u>-</u>	<u>388,525</u>
-	407	-	-	-	4,577
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	55
-	-	922,254	87	-	-
<u>-</u>	<u>407</u>	<u>922,254</u>	<u>87</u>	<u>-</u>	<u>4,632</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>383,893</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>383,893</u>
<u>\$ -</u>	<u>\$ 407</u>	<u>\$ 922,254</u>	<u>\$ 87</u>	<u>\$ -</u>	<u>\$ 388,525</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2019

	Special Revenue Funds			Total Nonmajor Governmental Funds
	497	498	499	
	Code Red	Crosby Education Foundation	Region IV School Support Grant	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 125	\$ -	\$ -	\$ 1,965,269
Current investments	-	-	-	428,443
Due from other governments	-	-	-	766,796
Due from other funds	-	-	-	2,021
Other receivables	-	4,858	-	5,804
Inventories	-	-	-	48,189
Total assets	<u>125</u>	<u>4,858</u>	<u>-</u>	<u>3,216,522</u>
<b>LIABILITIES</b>				
Accounts payable	-	-	-	34,232
Payroll deductions and withholdings	-	74	-	32,385
Accrued wages	-	-	-	288,937
Due to other funds	-	4,784	-	560,809
Due to other governments	-	-	-	55
Unearned revenue	<u>125</u>	<u>-</u>	<u>-</u>	<u>956,447</u>
Total liabilities	<u>125</u>	<u>4,858</u>	<u>-</u>	<u>1,872,865</u>
<b>FUND BALANCES</b>				
Nonspendable - inventories	-	-	-	48,189
Restricted - grant funds	-	-	-	911,575
Committed - campus activity funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>383,893</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,343,657</u>
Total liabilities and fund balances	<u>\$ 125</u>	<u>\$ 4,858</u>	<u>\$ -</u>	<u>\$ 3,216,522</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CROSBY INDEPENDENT SCHOOL DISTRICT**

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

FOR THE YEAR ENDED JUNE 30, 2019

	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>12,398</u>	<u>918,616</u>	<u>1,059,388</u>	<u>25,615</u>
Total revenues	<u>12,398</u>	<u>918,616</u>	<u>1,059,388</u>	<u>25,615</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	11,316	903,469	270,487	25,615
Instructional resources and media services	-	-	-	-
Curriculum and instructional staff development	-	4,482	12,499	-
Instructional leadership	-	-	7,061	-
School leadership	-	-	-	-
Guidance, counseling, and evaluating services	-	-	701,291	-
Health services	-	-	-	-
Student transportation	-	-	68,050	-
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
General administration	1,082	74	-	-
Facility maintenance and operations	-	-	-	-
Security and monitoring services	-	-	-	-
Community services	-	<u>10,591</u>	-	-
Total expenditures	<u>12,398</u>	<u>918,616</u>	<u>1,059,388</u>	<u>25,615</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	-
<b>FUND BALANCES, BEGINNING</b>	-	-	-	-
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ -	\$ -

Special Revenue Funds						
226	226	240	244	255	263	289
IDEA-B High Cost	IDEA-B Evaluation Capacity	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	Restart Hurricane Recovery
\$ -	\$ -	\$ 813,831	\$ -	\$ -	\$ -	\$ -
-	-	52,180	-	-	-	-
<u>48,326</u>	<u>24,000</u>	<u>2,135,098</u>	<u>74,983</u>	<u>162,065</u>	<u>70,170</u>	<u>270,023</u>
<u>48,326</u>	<u>24,000</u>	<u>3,001,109</u>	<u>74,983</u>	<u>162,065</u>	<u>70,170</u>	<u>270,023</u>
46,320	-	-	19,483	162,065	64,008	-
-	-	-	-	-	-	-
-	-	-	930	-	192	-
-	-	-	179	-	-	-
-	-	-	-	-	-	-
-	24,000	-	54,391	-	5,970	-
-	-	-	-	-	-	-
2,006	-	-	-	-	-	270,023
-	-	2,808,738	-	-	-	-
-	-	-	-	-	-	-
-	-	44,108	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>48,326</u>	<u>24,000</u>	<u>2,852,846</u>	<u>74,983</u>	<u>162,065</u>	<u>70,170</u>	<u>270,023</u>
-	-	148,263	-	-	-	-
-	-	811,501	-	-	-	-
\$ -	\$ -	\$ 959,764	\$ -	\$ -	\$ -	\$ -

**CROSBY INDEPENDENT SCHOOL DISTRICT**

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

FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds			
	289	289	289	410
	LEP Summer School	Texas Hurricane Emergency Impact Aid for Displaced Students	Title IV, Part A, Subpart I	State Textbook Fund
<b>REVENUES</b>				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State programs	-	-	-	191,916
Federal programs	5,007	132,418	52,713	-
Total revenues	<u>5,007</u>	<u>132,418</u>	<u>52,713</u>	<u>191,916</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	5,007	132,418	-	191,916
Instructional resources and media services	-	-	-	-
Curriculum and instructional staff development	-	-	692	-
Instructional leadership	-	-	-	-
School leadership	-	-	-	-
Guidance, counseling, and evaluating services	-	-	-	-
Health services	-	-	-	-
Student transportation	-	-	-	-
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
General administration	-	-	-	-
Facility maintenance and operations	-	-	-	-
Security and monitoring services	-	-	52,021	-
Community services	-	-	-	-
Total expenditures	<u>5,007</u>	<u>132,418</u>	<u>52,713</u>	<u>191,916</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	-
<b>FUND BALANCES, BEGINNING</b>	-	-	-	-
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ -	\$ -

Special Revenue Funds							
428	429	461	497	498	499		Total
Read to Succeed License Plate Program	Literacy and Math Academies	Campus Activity Funds	Code Red	Crosby Education Foundation	Region IV School Support Grant		Nonmajor Governmental
\$ -	\$ -	\$ 451,695	\$ 5,375	\$ 87,612	\$ 7,460	\$	\$ 1,365,973
-	2,595	-	-	3,157	-		249,848
-	-	-	-	-	-		4,990,820
<u>-</u>	<u>2,595</u>	<u>451,695</u>	<u>5,375</u>	<u>90,769</u>	<u>7,460</u>		<u>6,606,641</u>
-	2,595	95,176	-	64,770	-		1,994,645
-	-	60,508	-	-	-		60,508
-	-	781	-	-	6,360		25,936
-	-	-	-	-	-		7,240
-	-	45,384	-	-	840		46,224
-	-	2,017	-	-	260		787,929
-	-	352	-	-	-		352
-	-	-	-	-	-		340,079
-	-	-	-	-	-		2,808,738
-	-	241,581	5,375	-	-		246,956
-	-	-	-	1,000	-		2,156
-	-	-	-	-	-		44,108
-	-	896	-	-	-		52,917
-	-	822	-	24,999	-		36,412
<u>-</u>	<u>2,595</u>	<u>447,517</u>	<u>5,375</u>	<u>90,769</u>	<u>7,460</u>		<u>6,454,200</u>
-	-	4,178	-	-	-		152,441
-	-	379,715	-	-	-		1,191,216
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 383,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>\$ 1,343,657</u>



## **REQUIRED TEA SCHEDULES**

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CROSBY INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2019

Last Ten Years Ended June 30,	1	2	3
	Tax Rates		Net Assessed/ Appraised Value for School Tax Purpose
	<u>Maintenance</u>	<u>Debt Service</u>	
2010 and prior years	various	various	various
2011	1.170000	0.270000	1,276,037,971
2012	1.170000	0.270000	1,282,400,903
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 (School year under audit)	1.170000	0.480000	1,843,055,758
<b>1000</b> Totals			

**EXHIBIT J-1**

10	20	31	32	40	50
Beginning Balance 07/01/18	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 06/30/19
\$ 576,226	\$ -	\$ 25,118	\$ 5,796	\$ ( 5,480)	\$ 539,832
70,802	-	4,375	1,010	( 562)	64,855
133,616	-	21,092	4,868	10,941	118,597
99,590	-	23,415	5,403	11,671	82,443
125,251	-	29,727	12,704	19,601	102,421
154,443	-	40,748	17,414	22,982	119,263
186,078	-	59,262	25,325	29,461	130,952
315,318	-	95,564	40,839	2,641	181,556
964,486	-	409,472	174,987	( 35,365)	344,662
<u>-</u>	<u>30,410,420</u>	<u>20,864,313</u>	<u>8,559,718</u>	<u>-</u>	<u>986,389</u>
\$ <u>2,625,810</u>	\$ <u>30,410,420</u>	\$ <u>21,573,086</u>	\$ <u>8,848,064</u>	\$ <u>55,890</u>	\$ <u>2,670,970</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

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

FOR THE YEAR ENDED JUNE 30, 2019

		Budgeted Amounts	
		Original	Final
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ 880,000	\$ 880,000
5800	State programs	72,000	72,000
5900	Federal programs	<u>2,670,170</u>	<u>2,170,170</u>
5020	Total revenues	<u>3,622,170</u>	<u>3,122,170</u>
<b>EXPENDITURES</b>			
Current:			
0035	Food service	3,072,170	3,022,170
0051	Facilities maintenance and operations	<u>175,000</u>	<u>100,000</u>
6030	Total expenditures	<u>3,247,170</u>	<u>3,122,170</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	375,000	-
0100	<b>FUND BALANCES, BEGINNING</b>	<u>811,501</u>	<u>811,501</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 1,186,501</u>	<u>\$ 811,501</u>

<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 813,831	\$ ( 66,169)
52,180	( 19,820)
<u>2,135,098</u>	<u>( 35,072)</u>
<u>3,001,109</u>	<u>( 121,061)</u>
2,808,738	213,432
<u>44,108</u>	<u>55,892</u>
<u>2,852,846</u>	<u>269,324</u>
148,263	148,263
<u>811,501</u>	<u>-</u>
<u>\$ 959,764</u>	<u>\$ 148,263</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

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

FOR THE YEAR ENDED JUNE 30, 2019

		Budgeted Amounts	
		Original	Final
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ 9,206,535	\$ 8,438,910
5800	State programs	<u>1,799,418</u>	<u>1,157,538</u>
5020	Total revenues	<u>11,005,953</u>	<u>9,596,448</u>
<b>EXPENDITURES</b>			
Debt service:			
0071	Principal on long-term debt	3,595,000	3,595,000
0072	Interest on long-term debt	5,882,272	5,882,272
0073	Bond issuance costs and fees	<u>15,000</u>	<u>17,000</u>
6030	Total expenditures	<u>9,492,272</u>	<u>9,494,272</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	<u>1,513,681</u>	<u>102,176</u>
0100	<b>FUND BALANCES, BEGINNING</b>	<u>6,491,892</u>	<u>6,491,892</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 8,005,573</u>	<u>\$ 6,594,068</u>

<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 9,139,814	\$ 700,904
<u>1,401,288</u>	<u>243,750</u>
<u>10,541,102</u>	<u>944,654</u>
3,595,000	-
5,882,272	-
<u>13,503</u>	<u>3,497</u>
<u>9,490,775</u>	<u>3,497</u>
<u>1,050,327</u>	<u>948,151</u>
<u>6,491,892</u>	<u>-</u>
<u>\$ 7,542,219</u>	<u>\$ 948,151</u>



**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, 2019, 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 14, 2019.

***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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

### **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Crosby Independent School District's Response to Findings**

Crosby Independent School District's response to the findings identified in our audit is described in the accompanying corrective action plan. Crosby Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 14, 2019

---

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL 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, 2019. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2019.

## 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. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-002 and 2019-003, that we consider to be material weaknesses.

Crosby Independent School District's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. Crosby Independent School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 14, 2019

**CROSBY INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Federal CFDA 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	71401801	\$ 78,353
School Breakfast Program (SBP)	10.553	71401901	386,333
National School Lunch Program (NSLP)	10.555	71301801	266,682
National School Lunch Program (NSLP)	10.555	71301901	<u>1,206,775</u>
Total Passed through the Texas Education Agency			<u>1,938,143</u>
Passed through the Texas Department of Agriculture:			
NSLP - Commodities - Noncash Assistance	10.555	00516	<u>196,955</u>
Total Passed through the Texas Department of Agriculture			<u>196,955</u>
Total Child Nutrition Cluster			<u>2,135,098</u>
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>			<u>2,135,098</u>
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed through the Texas Education Agency:			
Title I, Part A-Improving Basic Programs	84.010A	18610101101906	96,513
Title I, Part A-Improving Basic Programs	84.010A	19610101101906	838,943
Title I, School Improvement	84.010A	18610123101906	10,950
Total Title I, Part A			<u>946,406</u>
IDEA B Formula	84.027A	186600011019066000	511,864
IDEA B Formula	84.027A	196600011019066000	583,809
IDEA B High Cost Risk Pool	84.027A	66001906	48,326
Evaluation Capacity Award	84.027A	2265431904001	24,000
IDEA B Preschool	84.173A	186610011019066000	12,999
IDEA B Preschool	84.173A	196610011019066000	13,493
Total Special Education Cluster (IDEA)			<u>1,194,491</u>
Career and Technical-Basic Grant	84.048A	18420006101906	21,297
Career and Technical-Basic Grant	84.048A	19420006101906	56,255
Total Career and Technical-Basic Grant			<u>77,552</u>
Texas Education For Homeless Children and Youth	84.196A	194600057110018	12,823
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	18671001101906	10,114
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	19671001101906	62,113
Total Title III, Part A			<u>72,227</u>
Title II, Part A-Teacher and Principal Training and Recruiting	84.367A	18694501101906	19,505
Title II, Part A-Teacher and Principal Training and Recruiting	84.367A	19694501101906	148,112
Total Title II, Part A			<u>167,617</u>

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Federal CFDA Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION (continued)</b>			
Summer School, LEP	84.369A	69551802	\$ 5,007
ESEA Title IV, Part A, Subpart 1	84.424A	19680101101906	52,713
Restart Hurricane Recovery	84.938A	18511701101906	270,023
Hurricane Emergency Impact Aid for Displaced Students Program	84.938C	51271901	<u>132,418</u>
Total Passed through the Texas Education Agency			<u>2,931,277</u>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>			<u>2,931,277</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>22,400</u>
Total Medicaid Cluster			<u>22,400</u>
Total Passed through the Texas Department of Health & Human Services			<u>22,400</u>
<b>TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>22,400</u>
<b>U. S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through the Texas Department of Public Safety:			
Hurricane Harvey Shelter	97.036	4332-DR-TX-P0000001	<u>5,463</u>
Total Passed through the Texas Department of Public Safety			<u>5,463</u>
<b>TOTAL U. S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>5,463</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 5,094,238</u>



**CROSBY INDEPENDENT SCHOOL DISTRICT**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2019

**BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Crosby Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. National School Lunch Program noncash commodities are recorded at their estimated market value at the time of donation. The District has elected not to use 10% de minimis indirect cost rate as allowed under Uniform Guidance, and none of the federal awards expended by the District were provided to subrecipients. Presented below is a reconciliation of federal revenues:

Total expenditures of federal awards per Exhibit K-1	\$ 5,094,238
Additional federal revenues reported in general fund:	
SHARS	1,315,941
Interest subsidy on qualified school construction bonds	390,065
E-Rate	38,795
ROTC	<u>60,400</u>
Total federal revenues per exhibit C-3	\$ <u>6,899,439</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2019

**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?	Item 2019-001
Material noncompliance to the financial statements noted?	No

*Federal Awards*

Internal control over major programs: Material weakness(es) identified?	Items 2019-002 and 2019-003
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)?	Yes
Identification of major programs: CFDA Numbers: 84.010A 84.027A and 84.173A	Name of Federal Programs or Cluster: Title I, Part A-Improving Basic Programs Special Education Cluster (IDEA)
Dollar threshold used to distinguish between Type A and Type B 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**

### Item 2019-001: Employee Time Entry – Significant Deficiency

#### Criteria

Management is responsible for the accuracy and completeness of all financial records and related information and for establishing and maintaining effective internal control over financial reporting.

#### Condition

The District's payroll procedures for non-exempt employees requires a supervisor, or designated individual, to approve each non-exempt employee's time worked and/or leave taken for each pay period. During fiscal year 2019, instances were identified showing the District paying non-exempt employees without appropriate supervisor approval over time worked and/or leave taken.

#### Cause

Current payroll processing procedures include the review and reconciliation of time worked and/or leave taken by a designated campus/department individual who then provides the information required for payroll processing to the district payroll department. Payroll has been processed upon receipt of this information without verification that the appropriate supervisor level of approval has occurred.

#### Effect or Potential Effect

Material misstatements of the District's financial statements may not be prevented, or detected and corrected, by the District's system of internal control. Failure to establish effective monitoring procedures over recording employee time worked and leave taken will allow possible irregularities to exist and continue without notice.

#### Recommendation

We recommend that the District review its internal control procedures over recording employee time worked and leave taken to ensure controls are in place to identify and record all transactions in the correct period.

#### Management's Response

See Corrective Action Plan.

## **Findings and Questioned Costs for Federal Awards**

### Item 2019-002: Suspension & Debarment - Material Weakness

U.S. Department of Education passed through the Texas Education Agency  
Program Name: Special Education Cluster (IDEA)  
CFDA #s: 84.027A and 84.173A

#### Criteria

As a condition of receiving Federal awards, non-Federal entities agree to comply with laws, regulations, and the provisions of grant agreements and contracts, and to maintain internal control to provide reasonable assurance of compliance with these requirements.

The Department of Education established a "suspension & debarment" compliance requirement applicable to the Special Education Cluster (IDEA) which stipulates that a local education agency (LEA) is prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria specified in 2 CFR section 180.220.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction.

#### Condition

During the fiscal year ending June 30, 2019, the District could not determine whether its suspension and debarment policy over covered transactions was being implemented.

Cause

The District's Federal Programs Specialist was part of the reduction in force, and therefore, was terminated in December 2018. Management has been unable to locate the confirmation of verification to verify that a vendor was not debarred or suspended at the time of contract.

Effect or Potential Effect

Noncompliance with the suspension & debarment requirement could occur and not be prevented, or detected and corrected, by the District's management, leading to potential loss of Federal award funding. Procedures were performed on selected transactions to verify that an entity the District entered into a covered transaction with was not suspended and debarred, and no suspended and debarred vendors were identified.

Recommendation:

We recommend that the District review its internal control procedures over compliance to ensure controls are suitably designed and are in place to prevent, or detect and correct, noncompliance with applicable compliance requirements.

Management's Response:

See Corrective Action Plan.

Item 2019-003: Allowable Costs - Material Weakness

U.S. Department of Education passed through the Texas Education Agency  
Program Name: Title I, Part A  
CFDA #: 84.010A

Criteria

As a condition of receiving Federal awards, non-Federal entities agree to comply with laws, regulations, and the provisions of grant agreements and contracts, and to maintain internal control to provide reasonable assurance of compliance with these requirements.

The Department of Education established an "allowable costs" compliance requirement applicable to Elementary and Secondary Education Act (ESEA) programs which stipulates that if an employee who works, in whole or in part, on a Federal program or cost objective must document time and effort dedicated to the Federal program or cost objective.

Condition

During the fiscal year ending June 30, 2019, the District did not have effective internal controls over compliance with the allowable cost requirement described above. Instances of missing time and effort forms were identified during the audit.

Cause

District's management overlooked sending time and effort forms for private school tutors funded by Title I and Title III funds for eligible activities. Further, the District did not have adequately designed controls in place to ensure compliance with the allowable cost requirement.

Effect or Potential Effect

Noncompliance with the allowable cost requirement could occur and not be prevented, or detected and corrected, by the District's management, leading to potential loss of Federal award funding. Procedures were performed on selected transactions to verify cost allocated to Title I, Part A are allowable, and no unallowable cost were identified.

Recommendation

We recommend that the District review its internal control procedures over compliance to ensure controls are suitably designed and are in place to prevent, or detect and correct, noncompliance with applicable compliance requirements.

Management's Response

See Corrective Action Plan.

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, 2019

**Item 2018-001: Financial Statement Misstatements**

The District has reorganized the finance department and replaced a vacated non-degreed position with a Staff Accountant in March 2019. The additional qualifications held by this individual will help ensure accurate and complete financial records while maintaining effective internal control over financial reporting. New purchasing and receiving procedures have been developed and implemented to ensure the identification and recording of all transactions in the correct period.

Status: Completed

**Item 2018-002: Management Override of Internal Controls**

The District has reorganized the finance department and replaced a vacated non-degreed position with a Staff Accountant in March 2019. The additional qualifications held by this individual will help ensure accurate and complete financial records while maintaining effective internal control over financial reporting. New purchasing and receiving procedures have been developed and implemented to ensure the identification and recording of all transactions in the correct period.

The District has conducted training district-wide regarding the District's expectation that all District employees shall perform their duties in accordance with state and federal law, District policy, and ethical standards.

The Board received training on October 15, 2018, on the monthly board report provided to oversee and monitor expenditures and budget appropriations.

Status: Completed

**Item 2018-003: Construction Project Administration and Funding**

As the 2017 bond program proceeds, the Superintendent will ensure adherence to and enforcement of policies and procedures relating to the administration and oversight of construction projects and related financial management. Construction budgets and costs will be monitored to ensure that total costs of all projects remain within available resources. As an added mechanism to ensure adherence to and enforcement of policies and procedures, the District's Bond Program Manager or a representative will be present at all board meetings when bond projects and funds are reviewed and discussed. The Bond Program Manager has also been instructed by the Superintendent to communicate directly with the Board if questions arise as to the adherence to and enforcement of policies and procedures. The Board adopted a debt management policy on August 19, 2019.

Status: Completed

**Item 2018-004: PEIMS Reporting**

The District has reorganized the finance department and replaced a vacated non-degreed position with a Staff Accountant in March 2019. The additional qualifications held by this individual will help ensure accurate and complete financial records while maintaining effective internal control over financial reporting.

Mid-year PEIMS information will be reconciled to the District's general ledger and to the District's audited Annual Financial Report before PEIMS data is submitted to TEA.

Status: Completed

**Item 2018-005: Budget Excess of Expenditures over Appropriations**

The District has reorganized the finance department and replaced a vacated non-degreed position with a Staff Accountant in March 2019. The additional qualifications held by this individual will help ensure accurate and complete financial records while maintaining effective internal control over financial reporting.

Staff has been trained on the oversight and monitoring of expenditures and budget appropriations.

The Board received training on October 15, 2018, on the monthly board report provided to oversee and monitor expenditures and budget appropriations.

Status: Completed

**Item 2018-006: Budget Adoption**

Budgeted revenues must be calculated correctly and based on quality estimates, and expenditures must be limited to available resources. New management and the Board implemented a budgeting methodology to target additional state aid earned due to student growth as an increase to fund balance. Therefore, state aid is budgeted based on prior year student counts to allow for additional state aid earned due to student growth to be targeted for fund balance growth. The District operated within budgeted resources in 2018-2019.

Status: Completed

**Item 2018-007: Maintenance of Effort**

The District has reorganized the finance department and replaced a vacated non-degreed position with a Staff Accountant in March 2019. The additional qualifications held by this individual will help ensure accurate and complete financial records while maintaining effective internal control over financial reporting. The primary responsibility of this position is to oversee local, state, and federal grants to ensure compliance with all local, state, and federal requirements. This individual will receive the necessary training to fully understand responsibilities and perform required tasks in an accurate and timely manner. This training will be provided by external sources and by the District.

The District has also conducted training district-wide regarding the District's expectation that all District employees shall perform their duties in accordance with state and federal law, District policy, and ethical standards.

Maintenance of effort (MOE) will be calculated during the budgetary process, throughout the fiscal year, during fiscal year-end procedures, and during PEIMS submission before the PEIMS resubmission deadline. MOE calculations performed at these intervals will allow for proper planning to work toward meeting the MOE requirement and detection of inaccurate PEIMS reporting if year-end calculations do not reconcile to calculations performed from PEIMS data.

As stated in the prior year audit's Views of Responsible Officials and Planned Corrective Actions regarding Finding 2018-007, *due to the recent declaration of financial exigency and cost savings measures implemented, the district could be noncompliant with the maintenance of effort requirement, but effective internal controls will be in place to detect, and work toward correction, of the noncompliance, if presented.* Due to the reduction in expenditures necessary to work toward financial solvency and stability, the District did not comply with the ESSA maintenance of effort requirement for the fiscal year ending June 30, 2019. However, District internal controls over compliance that are in place detected this noncompliance and have allowed the District to work toward correction of this noncompliance.

Status: Completed

## **OTHER INFORMATION**

**THIS PAGE LEFT BLANK INTENTIONALLY**



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

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN

FOR THE YEAR EDNED JUNE 30, 2019

Item 2019-001: Employee Time Entry – Significant Deficiency

The District has implemented procedures at the district level to ensure that the appropriate supervisor level of approval has occurred prior to the payment of non-exempt employees. Campus/department level payroll processing procedures are under review and will be amended to include verification of appropriate supervisor level of approval prior to submission of payroll information to the district payroll department. Current internal control procedures over payroll processing are under review and new controls are already being put in place to ensure that appropriate supervisor approval occurs prior to payment.

Responsible Parties: Lesa Jones, Chief Financial Officer, Luke Ocker, Staff Accountant-Payroll and Financial Services, and Ellie Stolich, Payroll Specialist

Anticipated Completion Date: December 2019

Item 2019-002: Suspension & Debarment - Material Weakness

The District has implemented procedures to ensure compliance with the suspension and debarment compliance requirement. Internal control procedures have been reviewed and new controls are already in place to ensure compliance.

Responsible Parties: Lesa Jones, Chief Financial Officer, and Indra Hebert, Staff Accountant-Special Revenue and Accounting Services

Anticipated Completion Date: November 2019

Item 2019-003: Allowable Costs - Material Weakness

The District has implemented procedures to ensure compliance with time and effort documentation relating to the "allowable costs" compliance requirement. Internal control procedures have been reviewed and new controls are already in place to ensure compliance.

Responsible Parties: Lesa Jones, Chief Financial Officer, and Indra Hebert, Staff Accountant-Special Revenue and Accounting Services

Anticipated Completion Date: September 2019

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CROSBY INDEPENDENT SCHOOL DISTRICT****EXHIBIT L-1**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
(UNAUDITED)

JUNE 30, 2019

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
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?	Yes
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 make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 22,500,858

**THIS PAGE LEFT BLANK INTENTIONALLY**