

# **Crosby Independent School District**

Annual Financial Report

For the Ten Months Ended June 30, 2017



**Crosby Independent School District**  
 Annual Financial Report  
 For the Ten Months Ended June 30, 2017  
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**Certificate of the 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 \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the ten months ended June 30, 2017 at a meeting of the Board of Trustees of such school district on the 13<sup>th</sup> day of November, 2017.

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

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

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

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# Financial Section

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## Independent Auditor's Report

The Board of Trustees of  
Crosby Independent School District  
P.O. Box 2009  
Crosby, Texas 77532-2009

### 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 (the District), as of and for the ten months ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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, 2017, and the respective changes in financial position for the ten months then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the 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.

*Supplementary and 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 Supplementary Information and Schedule of Required Responses to Selected School FIRST Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, 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), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information 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 Supplementary Information 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.

The Board of Trustees of  
Crosby Independent School District

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2017 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crosby Independent School District's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
November 8, 2017

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## Management's Discussion and Analysis (Unaudited)

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 ten months ended June 30, 2017.

### Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$25,563,662 (*net position*). Of this amount, a deficit of \$2,373,195 (*unrestricted net position*) exists, which is the result of the issuance of a short-term note to pay for current year expenses.
- The District's total net position increased by \$3,977,011.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$13,036,336, a decrease of \$1,756,499.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,902,712, or 3 percent of total general fund expenditures.
- The District's net bonded debt decreased by \$4,920,678 during the current fiscal year.
- The District elected to change its fiscal year end from August 31 to June 30 in the current period.

### 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 and other information 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 (Exhibit A-1)* 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 (Exhibit B-1)* 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 government-wide financial operations (*governmental activities*) of the District are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and 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, Issuance Costs and Fees, Facilities Repair and Maintenance, Payments Related to Shared Services Arrangements, Payments to Juvenile Justice Alternative Education Programs, and Other Intergovernmental Charges*.

The government-wide financial statements can be found as noted in the table of contents of this report.

**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 nineteen 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 sixteen governmental funds are combined into a single, aggregated presentation titled *total nonmajor funds*.

The District adopts an annual revenue and appropriations budget for its general fund. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

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

**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 accounting used for fiduciary funds is similar to the accounting used for proprietary funds.

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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,563,662 at the close of the most recent fiscal period.

### Crosby Independent School District's Net Position

	Governmental Activities					
	June 30, 2017		August 31, 2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 22,313,412	12	\$ 25,435,833	13	\$ (3,122,421)	(12)
Capital assets	169,433,387	88	163,073,843	87	6,359,544	4
Total assets	<u>191,746,799</u>	<u>100</u>	<u>188,509,676</u>	<u>100</u>	<u>3,237,123</u>	
Total deferred outflows of resources	<u>6,964,480</u>	<u>100</u>	<u>8,322,324</u>	<u>100</u>	<u>(1,357,844)</u>	(16)
Other liabilities	8,926,255	5	8,880,429	5	45,826	1
Noncurrent liabilities	163,489,917	95	164,359,669	95	(869,752)	(1)
Total liabilities	<u>172,416,172</u>	<u>100</u>	<u>173,240,098</u>	<u>100</u>	<u>(823,926)</u>	
Total deferred inflows of resources	<u>731,445</u>	<u>100</u>	<u>2,005,251</u>	<u>100</u>	<u>(1,273,806)</u>	(64)
Net position:						
Net investment in capital assets	21,052,668	82	13,609,330	63	7,443,338	55
Restricted	6,884,189	27	3,719,186	17	3,165,003	85
Unrestricted	(2,373,195)	(9)	4,258,135	20	(6,631,330)	(156)
<b>Total net position</b>	<u>\$ 25,563,662</u>	<u>100</u>	<u>\$ 21,586,651</u>	<u>100</u>	<u>\$ 3,977,011</u>	

The excess of assets/deferred outflows of resources over liabilities/deferred inflows of resources reported on the government-wide *Statement of Net Position* of \$25,563,662 at June 30, 2017 results from several factors. The increase in net position was primarily the result of an increase in property tax values and state aid.

The largest portion of the District's net position (82 percent) reflects its investment in capital assets (e.g., land and improvements, 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 \$6,884,189, or 27 percent of net position.

The *unrestricted net position* (\$2,373,195) reported a deficit in the current fiscal period, which is the result of the issuance of a short-term note to pay for current year expenses.

**Governmental Activities.** Governmental activities increased the District's net position by \$3,977,011 from current operations. The elements giving rise to this change may be determined from the table below.

**Crosby Independent School District's Changes in Net Position**

	Governmental Activities					
	Ten Months Ended		Twelve Months Ended		Increase (Decrease)	
	June 30, 2017		August 31, 2016			
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	\$ 1,799,317	3	\$ 2,457,283	4	\$ (657,966)	(27)
Operating grants and contributions	6,903,249	11	7,708,786	12	(805,537)	(10)
Capital grants and contributions	336,000	1	-	-	336,000	-
General revenues:						
Property taxes, levied for general purpose	19,900,853	30	19,267,562	29	633,291	3
Property taxes, levied for debt service	8,506,931	13	8,177,503	12	329,428	4
Grants and contributions not restricted						
to specific programs	26,996,076	41	27,556,999	43	(560,923)	(2)
Investment earnings	84,257	-	192,125	-	(107,868)	(56)
Miscellaneous	399,711	1	301,950	-	97,761	32
Total revenues	<u>64,926,394</u>	<u>100</u>	<u>65,662,208</u>	<u>100</u>	<u>(735,814)</u>	
Expenses:						
Instruction	33,157,042	55	38,688,169	56	(5,531,127)	(14)
Instructional resources and media services	680,959	1	550,701	1	130,258	24
Curriculum and staff development	841,052	1	856,833	1	(15,781)	(2)
Instructional leadership	576,489	1	759,723	1	(183,234)	(24)
School leadership	2,670,805	4	2,988,262	4	(317,457)	(11)
Guidance, counseling, and evaluation services	1,873,408	3	1,911,754	3	(38,346)	(2)
Social work services	-	-	-	-	-	-
Health services	414,638	1	421,959	1	(7,321)	(2)
Student transportation	2,624,581	4	3,085,954	4	(461,373)	(15)
Food service	2,507,878	4	2,741,957	4	(234,079)	(9)
Extracurricular activities	1,995,874	3	2,732,954	4	(737,080)	(27)
General administration	1,697,090	3	1,858,709	3	(161,619)	(9)
Plant maintenance and operations	4,864,920	8	5,536,927	8	(672,007)	(12)
Security and monitoring services	441,642	1	325,276	-	116,366	36
Data processing services	1,093,692	2	1,283,718	2	(190,026)	(15)
Community services	34,011	-	40,821	-	(6,810)	(17)
Interest on long-term debt	4,589,234	8	5,945,241	8	(1,356,007)	(23)
Issuance costs and fees	136,371	-	258,706	-	(122,335)	(47)
Facilities repair and maintenance	-	-	2,002	-	(2,002)	(100)
Payments related to shared services arrangements	137,400	-	75,000	-	62,400	83
Payments to juvenile justice alternative						
Education programs	395,895	1	120,790	-	275,105	228
Other intergovernmental charges	216,402	-	326,172	-	(109,770)	(34)
Total expenses	<u>60,949,383</u>	<u>100</u>	<u>70,511,628</u>	<u>100</u>	<u>(9,562,245)</u>	
Change in net position	3,977,011		(4,849,420)		8,826,431	
Net position - beginning	21,586,651		26,436,071		(4,849,420)	
<b>Net position - ending</b>	<u>\$ 25,563,662</u>		<u>\$ 21,586,651</u>		<u>\$ 3,977,011</u>	

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$34,235,325) represent 53 percent of total revenues and property taxes (\$28,407,784) represent 43 percent of total revenues. The remaining 4 percent is generated from charges for services, investment earnings, and miscellaneous revenues. The significant change was an increase in property tax revenue as a result of increased assessed property values.

The primary functional expenses of the District are Instruction (\$33,157,042), which represents 54 percent of total expenses. The remaining functional categories of expenses are less than 10 percent of total expenses.



## Financial Analysis of the Government'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 \$13,036,336, a decrease of \$1,756,499.

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 was \$1,902,712 while total fund balance reached \$5,351,165. 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 3 percent of total general fund expenditures, while total fund balance represents 10 percent of that same amount. The fund balance of the District's general fund decreased by \$5,205,469 during the current fiscal period. The decrease was a result of capital outlay expenditures financed by the general fund to cover additional costs for construction projects completed in the current period.

The debt service fund has a total fund balance of \$6,215,020, 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 \$2,756,437 and was primarily due to the significant increase in property tax values which resulted in additional property tax revenues.

The capital projects fund ended the fiscal period with a zero fund balance. The capital projects fund balance increased by \$305,565 during the fiscal period, which represents transfers in from the general fund to cover a deficit fund balance from the end of the prior fiscal year.

Governmental funds financial statements may be found by referring to the table of contents.

### General Fund Budgetary Highlights

The net increase of \$9,255,365 to appropriations for expenditures in the final amended budget was primarily related to construction costs for building projects, supplies and materials for the new buildings, and revised estimates for increases in instructional staff.

The increase of \$8,146,255 to other financing sources (uses) in the final amended budget was to issue tax and maintenance notes that were approved in the current fiscal period.

The most significant variance between final budget and actual expenditures was in plant maintenance and operations and facilities acquisition and construction due to the expenditures being spent out of the general fund that were previously anticipated to be spent from bond proceeds in the capital projects fund. The variance between final budget and actual state program revenues is a result of timing differences between the submission of forecasted average daily attendance versus actual average daily attendance.

## Capital Assets and Noncurrent Liabilities

**Capital Assets.** The District's investment in capital assets for its governmental type activities as of June 30, 2017, amounts to \$169,433,387 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, and furniture and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 4 percent.

Major capital asset additions during the current fiscal period included the following:

- \$208,534 - Purchase of school buses
- \$8,684,688 - Capital outlay for new campus, stadium, baseball / softball complex and other campus renovations
- \$893,139 – Scoreboard and track
- \$402,101 – Spark park project

### Crosby Independent School District's Capital Assets (net of depreciation)

	Governmental Activities					
	June 30, 2017		August 31, 2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 4,195,527	2	\$ 4,195,527	3	\$ -	-
Buildings and improvements	159,464,596	95	154,262,950	94	5,201,646	3
Furniture and equipment	5,773,264	3	3,341,454	2	2,431,810	73
Construction in progress	-	-	1,273,912	1	(1,273,912)	(100)
<b>Totals</b>	<b>\$ 169,433,387</b>	<b>100</b>	<b>\$ 163,073,843</b>	<b>100</b>	<b>\$ 6,359,544</b>	

**Construction Commitments.** At the end of the current fiscal period, the District's commitments with construction contractors totaled \$374,442.

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

**Noncurrent Liabilities.** At June 30, 2017, the District had the following noncurrent liabilities:

### Crosby Independent School District's Noncurrent Liabilities Outstanding

	Governmental Activities					
	June 30, 2017		August 31, 2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (net)	\$ 130,483,554	80	\$ 135,404,232	83	\$ (4,920,678)	(4)
Notes payable (net)	19,755,475	12	16,922,515	10	2,832,960	17
Workers' compensation	275,891	-	306,258	-	(30,367)	(10)
Compensated absences	286,692	-	297,556	-	(10,864)	(4)
Net pension liability	12,688,305	8	11,429,108	7	1,259,197	11
<b>Totals</b>	<b>\$ 163,489,917</b>	<b>100</b>	<b>\$ 164,359,669</b>	<b>100</b>	<b>\$ (869,752)</b>	

The District's bonded debt decreased by \$4,920,678 (4 percent) during the current fiscal period, which resulted primarily from payment of scheduled bond payments. The District's notes payable (net) increased \$2,832,960 due to a maintenance tax note that was issued in the current fiscal period.

The District's general obligation debt is backed by the full faith and credit of the District and is further guaranteed by the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy.

Net pension liability increased primarily due to 1) the actual earnings were less than projected, 2) changes in proportion and differences between District contributions and proportionate share of contributions, and 3) pension costs.

State statutes do not limit the tax rate or amount of local tax support of school districts' bonded indebtedness. However, approval of the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term debt 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 6,001 students, which is a 1 percent increase from the prior year.
- District staff totals 850 employees, which includes 360 teachers and 120 teachers' aides and secretaries.
- The District maintains 7 campuses for instruction.
- The unemployment rate for the County is currently 5.3 percent, which is a decrease from a rate of 5.7 percent a year ago. This compares unfavorably to the state's average unemployment rate of 5.0 percent, which increased from a rate of 4.2 percent a year ago.
- Property values of the District are projected to increase by 19 percent.
- A maintenance and operations tax rate of \$1.17 and a debt service tax rate of \$0.50, a total of \$1.67 were adopted for 2017-2018. Preceding year rates were \$1.17, \$0.50, and \$1.67, respectively.

All of these factors were considered in preparing the District's budget for the 2017-2018 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund decreased to \$1,902,712. The District plans to utilize unassigned fund balance to fund current period expenditures prior to collecting the current year tax levy.

### **Requests for Information**

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.

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# Basic Financial Statements

**Crosby Independent School District**

Statement of Net Position

June 30, 2017

**Exhibit A-1**

1

<u>Data Control Codes</u>		<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 959,115
1120	Current investments	5,587,299
1220	Property taxes receivables	2,633,056
1230	Allowance for uncollectible taxes	(78,992)
1240	Due from other governments	10,244,806
1290	Other receivables	55,522
1300	Inventories	75,802
1410	Prepaid items	197,358
1800	Restricted cash and temporary investments	1,795,000
1910	Long-term investments	844,446
	Capital assets:	
1510	Land and improvements	4,195,527
1520	Buildings and improvements (net)	159,464,596
1530	Furniture and equipment (net)	5,773,264
1000	Total assets	<u>191,746,799</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1705	Deferred outflows - pension	6,021,577
1710	Deferred charge on refunding	942,903
1700	Total deferred outflows of resources	<u>6,964,480</u>
<b>LIABILITIES</b>		
2110	Accounts payable	638,395
2120	Tax and revenue anticipation notes payable	5,400,000
2140	Interest payable	2,203,243
2150	Payroll deductions and withholdings	4,340
2160	Accrued wages payable	34,090
2200	Accrued expenses	623,319
2300	Unearned revenue	22,868
	Noncurrent liabilities:	
2501	Due within one year	5,506,445
2502	Due in more than one year	145,295,167
2540	Net pension liability	12,688,305
2000	Total liabilities	<u>172,416,172</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2605	Deferred inflows - pension	731,445
2600	Total deferred inflows of resources	<u>731,445</u>
<b>NET POSITION</b>		
3200	Net investment in capital assets	21,052,668
3820	Restricted for grants	997,786
3850	Restricted for debt service	5,886,403
3900	Unrestricted	<u>(2,373,195)</u>
3000	<b>TOTAL NET POSITION</b>	<u>\$ 25,563,662</u>

The Notes to the Financial Statements are an integral part of this statement.

Crosby Independent School District  
Statement of Activities  
For the Ten Months Ended June 30, 2017

Exhibit B-1

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues		5 Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
				Operating Grants and Contributions	Governmental Activities		
<b>PRIMARY GOVERNMENT</b>							
Governmental activities:							
0011	Instruction	\$ 33,157,042	\$ 328,036	\$ 3,273,564	\$ -		\$ (29,555,442)
0012	Instructional resources and media services	680,959	64,927	21,137	-		(594,895)
0013	Curriculum and staff development	841,052	2,102	115,046	-		(723,904)
0021	Instructional leadership	576,489	-	40,558	-		(535,931)
0023	School leadership	2,670,805	89,612	154,409	-		(2,426,784)
0031	Guidance, counseling, and evaluation services	1,873,408	1,687	405,059	-		(1,466,662)
0033	Health services	414,638	160	28,841	-		(385,637)
0034	Student transportation	2,624,581	-	228,454	-		(2,396,127)
0035	Food service	2,507,878	762,072	1,909,275	-		163,469
0036	Extracurricular activities	1,995,874	487,187	51,444	-		(1,457,243)
0041	General administration	1,697,090	-	161,421	-		(1,535,669)
0051	Plant maintenance and operations	4,864,920	63,492	199,693	-		(4,601,735)
0052	Security and monitoring services	441,642	-	2,297	-		(439,345)
0053	Data processing services	1,093,692	-	30,414	-		(1,063,278)
0061	Community services	34,011	42	21,646	336,000		323,677
0072	Interest on long-term debt	4,589,234	-	-	-		(4,589,234)
0073	Issuance costs and fees	136,371	-	193,991	-		57,620
0093	Payments related to shared services arrangements	137,400	-	66,000	-		(71,400)
0095	Payments to juvenile justice alternative education programs	395,895	-	-	-		(395,895)
0099	Other intergovernmental charges	216,402	-	-	-		(216,402)
TG	Total governmental activities	<u>60,949,383</u>	<u>1,799,317</u>	<u>6,903,249</u>	<u>336,000</u>		<u>(51,910,817)</u>
TP	<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 60,949,383</u>	<u>\$ 1,799,317</u>	<u>\$ 6,903,249</u>	<u>\$ 336,000</u>		<u>(51,910,817)</u>
General revenues:							
MT	Property taxes, levied for general purposes						19,900,853
DT	Property taxes, levied for debt service						8,506,931
GC	Grants and contributions not restricted to specific programs						26,996,076
IE	Investment earnings						84,257
MI	Miscellaneous						399,711
TR	Total general revenues						<u>55,887,828</u>
CN	Change in net position						3,977,011
NB	Net position - beginning						<u>21,586,651</u>
NE	<b>NET POSITION - ENDING</b>						<u>\$ 25,563,662</u>

The Notes to the Financial Statements are an integral part of this statement.

**Crosby Independent School District**  
 Balance Sheet – Governmental Funds  
 June 30, 2017

<b>Data Control Codes</b>		<b>199</b>	<b>599</b>
		<b>General Fund</b>	<b>Debt Service Fund</b>
<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ -	\$ 126,387
1120	Current investments	1,308,261	3,720,532
1220	Property taxes receivables	1,931,987	701,069
1230	Allowance for uncollectable taxes	(57,960)	(21,032)
1240	Due from other governments	9,228,983	603,543
1260	Due from other funds	405,483	920,112
1290	Other receivables	31,879	-
1300	Inventories	-	-
1410	Prepaid items	197,358	-
1810	Restricted cash and temporary investments	1,795,000	-
1910	Long-term investments	-	844,446
1000	Total assets	<u>14,840,991</u>	<u>6,895,057</u>
1000a	<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 14,840,991</u>	<u>\$ 6,895,057</u>
<b>LIABILITIES</b>			
2110	Accounts payable	\$ 637,635	\$ -
2120	Tax and revenue anticipation notes payable	5,400,000	-
2150	Payroll deductions and withholdings	4,340	-
2160	Accrued wages payable	30,393	-
2170	Due to other funds	920,112	-
2200	Accrued liabilities	623,319	-
2300	Unearned revenue	-	-
2000	Total liabilities	<u>7,615,799</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2600	Unavailable revenue - property taxes	1,874,027	680,037
	Total deferred inflows of resources	<u>1,874,027</u>	<u>680,037</u>
<b>FUND BALANCES</b>			
3430	Nonspendable - prepaid items	197,358	-
3450	Restricted - grant funds	-	-
3480	Restricted - debt service	1,795,000	6,215,020
3510	Committed - construction	374,442	-
3545	Committed - other	-	-
3590	Assigned - other	1,081,653	-
3600	Unassigned	1,902,712	-
3000	Total fund balances	<u>5,351,165</u>	<u>6,215,020</u>
4000	<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 14,840,991</u>	<u>\$ 6,895,057</u>

The Notes to the Financial Statements are an integral part of this statement.



699	Total	98
Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
\$ -	\$ 832,728	\$ 959,115
-	558,506	5,587,299
-	-	2,633,056
-	-	(78,992)
-	412,280	10,244,806
-	-	1,325,595
-	23,643	55,522
-	75,802	75,802
-	-	197,358
-	-	1,795,000
-	-	844,446
-	<u>1,902,959</u>	<u>23,639,007</u>
<u>\$ -</u>	<u>\$ 1,902,959</u>	<u>\$ 23,639,007</u>
\$ -	\$ 760	\$ 638,395
-	-	5,400,000
-	-	4,340
-	3,697	34,090
-	405,483	1,325,595
-	-	623,319
-	22,868	22,868
-	<u>432,808</u>	<u>8,048,607</u>
-	-	2,554,064
-	-	<u>2,554,064</u>
-	-	197,358
-	997,786	997,786
-	-	8,010,020
-	-	374,442
-	472,365	472,365
-	-	1,081,653
-	-	1,902,712
-	<u>1,470,151</u>	<u>13,036,336</u>
<u>\$ -</u>	<u>\$ 1,902,959</u>	<u>\$ 23,639,007</u>

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**Crosby Independent School District**

**Exhibit C-1R**

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2017

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)** \$ 13,036,336

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets	\$ 223,618,009	
Accumulated depreciation of governmental capital assets	<u>(54,184,622)</u>	169,433,387

Property taxes receivable, which will be collected subsequent to year-end but are not available soon enough to pay expenditures, are deferred in the funds.	2,554,064
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Long-term liabilities, including bonds payable, notes payable, workers' compensation, compensated absences, and net pension liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:

Bonds payable, at original par	\$ (124,259,986)	
Premium on bonds payable	(5,308,161)	
Accreted interest on capital appreciation bonds	(915,407)	
Accrued interest on the bonds	(1,888,247)	
Notes payable	(19,235,000)	
Premium on notes payable	(520,475)	
Accrued interest on notes payable	(314,996)	
Workers' compensation	(275,891)	
Compensated absences	(286,692)	
Net pension liability	<u>(12,688,305)</u>	(165,693,160)

Deferred charge on refunding is reported as deferred outflow of resources in the statement of net position and is not reported in the governmental funds due to it is not a current financial resource available to pay for current expenditures.	942,903
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Deferred outflows of resources for penion represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/ expenditures) until then.	6,021,577
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Deferred inflows for pension represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.	<u>(731,445)</u>
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**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)** \$ 25,563,662

**Crosby Independent School District**  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds  
For the Ten Months Ended June 30, 2017

<b>Data</b>	<b>199</b>	<b>599</b>
<b>Control</b>		
<b>Codes</b>	<b>General Fund</b>	<b>Debt Service Fund</b>
<b>REVENUES</b>		
5700 Local and intermediate sources	\$ 20,343,247	\$ 8,393,827
5800 State program revenues	27,329,754	1,535,248
5900 Federal program revenues	521,326	-
5020 Total revenues	<u>48,194,327</u>	<u>9,929,075</u>
<b>EXPENDITURES</b>		
Current:		
0011 Instruction	28,982,418	-
0012 Instructional resources and media services	611,170	-
0013 Curriculum and staff development	734,373	-
0021 Instructional leadership	545,959	-
0023 School leadership	2,498,346	-
0031 Guidance, counseling, and evaluation services	1,477,738	-
0033 Health services	391,839	-
0034 Student transportation	2,447,935	-
0035 Food service	-	-
0036 Extracurricular activities	1,691,334	-
0041 General administration	1,580,704	-
0051 Plant maintenance and operations	5,012,771	-
0052 Security and monitoring services	438,725	-
0053 Data processing services	1,094,048	-
0061 Community services	10,854	-
Debt service:		
0071 Principal on long-term debt	225,000	4,585,000
0072 Interest on long-term debt	480,494	2,575,598
0073 Issuance costs and fees	124,331	12,040
Capital outlay:		
0081 Facilities acquisition and construction	7,159,738	-
Intergovernmental:		
0093 Payments to shared services arrangements	71,400	-
0095 Payments to juvenile justice alternative education programs	395,895	-
0099 Other intergovernmental charges	216,402	-
6030 Total expenditures	<u>56,191,474</u>	<u>7,172,638</u>
1100 Excess (deficiency) of revenues over (under) expenditures	<u>(7,997,147)</u>	<u>2,756,437</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
7914 Loan proceeds	2,970,000	-
7915 Transfers in	-	-
7916 Premium or discount on issuance of bonds	114,930	-
8911 Transfers out	(293,252)	-
7080 Total other financing sources (uses)	<u>2,791,678</u>	<u>-</u>
1200 Net change in fund balances	(5,205,469)	2,756,437
0100 Fund balances - beginning	<u>10,556,634</u>	<u>3,458,583</u>
3000 <b>FUND BALANCES - ENDING</b>	<u>\$ 5,351,165</u>	<u>\$ 6,215,020</u>

The Notes to the Financial Statements are an integral part of this statement.

699	Total	98
Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
\$ 12,313	\$ 1,678,283	\$ 30,427,670
-	351,510	29,216,512
-	3,808,443	4,329,769
<u>12,313</u>	<u>5,838,236</u>	<u>63,973,951</u>
-	1,688,766	30,671,184
-	59,267	670,437
-	71,446	805,819
-	5,033	550,992
-	83,176	2,581,522
-	274,147	1,751,885
-	146	391,985
-	127,595	2,575,530
-	2,287,026	2,287,026
-	290,057	1,981,391
-	2,861	1,583,565
-	138,457	5,151,228
-	-	438,725
-	-	1,094,048
-	357,291	368,145
-	-	4,810,000
-	-	3,056,092
-	-	136,371
-	-	7,159,738
-	66,000	137,400
-	-	395,895
-	-	216,402
<u>-</u>	<u>5,451,268</u>	<u>68,815,380</u>
<u>12,313</u>	<u>386,968</u>	<u>(4,841,429)</u>
-	-	2,970,000
293,252	-	293,252
-	-	114,930
-	-	(293,252)
<u>293,252</u>	<u>-</u>	<u>3,084,930</u>
305,565	386,968	(1,756,499)
<u>(305,565)</u>	<u>1,083,183</u>	<u>14,792,835</u>
<u>\$ -</u>	<u>\$ 1,470,151</u>	<u>\$ 13,036,336</u>

**Crosby Independent School District**  
 Reconciliation of The Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of  
 Governmental Funds to the Statement of Activities  
 For the Ten Months Ended June 30, 2017

**Exhibit C-3**

**TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2)** \$ (1,756,499)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.

Capital assets <i>increased</i>	\$ 10,372,500	
Depreciation expense	<u>(4,012,956)</u>	6,359,544

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this period. 401,110

Issuance of tax notes provides current financial resources to governmental funds, but issuing debt increases short-term and long-term liabilities in the statement of net position.

Par value	\$ (2,970,000)	
(Premium) discount	<u>(114,930)</u>	(3,084,930)

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 225,000

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 4,585,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The changes reported in the statement of activities consist of the following:

Accrued interest on current interest bonds payable <i>increased</i>	\$ (1,660,568)	
Accrued interest on notes payable <i>increased</i>	(152,290)	
Interest accreted on the capital appreciation bonds	(68,384)	
Amortization of bond and notes payable premium	431,032	
Amortization of deferred charge on refunding	<u>(82,932)</u>	(1,533,142)

The (increase) decrease in workers' compensation is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. 30,367

The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. 10,864

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require or provide current financial resources and, therefore, is not reported as revenues or expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ (1,274,912)	
Deferred inflows (increased) decreased	1,273,806	
Net pension liability (increased) decreased	<u>(1,259,197)</u>	<u>(1,260,303)</u>

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)** \$ 3,977,011

The Notes to the Financial Statements are an integral part of this statement.

**Crosby Independent School District**  
 Statement of Assets and Liabilities  
 Fiduciary Fund  
 June 30, 2017

**Exhibit E-1**

<u>Data Control Codes</u>		<u>Agency Fund</u>
		<u>Student Activity</u>
	<b>ASSETS</b>	
1110	Cash and cash equivalents	\$ 16,059
1120	Current investments	86,861
1290	Other receivables	<u>70</u>
1000	<b>TOTAL ASSETS</b>	<u>\$ 102,990</u>
	<b>LIABILITIES</b>	
2190	Due to student groups	<u>\$ 102,990</u>
2000	<b>TOTAL LIABILITIES</b>	<u>\$ 102,990</u>

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# Crosby Independent School District

## Notes to the Financial Statements

### Note 1. Summary of Significant Accounting Policies

#### Description of Government-wide Financial Statements

##### 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.

House Bill 98 enacted by the 76<sup>th</sup> Legislature of the state of Texas allowed school districts to change their fiscal year-end from August 31 to June 30 beginning with the 2001-2002 fiscal year. The District elected to take advantage of this opportunity and chose to change its fiscal year beginning with the 2016-2017 reporting period. As such, the financial statements are presented for a ten-month period of September 1, 2016 through June 30, 2017.

##### B. Basis of Presentation – Government-wide 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.

##### C. Basis of Presentation – Fund 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

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, other than those financed by proprietary funds.

## Crosby Independent School District

### Notes to the Financial Statements

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 so that only the amount due from/to agency is included in the governmental activities column.

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.

#### **D. 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). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

# Crosby Independent School District

## Notes to the Financial Statements

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

### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/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 with original maturities of one year or less from the date of acquisition.

#### 2. Investments

Investments for the District, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or net asset value, i.e. fair value.

#### 3. 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.

#### 4. 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:

<u>Capital Asset Class</u>	<u>Lives</u>
Buildings and improvements	5-50
Furniture and equipment	5-20

# Crosby Independent School District

## Notes to the Financial Statements

### 5. *Deferred Outflows/Inflows of Resources*

Deferred outflows of resources represents 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. Deferred inflows of resources represents 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 components of the deferred outflows of resources and deferred inflows of resources in the government-wide and fund level financial statements are as follows:

	Statement of	Balance Sheet - Governmental Funds	
	Net Position	General	Debt Service
	Governmental Activities	Fund	Fund
Deferred outflows of resources:			
Deferred outflows from pension activities	\$ 5,076,590	\$ -	\$ -
Deferred contributions after the measurement date	944,987	-	-
Deferred charge on refunding	942,903	-	-
<b>Total deferred outflows of resources</b>	<b>\$ 6,964,480</b>	<b>\$ -</b>	<b>\$ -</b>
Deferred inflows of resources:			
Deferred inflows from pension activities	\$ 731,445	\$ -	\$ -
Unavailable property taxes	-	1,874,027	680,037
<b>Total deferred inflows of resources</b>	<b>\$ 731,445</b>	<b>\$ 1,874,027</b>	<b>\$ 680,037</b>

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions after the measurement date are recognized in the subsequent year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

### 6. *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.

### 7. *Fund Balance Flow Assumptions*

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

## Crosby Independent School District

### Notes to the Financial Statements

#### **8. 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.

#### **9. Pension**

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 4.C. and the Required Supplementary Information section immediately following the Notes to the Financial Statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The District recognizes a net pension liability for the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the District's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the respective pensions' fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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.

# Crosby Independent School District

## Notes to the Financial Statements

### F. 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.

#### 3. 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 employees. All sick pay is accrued when incurred for employees who are eligible for retirement in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have met the District's requirements and State's retirement eligibility requirements.

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. There are amounts included in compensated absences for employees that had accrued vacation time under the District's previous policy.

#### 4. 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.

#### 5. 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.

# Crosby Independent School District

## Notes to the Financial Statements

### Note 2. 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.

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 legally enacted through passage of a resolution 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 reappropriated and honored during the subsequent year.

As of June 30, 2017, significant encumbrances including in governmental fund balances are as follows:

	Encumbrances Included in:		
	Assigned Fund Balance	Committed Fund Balance	Restricted Fund Balance
General fund	\$ 1,081,653	\$ 374,442	\$ 1,795,000
Total nonmajor funds	-	-	197,090
<b>Total encumbrances</b>	<b>\$ 1,081,653</b>	<b>\$ 374,442</b>	<b>\$ 1,992,090</b>

### Note 3. 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.

## Crosby Independent School District

### Notes to the Financial Statements

#### 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 2256.0015; 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 meets the requirements of the Public Funds Investment Act.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.



# Crosby Independent School District

## Notes to the Financial Statements

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

Governmental Fund Investment Type	June 30, 2017	Fair Value Measurements Using		Percent of Total Investments	Weighted Average Maturity (Days)	S&P / Moody's Rating
		Level 1	Level 2			
Investments measured at amortized cost:						
Investment pools:						
Texpool	\$ 87,610	\$ -	\$ -	1%	38	AAAm <sup>[1]</sup>
Texpool Prime	2,052,360	-	-	32%	37	AAAm <sup>[1]</sup>
Lone Star Corporate Overnight	164	-	-	0%	43	AAAm <sup>[1]</sup>
Investments measured at fair value, not subject to level reporting:						
Investment pools:						
Lone Star Corporate Overnight Plus	2,621,831	-	-	41%	47	AAAf/Sl+ <sup>[1]</sup>
LOGIC	665,740	-	-	10%	24	AAAm <sup>[1]</sup>
Investments measured at fair value, subject to level reporting:						
Money market mutual funds	8,639	8,639	-	0%	1	Not rated
Municipal securities	201,036	-	201,036	3%	308	Aa3 - AA+ <sup>[2]</sup>
U.S. government agency securities	45,243	-	45,243	1%	524	AA+ <sup>[2]</sup>
Certificates of deposit	749,122	-	749,122	12%	508	BBB+ - AA- <sup>[2]</sup>
<b>Total</b>	<b>\$ 6,431,745</b>	<b>\$ 8,639</b>	<b>\$ 995,401</b>	<b>100%</b>		
<b>Portfolio weighted average maturity</b>					<b>106</b>	
Fiduciary Fund Investment Type						
Investments measured at amortized cost:						
Investment pools:						
Texpool Prime	\$ 86,861	\$ -	\$ -	100%	37	AAAm <sup>[1]</sup>
<b>Total</b>	<b>\$ 86,861</b>	<b>\$ -</b>	<b>\$ -</b>	<b>100%</b>		
<b>Portfolio weighted average maturity</b>					<b>37</b>	

<sup>[1]</sup> Standard & Poor's Rating

<sup>[2]</sup> Moody's Rating

Investment pools are measured at amortized cost or net asset value, i.e. fair value. Such investments are not required to be reported in the fair value hierarchy.

The Texpool and Lone Star Corporate Overnight investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with on issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. Texpool and Lone Star Overnight have a redemption notice period of one day and no maximum transactions amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

## Crosby Independent School District

### Notes to the Financial Statements

The Lone Star Corporate Overnight Plus and LOGIC investment pools are external investment pools measured at net asset value. Lone Star Corporate Overnight Plus and LOGIC's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Lone Star Corporate Overnight Plus and LOGIC have a redemption notice period of one day and may redeem daily. The investment pools authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity.

The money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

*U.S. Government and Agency Securities and Municipal Securities* classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Certificates of deposit classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities; relationship to benchmark pricing.

#### Credit Risk

For fiscal year 2017, 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 – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2017, District's bank's balances of \$4,175,539 were not exposed to custodial credit risk because such balances were insured and collateralized with securities held by the District's agent and in the District's name.

# Crosby Independent School District

## Notes to the Financial Statements

### 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.

### Restricted Cash and Temporary Investments

The District has restricted cash and temporary investments in the amount of \$1,795,000 as of June 30, 2017 which are restricted for the purpose of future debt requirements.

## B. Receivables

Tax revenues of the general and debt service funds are reported net of estimated uncollectible amounts. Total uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Uncollectibles related to General Fund property taxes	\$	(7,796)
Uncollectibles related to Debt Service property taxes		(4,609)
<b>Total uncollectibles of the current fiscal period</b>	<b>\$</b>	<b>(12,405)</b>

Approximately 77% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

## C. Interfund Receivables, Payables, and Transfers

### 1. Receivables/Payables

The composition of interfund receivable/payable balances as of June 30, 2017, is as follows:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 405,483	\$ 920,112
Debt service fund	920,112	-
Total nonmajor funds	-	405,483
<b>Total</b>	<b>\$ 1,325,595</b>	<b>\$ 1,325,595</b>

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

# Crosby Independent School District

## Notes to the Financial Statements

### 2. Transfers

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the District’s interfund transfers for the ten months ended June 30, 2017:

Transfer Out	Transfer In	Amount
General fund	Capital projects fund	\$ 293,252
<b>Total</b>		<b>\$ 293,252</b>

The transfer was made to the capital projects fund in order to absorb a deficit fund balance from the prior fiscal period.

### D. Capital Assets

Capital asset activity for the ten months ended June 30, 2017 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	1,273,912	8,684,688	(9,958,600)	-
Total capital assets, not being depreciated	<u>5,469,439</u>	<u>8,684,688</u>	<u>(9,958,600)</u>	<u>4,195,527</u>
Capital assets, being depreciated:				
Buildings and improvements	198,084,294	-	8,701,952	206,786,246
Furniture and equipment	9,691,776	1,687,812	1,256,648	12,636,236
Total capital assets, being depreciated	<u>207,776,070</u>	<u>1,687,812</u>	<u>9,958,600</u>	<u>219,422,482</u>
Less accumulated depreciation for:				
Buildings and improvements	(43,821,344)	(3,500,306)	-	(47,321,650)
Furniture and equipment	(6,350,322)	(512,650)	-	(6,862,972)
Total accumulated depreciation	<u>(50,171,666)</u>	<u>(4,012,956)</u>	<u>-</u>	<u>(54,184,622)</u>
Total capital assets, being depreciated, net	<u>157,604,404</u>	<u>(2,325,144)</u>	<u>9,958,600</u>	<u>165,237,860</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 163,073,843</u>	<u>\$ 6,359,544</u>	<u>\$ -</u>	<u>\$ 169,433,387</u>

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

Governmental activities:	
11 Instruction	\$ 3,386,482
34 Student transportation	230,074
35 Food service	71,782
36 Extracurricular activities	219,117
41 General administration	32,969
51 Plant maintenance and operations	45,346
52 Security and monitoring services	3,031
53 Data processing services	24,155
<b>Total depreciation expense-governmental activities</b>	<u>\$ 4,012,956</u>

# Crosby Independent School District

## Notes to the Financial Statements

### Construction Commitments

The District has commitments related to construction projects as of June 30, 2017. The projects include the construction and equipment of school facilities. At June 30, 2017, the District's commitments with contractors are as follows:

Project	Remaining Commitment
New Crosby high school	\$ 374,442
<b>Totals</b>	<b>\$ 374,442</b>

The commitment for construction and equipment of school facilities will be financed by general fund.

### E. Short-term Liabilities

The District issued short-term notes payable during the current period in order to provide funds for maintenance and operations in the general fund. The 2017 tax and revenue anticipation notes are 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 stated maturity date for the principal and interest accrued on the notes is February 15, 2018. The note may be redeemed prior to the stated maturity date, at the option of the District, on October 15, 2017 or on any date thereafter.

The following is a summary of changes in the 2017 tax and revenue anticipation notes payable during the ten months ended June 30, 2017:

Description	Interest Rate	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:						
2017 Tax and revenue anticipation notes	1.95%	\$5,400,000	\$ -	\$ 5,400,000	\$ -	\$ 5,400,000
<b>Total short-term notes payable</b>			<b>\$ -</b>	<b>\$ 5,400,000</b>	<b>\$ -</b>	<b>\$ 5,400,000</b>

### Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, notes payable, workers' compensation, compensated absences, and net pension liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

# Crosby Independent School District

## Notes to the Financial Statements

### Changes in Long-term Liabilities

Long-term liability activity for the ten months June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 127,855,610	\$ -	\$(3,595,624)	\$124,259,986	\$ 4,785,000
Deferred amounts:					
For issuance premium (discount) (CIB's)	5,712,223	-	(404,062)	5,308,161	-
For accreted interest (CAB's)	1,836,399	68,384	(989,376)	915,407	-
Total bonds payable, net	<u>135,404,232</u>	<u>68,384</u>	<u>(4,989,062)</u>	<u>130,483,554</u>	<u>4,785,000</u>
Notes payable:					
Notes payable	16,490,000	2,970,000	(225,000)	19,235,000	535,000
Deferred amounts:					
For issuance premium	432,515	114,930	(26,970)	520,475	-
Total notes payable, net	<u>16,922,515</u>	<u>3,084,930</u>	<u>(251,970)</u>	<u>19,755,475</u>	<u>535,000</u>
Workers' compensation	306,258	73,885	(104,252)	275,891	114,933
Compensated absences	297,556	11,874	(22,738)	286,692	71,512
Net pension liability	<u>11,429,108</u>	<u>2,328,150</u>	<u>(1,068,953)</u>	<u>12,688,305</u>	<u>-</u>
<b>Governmental activities</b>					
<b>long-term liabilities</b>	<u>\$ 164,359,669</u>	<u>\$ 5,567,223</u>	<u>\$ (6,436,975)</u>	<u>\$163,489,917</u>	<u>\$ 5,506,445</u>

### General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG) 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 9-30 year current interest (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 ten months ended June 30, 2017:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
1999 CAB	-	11,781,247	2017	\$ 665,624	\$ -	\$ (665,624)	\$ -
2006 CAB	-	601,906	2019	439,986	-	-	439,986
2009 REF	2.50-4.20%	4,385,000	2024	4,280,000	-	(20,000)	4,260,000
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	21,880,000	-	(1,230,000)	20,650,000
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	8,040,000	-	(1,545,000)	6,495,000
2015 REF	3.00-4.00%	7,450,000	2024	7,450,000	-	(135,000)	7,315,000
<b>Totals</b>				<u>\$127,855,610</u>	<u>\$ -</u>	<u>\$ (3,595,624)</u>	<u>\$124,259,986</u>

## Crosby Independent School District

### Notes to the Financial Statements

A portion of the bonds sold in the Series 2006 were capital appreciation bonds (CAB), commonly referred to as "premium compound interest bonds". These bonds were issued at a discount to their par or maturity value and will accrete interest until maturity:

Description	Accreted Value	Stated Value	Ending Value Accreted Interest
2006	\$ 1,355,393	\$ 439,986	\$ 915,407
<b>Total accreted interest</b>			<u>\$ 915,407</u>

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

Year Ending June 30,	Principal Value	Interest	Total Requirements
2018	\$ 4,785,000	\$ 5,063,296	\$ 9,848,296
2019	2,309,986	5,928,511	8,238,497
2020	3,390,000	4,825,396	8,215,396
2021	3,480,000	4,690,546	8,170,546
2022	3,570,000	4,552,524	8,122,524
2023	3,660,000	4,410,921	8,070,921
2024	3,775,000	4,265,521	8,040,521
2025	3,920,000	4,131,681	8,051,681
2026	4,020,000	4,051,281	8,071,281
2027	4,145,000	3,930,681	8,075,681
2028	4,270,000	3,806,331	8,076,331
2029	4,405,000	3,678,231	8,083,231
2030	4,175,000	3,538,756	7,713,756
2031	4,345,000	3,373,206	7,718,206
2032	4,520,000	3,200,906	7,720,906
2033	4,710,000	3,021,606	7,731,606
2034	4,905,000	2,829,413	7,734,413
2035	5,130,000	2,629,244	7,759,244
2036	5,365,000	2,381,719	7,746,719
2037	5,610,000	2,156,800	7,766,800
2038	5,865,000	1,888,900	7,753,900
2039	6,140,000	1,642,931	7,782,931
2040	6,445,000	1,345,613	7,790,613
2041	6,765,000	1,033,413	7,798,413
2042	7,100,000	705,600	7,805,600
2043	7,455,000	361,456	7,816,456
<b>Totals</b>	<u>\$ 124,259,986</u>	<u>\$ 83,444,483</u>	<u>\$ 207,704,469</u>

As of June 30, 2017, the District did not have any 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, 2017, there were no outstanding defeased bonds.

# Crosby Independent School District

## Notes to the Financial Statements

### Notes Payable

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 15-20 year current interest notes.

The following is a summary of changes in the notes payable during the ten months ended June 30, 2017:

Description	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
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	9,255,000	-	(225,000)	9,030,000
2017 Maintenance tax notes	3.00%	2,970,000	2032	-	2,970,000	-	2,970,000
<b>Totals</b>				<u>\$ 16,490,000</u>	<u>\$ 2,970,000</u>	<u>\$ (225,000)</u>	<u>\$ 19,235,000</u>

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

Year Ending June 30,	Principal	Interest	Total Requirements
2018	\$ 535,000	\$ 870,512	\$ 1,405,512
2019	600,000	769,614	1,369,614
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	7,865,000 <sup>[1]</sup>	662,814	8,527,814
2026	645,000	213,431	858,431
2027	665,000	196,381	861,381
2028	685,000	178,781	863,781
2029	700,000	159,431	859,431
2030	725,000	139,669	864,669
2031	745,000	117,919	862,919
2032	770,000	95,569	865,569
2033	560,000	72,469	632,469
2034	575,000	55,669	630,669
2035	595,000	38,419	633,419
2036	610,000	19,825	629,825
<b>Totals</b>	<u>\$ 19,235,000</u>	<u>\$ 7,171,423</u>	<u>\$ 26,406,423</u>

[1] The District plans to make annual principal payments, which are accumulated in an escrow account, beginning February 15, 2015, that range from \$440,000 to \$680,000 prior to the maturity in year 2025 for the 2010 QSCMT noted above.



# Crosby Independent School District

## Notes to the Financial Statements

### F. Revenues from Local and Intermediate Sources

During the ten months ending June 30, 2017, revenues from local and intermediate sources consisted of the following:

	General	Debt Service	Capital Projects	Nonmajor Funds	Totals
Property taxes	\$ 19,648,769	\$ 8,357,905	\$ -	\$ -	\$ 28,006,674
Investment income	32,033	35,922	12,211	4,091	84,257
Food sales	-	-	-	808,456	808,456
Extracurricular activities	169,428	-	-	804,025	973,453
Other	493,017	-	102	61,711	554,830
<b>Totals</b>	<b>\$ 20,343,247</b>	<b>\$ 8,393,827</b>	<b>\$ 12,313</b>	<b>\$ 1,678,283</b>	<b>\$ 30,427,670</b>

### Note 4. Other Information

#### A. Risk Management

##### Property/Liability

The District participates in the Property Casualty Alliance of Texas (The Fund). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for property and liability coverage and develop a comprehensive loss control program. The District pays a required contribution to the Fund for its property and liabilities coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member contributions. In the event that the Fund was to discontinue operations, the member political subdivisions would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverage in the past fiscal period and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

##### Health Insurance

During the ten months ended June 30, 2017, 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 paid premiums of \$150 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The contract between the District and the licensed insurer is renewable annually and terms of coverage and premium costs are included in the contractual provisions.

##### 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 claims 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.

## Crosby Independent School District

### Notes to the Financial Statements

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 8/31/2016	Ten Months Ended 6/30/2017
Unpaid claims, beginning of fiscal year	\$ 288,047	\$ 306,258
Incurred claims	143,824	73,885
Claim payments	(125,613)	(104,252)
<b>Unpaid claims, end of fiscal year</b>	<b>\$ 306,258</b>	<b>\$ 275,891</b>

#### B. 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, 2017, 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.

#### C. 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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

# Crosby Independent School District

## Notes to the Financial Statements

### Pension Plan Fiduciary Net Position

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

### Benefits Provided

TRS 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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal year 2015. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal years 2016 and 2017.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Member	7.7%	7.2%	6.7%
Non-employer contributing entity (state)	6.8%	6.8%	6.8%
Employers/district	6.8%	6.8%	6.8%

The contribution amounts for the District's ten months ending June 30, 2017 are as follows:

District contributions	\$ 994,987
Member contributions	2,547,035
NECE on-behalf contributions (state)	1,630,349

## Crosby Independent School District

### Notes to the Financial Statements

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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2016
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.00%
Long-term expected investment rate of return	8.00%
Municipal Bond Rate*	N/A*
Last year ending August 31 in the 2016 to 2115 projection period (100 years)	2115
Inflation	2.50%
Salary increases including inflation	3.50% to 9.50%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

\*If a municipal bond rate was to be used, the rate would be 2.84% as of August 2016 (i.e. the weekly rate closest to but not later than the Measurement Date). The source of the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.

## Crosby Independent School District

### Notes to the Financial Statements

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

#### Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. 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 projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. 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, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global equity:			
U.S.	18.0%	4.6%	1.0%
Non-U.S. developed	13.0%	5.1%	0.8%
Emerging markets	9.0%	5.9%	0.7%
Directional hedge funds	4.0%	3.2%	0.1%
Private equity	13.0%	7.0%	1.1%
Stable value:			
U.S. treasuries	11.0%	0.7%	0.1%
Absolute return	0.0%	1.8%	0.0%
Stable value hedge funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real return:			
Global inflation linked bonds	3.0%	0.9%	0.0%
Real assets	16.0%	5.1%	1.1%
Energy and natural resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk parity:			
Risk parity	5.0%	6.7%	0.3%
Inflation expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100.0%</b>		<b>8.7%</b>

\*The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

## Crosby Independent School District

### Notes to the Financial Statements

#### Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 8.0%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
TRS	\$ 19,637,222	\$ 12,688,305	\$ 6,794,219

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

At June 30, 2017, the District reported a liability of \$12,688,305 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 are as follows:

District's proportionate share of the net pension liability	\$ 12,688,305
State's proportionate share of the net pension liability associated with the district	21,022,958
<b>Total</b>	<u><u>\$ 33,711,263</u></u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016, the employer's proportion of net pension liability was .0335771%, which was an increase of .0012446% from its proportion measured as of August 31, 2015.

#### Changes Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the ten months ended June 30, 2017, the District recognized pension expense of \$3,441,985 and revenue of \$2,181,682 for support provided by the State.

## Crosby Independent School District

### Notes to the Financial Statements

At June 30, 2017, 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 actuarial experience	\$ 198,950	\$ 378,865
Changes of assumptions	386,717	351,703
Net difference between projected and actual earnings on pension plan investments	1,074,420	-
Changes in proportion and differences between district contributions and proportionate share of contributions (Cost-Sharing Plan)	3,416,503	877
District contribution after measurement date	944,987	-
<b>Totals</b>	<u>\$ 6,021,577</u>	<u>\$ 731,445</u>

\$944,987 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	
2018	\$ 769,794
2019	769,794
2020	1,455,111
2021	717,133
2022	503,756
Thereafter	129,557
<b>Totals</b>	<u>\$ 4,345,145</u>

#### D. School District Retiree Health Plan

##### Plan Description

The Crosby Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

# Crosby Independent School District

## Notes to the Financial Statements

### Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2017-2015.

Contribution Rates and Amounts

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	\$ 215,009	1.00%	\$ 316,339	0.55%	\$ 181,931
2016	0.65%	\$ 229,809	1.00%	\$ 338,351	0.55%	\$ 194,453
2015	0.65%	\$ 211,521	1.00%	\$ 311,061	0.55%	\$ 178,979

In addition, the State of Texas contributed \$156,623, \$103,677, and \$94,043 in 2017, 2016, and 2015, respectively, for on-behalf payments for Medicare Part D.

For the current fiscal period and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

### E. Nonmonetary Transactions

During 2017, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$107,604. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$107,604 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

### F. Deficit Net Position

The statement of net position reported a deficit unrestricted balance of \$2,373,195 at June 30, 2017 due to the issuance of tax and revenue anticipation notes as described earlier in Note 3.E to pay for current year expenses.



## **Required Supplementary Information**

**Crosby Independent School District**  
 Schedule of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 General Fund  
 For the Ten Months Ended June 30, 2017

**Exhibit G-1**

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 20,217,092	\$ 20,858,387	\$ 20,343,247	\$ (515,140)
5800	State program revenues	29,597,114	30,119,505	27,329,754	(2,789,751)
5900	Federal program revenues	939,050	839,050	521,326	(317,724)
5020	Total Revenues	<u>50,753,256</u>	<u>51,816,942</u>	<u>48,194,327</u>	<u>(3,622,615)</u>
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	25,473,340	29,694,429	28,982,418	712,011
0012	Instructional resources and media services	408,939	736,742	611,170	125,572
0013	Curriculum and staff development	808,602	823,791	734,373	89,418
0021	Instructional leadership	886,900	546,788	545,959	829
0023	School leadership	2,462,981	2,585,196	2,498,346	86,850
0031	Guidance, counseling, and evaluation services	1,774,508	1,505,781	1,477,738	28,043
0033	Health services	417,826	417,708	391,839	25,869
0034	Student transportation	2,198,140	2,629,392	2,447,935	181,457
0036	Extracurricular activities	1,378,263	1,733,101	1,691,334	41,767
0041	General administration	1,510,791	1,652,876	1,580,704	72,172
0051	Plant maintenance and operations	3,236,053	6,010,476	5,012,771	997,705
0052	Security and monitoring services	303,020	438,924	438,725	199
0053	Data processing services	944,615	1,126,926	1,094,048	32,878
0061	Community services	7,725	25,725	10,854	14,871
Debt service:					
0071	Principal on long-term debt	-	225,000	225,000	-
0072	Interest on long-term debt	-	480,494	480,494	-
0073	Issuance costs and fees	-	124,331	124,331	-
Capital outlay:					
0081	Facilities acquisition and construction	7,440,719	8,518,949	7,159,738	1,359,211
Intergovernmental:					
0093	Payments to shared services arrangements	1,229,167	71,400	71,400	-
0095	Payments to juvenile justice alternative education programs	36,667	399,592	395,895	3,697
0099	Other intergovernmental charges	235,000	261,000	216,402	44,598
6030	Total expenditures	<u>50,753,256</u>	<u>60,008,621</u>	<u>56,191,474</u>	<u>3,817,147</u>
1100	Excess (deficiency) of revenues over (under) expenditures	-	(8,191,679)	(7,997,147)	194,532
<b>OTHER FINANCING SOURCES (USES)</b>					
7914	Loan proceeds	-	8,324,577	2,970,000	(5,354,577)
7916	Premium or discount on issuance of bonds	-	114,930	114,930	-
8911	Transfers out	-	(293,252)	(293,252)	-
7080	Total other financing sources (uses)	-	<u>8,146,255</u>	<u>2,791,678</u>	<u>(5,354,577)</u>
1200	Net change in fund balance	-	(45,424)	(5,205,469)	(5,160,045)
0100	Fund balance - beginning	<u>10,556,634</u>	<u>10,556,634</u>	<u>10,556,634</u>	-
3000	<b>FUND BALANCE - ENDING</b>	<u>\$ 10,556,634</u>	<u>\$ 10,511,210</u>	<u>\$ 5,351,165</u>	<u>\$ (5,160,045)</u>

The Notes to the Required Supplementary Information are an integral part of this schedule.

**Crosby Independent School District****Exhibit G-2**

Schedule of the District's Proportionate Share of the Net Pension  
 Liability of a Cost-Sharing Multiple-Employer Pension Plan  
 Teacher Retirement System of Texas  
 For the Last Three Fiscal Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0335771%	0.0323325%	0.0188607%
District's proportionate share of the net pension liability	\$ 12,688,305	\$ 11,429,108	\$ 5,037,954
State's proportionate share of the net pension liability associated with the District	<u>21,022,958</u>	<u>19,600,726</u>	<u>16,313,927</u>
<b>TOTALS</b>	<u>\$ 33,711,263</u>	<u>\$ 31,029,834</u>	<u>\$ 21,351,881</u>
District's covered payroll	\$ 35,355,165	\$ 32,541,661	\$ 29,518,270
District's proportionate share of the net pension liability as a percentage of its covered payroll	35.89%	35.12%	17.07%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

\* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.  
 Ten years of data is not available.

**Crosby Independent School District**  
 Schedule of District's Contributions to the  
 Teacher Retirement System Pension Plan  
 For the Ten Months Ended June 30, 2017 and  
 Fiscal Years Ended August 31, 2016 and 2015\*

**Exhibit G-3**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>TRS</b>			
Contractually required contributions	\$ 994,987	\$ 1,065,900	\$ 957,378
Contributions in relation to the contractually Required contributions	<u>(994,987)</u>	<u>(1,065,900)</u>	<u>(957,378)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	33,078,371	35,355,165	32,541,661
Contributions as a percentage of covered payroll	3.01%	3.01%	2.94%

\*The amounts presented for the fiscal years were determined as of the District's fiscal year end June 30. The District changed its fiscal year end from August 31 to June 30 in the 2016-2017 reporting period. Ten years of data is not available.

**Crosby Independent School District**  
 Notes to the Required Supplementary Information

**Note 1. Budget**

**A. 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.

**Note 2. Pension**

**TRS - Actuarial Assumptions for Contribution Rate**

Actuarial Assumptions - The information presented in the following table below was used in the actuarial valuation for determining the actuarially determined contribution rate. The assumptions are as follows:

Valuation date	August 31, 2016
Actuarial cost method	Ultimate entry age normal
Amortization method	Level percentage of payroll, floating
Remaining amortization period	33 Years
Asset valuation method	5 Year smoothed market
Actuarial assumptions:	
Inflation	2.50%
Salary increases	3.50% to 9.50% including Inflation
Investment rate of return	8.00%
Ad hoc post-employment benefit changes	None
Benefit changes during the year	None

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## Supplementary Information

**Crosby Independent School District**  
Combining Balance Sheet  
Nonmajor Governmental Funds - Special Revenue Funds  
June 30, 2017

		211	224	225
Data Control Codes		ESEA, Title I, Part A - Improving Basic Programs	IDEA - Part B, Formula	IDEA - Part B, Preschool
<b>ASSETS</b>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1120	Current investments	-	-	-
1240	Due from other governments	158,777	107,158	735
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1000	<b>TOTAL ASSETS</b>	<u>158,777</u>	<u>107,158</u>	<u>735</u>
<b>LIABILITIES</b>				
2110	Accounts payable	-	-	-
2160	Accrued wages payable	-	-	-
2170	Due to other funds	158,777	107,158	735
2300	Unearned revenue	-	-	-
2000	Total liabilities	<u>158,777</u>	<u>107,158</u>	<u>735</u>
<b>FUND BALANCES</b>				
3450	Restricted - grant funds	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 158,777</u>	<u>\$ 107,158</u>	<u>\$ 735</u>



226	240	244	255	263	288
IDEA - Part B, High Cost Risk Pool	National School Breakfast and Lunch Program	Career and Technical - Basic Grant	ESEA, Title II, Part A,; Teacher and Principal Training & Recruiting	Title III, Part A, English Language Acquisition and Language Enhancement	SPARK Park
\$ -	\$ 355,609	\$ -	\$ -	\$ -	\$ -
-	558,506	-	-	-	-
71,076	30,114	5,216	5,894	2,611	16,050
-	-	-	-	-	5,000
-	75,802	-	-	-	-
<u>71,076</u>	<u>1,020,031</u>	<u>5,216</u>	<u>5,894</u>	<u>2,611</u>	<u>21,050</u>
-	760	-	-	-	-
-	3,697	-	-	-	-
71,076	-	5,216	5,894	2,611	21,050
-	17,788	-	-	-	-
<u>71,076</u>	<u>22,245</u>	<u>5,216</u>	<u>5,894</u>	<u>2,611</u>	<u>21,050</u>
-	997,786	-	-	-	-
-	-	-	-	-	-
-	<u>997,786</u>	-	-	-	-
<u>\$ 71,076</u>	<u>\$ 1,020,031</u>	<u>\$ 5,216</u>	<u>\$ 5,894</u>	<u>\$ 2,611</u>	<u>\$ 21,050</u>

**Crosby Independent School District**

Combining Balance Sheet

Nonmajor Governmental Funds - Special Revenue Funds - Continued

June 30, 2017

		289	410	429
Data Control Codes		Summer School LEP	State Textbook Fund	Prekindergarten State Grant Program
<b>ASSETS</b>				
1110	Cash and cash equivalents	\$ -	\$ 5,080	\$ -
1120	Current investments	-	-	-
1240	Due from other governments	-	-	14,323
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1000	<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 5,080</u>	<u>\$ 14,323</u>
<b>LIABILITIES</b>				
2110	Accounts payable	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	-	14,323
2300	Unearned revenue	-	5,080	-
2000	Total liabilities	<u>-</u>	<u>5,080</u>	<u>14,323</u>
<b>FUND BALANCES</b>				
3450	Restricted - grant funds	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 5,080</u>	<u>\$ 14,323</u>

461	496	498	499	
Campus Activity Funds	State School Climate and Transformation Project	Crosby Education Foundation Grant	Professional Development Grant Program	Total Nonmajor Funds (See Exhibit C-1)
\$ 472,039	\$ -	\$ -	\$ -	\$ 832,728
-	-	-	-	558,506
326	-	-	-	412,280
-	12,584	5,738	321	23,643
-	-	-	-	75,802
<u>\$ 472,365</u>	<u>\$ 12,584</u>	<u>\$ 5,738</u>	<u>\$ 321</u>	<u>\$ 1,902,959</u>
\$ -	\$ -	\$ -	\$ -	\$ 760
-	-	-	-	3,697
-	12,584	5,738	321	405,483
-	-	-	-	22,868
<u>-</u>	<u>12,584</u>	<u>5,738</u>	<u>321</u>	<u>432,808</u>
-	-	-	-	997,786
472,365	-	-	-	472,365
<u>472,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,470,151</u>
<u>\$ 472,365</u>	<u>\$ 12,584</u>	<u>\$ 5,738</u>	<u>\$ 321</u>	<u>\$ 1,902,959</u>

**Crosby Independent School District**

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds - Special Revenue Funds  
For the Ten Months Ended June 30, 2017

<u>Data Control Codes</u>	211	224	225
	<u>ESEA, Title I, Part A - Improving Basic Programs</u>	<u>IDEA - Part B, Formula</u>	<u>IDEA - Part B, Preschool</u>
<b>REVENUES</b>			
5700 Local and intermediate sources	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-
5900 Federal program revenues	521,250	805,656	26,513
5020 Total revenues	<u>521,250</u>	<u>805,656</u>	<u>26,513</u>
<b>EXPENDITURES</b>			
Current:			
0011 Instruction	478,079	331,958	21,589
0012 Instructional resources and media services	-	-	-
0013 Curriculum and staff development	28,603	22,015	-
0021 Instructional leadership	1,200	3,833	-
0023 School leadership	907	70	-
0031 Guidance, counseling, and evaluation services	4,722	267,885	-
0033 Health services	-	-	-
0034 Student transportation	-	113,895	4,924
0035 Food service	-	-	-
0036 Extracurricular activities	-	-	-
0041 General administration	2,050	-	-
0051 Plant maintenance and operations	-	-	-
0061 Community services	5,689	-	-
Intergovernmental:			
0093 Payments to shared services arrangements	-	66,000	-
6030 Total expenditures	<u>521,250</u>	<u>805,656</u>	<u>26,513</u>
1200 Net change in fund balances	-	-	-
0100 Fund balances - beginning	-	-	-
3000 <b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

226	240	244	255	263	288
IDEA - Part B, High Cost Risk Pool	National School Breakfast and Lunch Program	Career and Technical - Basic Grant	ESEA, Title II, Part A,; Teacher and Principal Training & Recruiting	Title III, Part A, English Language Acquisition and Language Enhancement	SPARK Park
\$ -	\$ 812,547	\$ -	\$ -	\$ -	\$ 15,000
-	31,407	-	-	-	-
71,076	1,898,339	42,823	82,496	34,630	321,000
<u>71,076</u>	<u>2,742,293</u>	<u>42,823</u>	<u>82,496</u>	<u>34,630</u>	<u>336,000</u>
64,700	-	42,823	81,650	32,074	-
-	-	-	-	-	-
-	-	-	35	2,556	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,376	-	-	-	-	-
-	2,287,026	-	-	-	-
-	-	-	-	-	-
-	-	-	811	-	-
-	138,457	-	-	-	-
-	-	-	-	-	336,000
-	-	-	-	-	-
<u>71,076</u>	<u>2,425,483</u>	<u>42,823</u>	<u>82,496</u>	<u>34,630</u>	<u>336,000</u>
-	316,810	-	-	-	-
-	680,976	-	-	-	-
<u>\$ -</u>	<u>\$ 997,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Crosby Independent School District**

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances

Nonmajor Governmental Funds - Special Revenue Funds - Continued  
For the Ten Months Ended June 30, 2017

		289	410	429
Data Control Codes		Summer School LEP	State Textbook Fund	Prekindergarten State Grant Program
<b>REVENUES</b>				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	214,466	104,677
5900	Federal program revenues	4,660	-	-
5020	Total revenues	<u>4,660</u>	<u>214,466</u>	<u>104,677</u>
<b>EXPENDITURES</b>				
Current:				
0011	Instruction	4,660	214,466	98,774
0012	Instructional resources and media services	-	-	-
0013	Curriculum and staff development	-	-	5,504
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	399
0031	Guidance, counseling, and evaluation services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food service	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0061	Community services	-	-	-
Intergovernmental:				
0093	Payments to shared services arrangements	-	-	-
6030	Total expenditures	<u>4,660</u>	<u>214,466</u>	<u>104,677</u>
1200	Net change in fund balances	-	-	-
0100	Fund balances - beginning	-	-	-
3000	<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

461	496	498	499	
Campus Activity Funds	State School Climate and Transformation Project	Crosby Education Foundation Grant	Professional Development Grant Program	Total Nonmajor Funds (See Exhibit C-2)
\$ 804,025	\$ 12,584	\$ 27,084	\$ 7,043	\$ 1,678,283
64	-	896	-	351,510
-	-	-	-	3,808,443
<u>804,089</u>	<u>12,584</u>	<u>27,980</u>	<u>7,043</u>	<u>5,838,236</u>
299,164	630	12,416	5,783	1,688,766
59,267	-	-	-	59,267
1,919	9,554	-	1,260	71,446
-	-	-	-	5,033
81,800	-	-	-	83,176
1,540	-	-	-	274,147
146	-	-	-	146
-	2,400	-	-	127,595
-	-	-	-	2,287,026
290,057	-	-	-	290,057
-	-	-	-	2,861
-	-	-	-	138,457
38	-	15,564	-	357,291
-	-	-	-	66,000
<u>733,931</u>	<u>12,584</u>	<u>27,980</u>	<u>7,043</u>	<u>5,451,268</u>
70,158	-	-	-	386,968
<u>402,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,083,183</u>
<u>\$ 472,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,470,151</u>

**Crosby Independent School District**  
 Schedule of Delinquent Taxes Receivable  
 For the Ten Months Ended June 30, 2017

Year Ended June 30,	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2008 and prior years	\$	Various	\$	Various	\$	Various
2009		1.04		0.3000		1,186,302,836
2010		1.17		0.2700		1,239,013,333
2011		1.17		0.2700		1,276,037,971
2012		1.17		0.2700		1,282,400,903
2013		1.17		0.2700		1,287,574,028
2014		1.17		0.5000		1,323,928,443
2015		1.17		0.5000		1,510,967,066
2016		1.17		0.5000		1,606,094,132
2017 (School year under audit)		1.17		0.5000		1,671,335,749
1000 Totals						



**Exhibit J-1**  
(Page 1 of 2)

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/17
\$ 548,135	-	\$ 29,032	\$ 8,375	\$ (14,857)	\$ 495,871
69,803	-	4,601	1,327	(1,888)	61,987
76,321	-	6,736	1,555	(2,013)	66,017
90,019	-	11,732	2,707	2,129	77,709
146,990	-	13,176	3,040	12,969	143,743
129,184	-	24,403	5,631	17,328	116,478
184,356	-	31,443	13,437	21,218	160,694
305,975	-	101,562	43,403	64,516	225,526
668,758	-	236,532	101,081	30,369	361,514
-	27,911,307	18,907,613	8,080,177	-	923,517
<u>\$ 2,219,541</u>	<u>\$ 27,911,307</u>	<u>\$ 19,366,830</u>	<u>\$ 8,260,733</u>	<u>\$ 129,771</u>	<u>\$ 2,633,056</u>

**Crosby Independent School District**  
 Schedule of Delinquent Taxes Receivable  
 For the Twelve Months Ended August 31, 2017\*

Year Ended August 31,	1		2		3	
	Tax Rates				Assessed/Appraised	
	Maintenance		Debt Service		Value For School Tax Purposes	
2008 and prior years	\$	Various	\$	Various	\$	Various
2009		1.04		0.3000		1,186,302,836
2010		1.17		0.2700		1,239,013,333
2011		1.17		0.2700		1,276,037,971
2012		1.17		0.2700		1,282,400,903
2013		1.17		0.2700		1,287,574,028
2014		1.17		0.5000		1,323,928,443
2015		1.17		0.5000		1,510,967,066
2016		1.17		0.5000		1,606,094,132
2017 (School year under audit)		1.17		0.5000		1,671,335,749
1000 Totals						

\*Fiscal years 2016 and prior ended on August 31; however, for 2017, the fiscal period consisted of the ten month period of September 1, 2016 through June 30, 2017. The Schedule of Delinquent Taxes Receivable is reported for both the ten months ended June 30, 2017 and the twelve months ended August 31, 2017 to comply with TEA requirements.

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 548,135	-	\$ 35,017	\$ 10,102	\$ (16,684)	\$ 486,332
69,803	-	5,949	1,716	(1,889)	60,249
76,321	-	8,377	1,933	(2,013)	63,998
90,019	-	14,150	3,266	2,129	74,732
146,990	-	19,699	4,546	15,698	138,443
129,184	-	31,020	7,158	22,113	113,119
184,356	-	43,060	18,402	26,824	149,718
305,975	-	122,512	52,355	69,199	200,307
668,758	-	279,195	119,314	39,985	310,234
-	27,911,307	19,104,689	8,164,397	5,252	647,473
\$ 2,219,541	\$ 27,911,307	\$ 19,663,668	\$ 8,383,189	\$ 160,614	\$ 2,244,605

**Crosby Independent School District**  
 Schedule of Revenues, Expenditures, and Changes In  
 Fund Balance – Budget and Actual  
 National School Breakfast and Lunch Program  
 For the Ten Months Ended June 30, 2017

**Exhibit J-2**

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 1,172,095	\$ 1,172,095	\$ 812,547	\$ (359,548)
5800	State program revenues	68,000	68,769	31,407	(37,362)
5900	Federal program revenues	1,602,700	1,602,700	1,898,339	295,639
5020	Total revenues	<u>2,842,795</u>	<u>2,843,564</u>	<u>2,742,293</u>	<u>(101,271)</u>
<b>EXPENDITURES</b>					
Current:					
0035	Food service	2,642,795	2,642,795	2,287,026	355,769
0051	Plant maintenance and operations	-	200,000	138,457	61,543
Intergovernmental:					
0093	Payments to shared services arrangements	200,000	-	-	-
6030	Total expenditures	<u>2,842,795</u>	<u>2,842,795</u>	<u>2,425,483</u>	<u>417,312</u>
1200	Net change in fund balance	-	769	316,810	316,041
0100	Fund balance - beginning	<u>680,976</u>	<u>680,976</u>	<u>680,976</u>	<u>-</u>
3000	<b>FUND BALANCE - ENDING</b>	<u>\$ 680,976</u>	<u>\$ 681,745</u>	<u>\$ 997,786</u>	<u>\$ 316,041</u>

**Crosby Independent School District**  
 Schedule of Revenues, Expenditures, and Changes in  
 Fund Balance – Budget and Actual  
 Debt Service Fund  
 For the Ten Months Ended June 30, 2017

**Exhibit J-3**

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 8,495,763	\$ 8,495,763	\$ 8,393,827	\$ (101,936)
5800	State program revenues	1,282,748	1,282,748	1,535,248	252,500
5020	Total revenues	<u>9,778,511</u>	<u>9,778,511</u>	<u>9,929,075</u>	<u>150,564</u>
<b>EXPENDITURES</b>					
Debt service:					
0071	Principal on long-term debt	4,585,000	4,585,000	4,585,000	-
0072	Interest on long-term debt	2,575,598	2,575,598	2,575,598	-
0073	Issuance costs and fees	15,000	15,000	12,040	2,960
6030	Total expenditures	<u>7,175,598</u>	<u>7,175,598</u>	<u>7,172,638</u>	<u>2,960</u>
1200	Net change in fund balance	2,602,913	2,602,913	2,756,437	153,524
0100	Fund balance - beginning	<u>3,458,583</u>	<u>3,458,583</u>	<u>3,458,583</u>	-
3000	<b>FUND BALANCE - ENDING</b>	<u>\$ 6,061,496</u>	<u>\$ 6,061,496</u>	<u>\$ 6,215,020</u>	<u>\$ 153,524</u>

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## **Overall Compliance, Internal Control Section and Federal Awards**

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

The Board of Trustees of  
Crosby Independent School District  
P.O. Box 2009  
Crosby, Texas 77532-2009

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crosby Independent School District (the District) as of and for the ten months ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2017.

***Internal Control over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Board of Trustees of  
Crosby Independent School District

***Compliance and Other Matters***

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
November 8, 2017



**Independent Auditor's Report on Compliance for Each Major Federal  
Program and Report on Internal Control over Compliance  
in Accordance with the Uniform Guidance**

The Board of Trustees of  
Crosby Independent School District  
P.O. Box 2009  
Crosby, Texas 77532-2009

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

We have audited Crosby Independent School District's (the District) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the ten months ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the ten months ended June 30, 2017.

## Report on Internal Control over Compliance

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

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

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

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
November 8, 2017

**Crosby Independent School District**  
 Schedule of Findings and Questioned Costs  
 For the Ten Months Ended June 30, 2017

**Section 1. Summary of Auditor’s Results**

**Financial Statements**

- |  |               |
|--|---------------|
| 1. Type of auditor’s report issued   | Unmodified    |
| 2. Internal Control over Financial Reporting:  |               |
| a. Material Weakness(es) identified?   | No            |
| b. Significant Deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to Financial Statements noted?                                     | No            |

**Federal Awards**

- |  |  |
|--|--|
| 4. Internal control over major programs:   |  |
| a. Material Weakness(es) identified?   | No   |
| b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?         | None reported                                  |
| 5. Type of auditor’s report issued on compliance with major programs                                 | Unmodified                                     |
| 6. Any Audit Findings Disclosed that are Required to be Reported in Accordance with Uniform Guidance | No   |
| 7. Identification of Major Programs  | 10.553 and 10.555 –<br>Child Nutrition Cluster |
| 8. Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs                   | \$750,000                                      |
| 9. Auditee Qualified as a Low-Risk Auditee?  | Yes  |

**Section 2. Financial Statement Findings**

None reported

**Section 3. Federal Award Findings and Questioned Costs**

None reported

**Crosby Independent School District**  
Summary Schedule of Prior Audit Findings  
For the Ten Months Ended June 30, 2017

**Prior Year Findings**

None reported

**Crosby Independent School District**  
Corrective Action Plan  
For the Ten Months Ended June 30, 2017

**Current Year Findings**

None

**Crosby Independent School District**  
Schedule of Expenditures of Federal Awards  
For the Ten Months Ended June 30, 2017

**Exhibit K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
ESEA Title I, Part A-Improving Basic Programs	84.010A	17610101101906	\$ 539,888
Special Education Cluster (IDEA):			
IDEA-B Formula	84.027A	166600011019066000	1,890
IDEA-B Formula	84.027A	176600011019066000	832,932
IDEA-B High Cost Risk Pool	84.027A	176600061019066680	71,076
IDEA-B Preschool	84.173A	176610011019066000	27,449
Total Special Education Cluster (IDEA)			<u>933,347</u>
Career and Technical-Basic Grant	84.048A	17420006101906	44,502
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	17671001101906	35,556
ESEA Title II, Part A-Teacher and Principal Training and Recruiting	84.367A	17694501101906	85,657
Summer School, LEP	84.369A	69551602	<u>4,660</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>1,643,610</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	00516	164,488
Passed Through State Department of Education - Cash Assistance:			
National School Breakfast Program	10.553	71401601	423,044
National School Lunch Program	10.555	71301601	<u>1,310,807</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE - CHILD NUTRITION CLUSTER</b>			<u>1,898,339</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed Through Harris County Community Services Department:			
Community Development Block Grant Program	14.218	C2016-0024	<u>321,000</u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>321,000</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 3,862,949</u>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.



# Crosby Independent School District

## Notes to the Schedule of Expenditures of Federal Awards

### Basis of Presentation

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 the 10% de minimis indirect cost rate as allowed under Uniform Guidance. Presented below is a reconciliation of federal revenues:

Total expenditures of federal awards per Exhibit K-1	\$ 3,862,949
Additional federal revenues reported in General Fund:	
SHARS	138,729
Interest subsidy on qualified school construction bonds	193,991
E-Rate	78,078
ROTC	56,022
<b>Total federal revenues per exhibit C-2</b>	<u><u>\$ 4,329,769</u></u>

**Crosby Independent School District**  
 Schedule of Required Responses to Selected  
 School FIRST Indicators (Unaudited)  
 For the Ten Months Ended June 30, 2017

**Exhibit L-1**

<u>Data Control Codes</u>	<u>Responses</u>
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
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?	No
SF6 Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7 Did the school district 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?	\$ 915,407
SF11 Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12 Net Pension Liabilities (2540) at fiscal year-end.	\$ 12,688,305
SF13 Pension Expense (6147) at fiscal year-end, excluding On-Behalf Pension Expense (6144).	\$ -