

CROSBY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 2016

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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 year ended August 31, 2016 at a meeting of the Board of Trustees of such school district on the 12th day of December, 2016.

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



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 (District), as of and for the year ended or August 31, 2016, 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 August 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Crosby Independent School District
December 12, 2016

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Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016 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.

Yours truly,

Weaver and Tidwell, L.L.P.

Weaver and Tidwell, L.L.P.

Conroe, Texas
December 12, 2016

Management's Discussion and Analysis

As management of the Crosby Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2016.

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 \$21,586,651 (*net position*). Of this amount, \$4,258,135 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net position decreased by \$4,849,420.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$14,792,835, a decrease of \$43,851,915.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,833,942, or 11 percent of total general fund expenditures.
- The District's total bonded debt decreased by \$4,323,910 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and supplementary 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 year. 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 Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Health Services, Student Transportation, Food Service, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, 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 sixteen 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 thirteen governmental funds are combined into a single, aggregated presentation.

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 statement 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 \$21,586,651 at the close of the most recent fiscal year.

CROSBY INDEPENDENT SCHOOL DISTRICT'S NET POSITION

	Governmental Activities					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and Other Assets	\$ 25,435,833	13	\$ 73,933,048	39	\$ (48,497,215)	(66)
Capital Assets	163,073,843	87	117,441,296	61	45,632,547	39
Total Assets	188,509,676	100	191,374,344	100	(2,864,668)	
Total Deferred Outflows of Resources	8,322,324	100	2,599,207	100	5,723,117	220
Long-Term Liabilities Outstanding	164,359,669	95	152,716,178	92	11,643,491	8
Other Liabilities	8,880,429	5	13,280,177	8	(4,399,748)	(33)
Total Liabilities	173,240,098	100	165,996,355	100	7,243,743	
Total Deferred Inflows of Resources	2,005,251	100	1,541,125	100	464,126	30
Net Investment in Capital Assets	13,609,330	63	20,833,483	79	(7,224,153)	(35)
Restricted	3,719,186	17	2,315,552	9	1,403,634	100
Unrestricted	4,258,135	20	3,287,036	12	971,099	30
Total Net Position	\$ 21,586,651	100	\$ 26,436,071	100	\$ (4,849,420)	

The excess of assets/deferred outflows of resources over liabilities/deferred inflows of resources reported on the government-wide *Statement of Net Position* of \$21,586,651 at August 31, 2016 results from several factors. The decrease in net position was primarily the result of an increase in instruction.

The largest portion of the District's net position (63 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 \$3,719,186, or 17 percent of net position.

The *unrestricted net position* (\$4,258,135) may be used to meet the District's ongoing obligations to students and creditors.

Governmental activities. Governmental activities decreased the District's net position by \$4,849,420 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					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program Revenues:						
Charges for Services	\$ 2,457,283	4	\$ 1,144,375	2	\$ 1,312,908	115
Operating Grants and Contributions	7,708,786	12	5,884,171	9	1,824,615	31
General Revenues:						
Property Taxes, Levied for General Purpose	19,267,562	29	18,067,783	29	1,199,779	7
Property Taxes, Levied for Debt Service	8,177,503	12	7,661,418	12	516,085	7
Grants and Contributions Not Restricted to Specific Programs	27,556,999	43	27,952,881	45	(395,882)	(1)
Investment Earnings	192,125	-	150,823	-	41,302	27
Gain on Sale of Capital Assets	-	-	1,727,171	3	(1,727,171)	(100)
Miscellaneous	301,950	-	144,928	-	157,022	108
Total Revenues	65,662,208	100	62,733,550	100	2,928,658	
Expenses:						
Instruction	38,688,169	56	29,112,312	49	9,575,857	33
Instructional Resources and Media Services	550,701	1	471,611	1	79,090	17
Curriculum and Staff Development	856,833	1	999,388	2	(142,555)	(14)
Instructional Leadership	759,723	1	780,202	1	(20,479)	(3)
School Leadership	2,988,262	4	2,419,804	4	568,458	23
Guidance, Counseling, and Evaluation Services	1,911,754	3	1,625,035	3	286,719	18
Social Work Services	-	-	-	-	-	-
Health Services	421,959	1	388,695	1	33,264	9
Student Transportation	3,085,954	4	3,148,547	6	(62,593)	(2)
Food Service	2,741,957	4	2,607,023	5	134,934	5
Extracurricular Activities	2,732,954	4	1,800,016	3	932,938	52
General Administration	1,858,709	3	1,567,137	3	291,572	19
Plant Maintenance and Operations	5,536,927	8	3,770,210	7	1,766,717	47
Security and Monitoring Services	325,276	-	308,775	1	16,501	5
Data Processing Services	1,283,718	2	908,320	2	375,398	41
Community Services	40,821	-	9,626	-	31,195	324
Interest on Long-term Debt	5,945,241	8	5,456,390	9	488,851	9
Issuance Costs and Fees	258,706	-	376,063	1	(117,357)	(31)
Facilities Repair and Maintenance	2,002	-	37,498	-	(35,496)	(95)
Payments Related to Shared Services Arrangements	75,000	-	936,633	2	(861,633)	(92)
Payments to Juvenile Justice Alternative Education Programs	120,790	-	112,400	-	8,390	7
Other Intergovernmental Charges	326,172	-	258,421	-	67,751	26
Total Expenses	70,511,628	100	57,094,106	100	13,417,522	
Change in Net Position	(4,849,420)		5,639,444		(10,488,864)	
Net Position - Beginning	26,436,071		26,504,649		(68,578)	
Prior Period Adjustment - Implement GASB 68 and 71 for Pensions (a)	-		(5,708,022)		5,708,022	
Net Position - Beginning, as restated	26,436,071		20,796,627		5,639,444	
Net Position - Ending	\$ 21,586,651		\$ 26,436,071		\$ (4,849,420)	

(a) The restatement of the beginning net position in fiscal year 2015 is the result of the District implementing GASB Statement No. 68 and 71 in fiscal year 2015.

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$35,265,785) represent 55 percent of total revenues and property taxes (\$27,445,065) represent 41 percent of total revenues. The remaining 4 percent is generated from gain on sale of capital assets, charges for services, investment earnings, and miscellaneous revenues. The significant change was an increase in grants and contribution revenues due to an increase in operating grants and contributions and an increase in property tax as a result of increased assessed property values, which were offset by a decrease in the sale of capital assets.

The primary functional expenses of the District are Instruction (\$38,688,169), which represents 56 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 year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$14,792,835, a decrease of \$43,851,915.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,833,942 while total fund balance reached \$10,556,634. 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 11 percent of total general fund expenditures, while total fund balance represents 19 percent of that same amount. The fund balance of the District's general fund increased by \$2,702,090 during the current fiscal year. The increase was a result of the issuance of a maintenance note for future capital purchases.

The debt service fund has a total fund balance of \$3,458,583, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$52,870 and was primarily due to the refinancing of debt to create future savings.

The capital projects fund ended the year with a deficit fund balance of \$305,565 which will be replenished by a transfer from the general fund during 2017. The capital projects fund balance decreased by \$46,811,767 during the year representing fund expenditures related to capital projects, as outlined in the bond issue.

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

General Fund Budgetary Highlights

The District amends the budget as needed throughout the year. The net increase of \$11,732,554 to appropriations in the final amended budget was primarily related to construction costs for building projects and supplies and materials for the new buildings.

The increase of \$9,604,919 to other financing sources in the final amended budget was to approve a maintenance tax note issue that was approved in the current fiscal period.

The most significant variance between final budget and actual was in facilities acquisition and construction due to the expenditures being spent out of the capital projects fund with the anticipation of reimbursement from the General Fund.

Capital Assets and Long-term Liabilities including Pension Administration

Capital assets. The District's investment in capital assets for its governmental type activities as of August 31, 2016, amounts to \$163,073,843 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and construction in progress. The total increase in the District's investment in capital assets for the current fiscal year was 39 percent.

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

- \$111,047 Playground Equipment
- \$47,849,497 Capital outlay for new campus and other campus improvements
- \$680,000 Scoreboard

CROSBY INDEPENDENT SCHOOL DISTRICT'S CAPITAL ASSETS (net of depreciation)

	Governmental Activities					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and Improvements	\$ 4,195,527	3	\$ 4,195,527	4	\$ -	-
Buildings and Improvements	154,262,950	94	70,703,519	60	83,559,431	118
Furniture and Equipment	3,341,454	2	2,776,263	2	565,191	20
Construction in Progress	1,273,912	1	39,765,987	34	(38,492,075)	(97)
Totals	\$ 163,073,843	100	\$ 117,441,296	100	\$ 45,632,547	

Construction commitments. At the end of the current fiscal year, the District's commitments with construction contractors totaled \$12,675,986.

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.

Long-term liabilities. At year-end, the District had the following long-term liabilities:

CROSBY INDEPENDENT SCHOOL DISTRICT'S LONG-TERM LIABILITIES OUTSTANDING

	Governmental Activities					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General Obligation Bonds (Net)	\$ 135,404,232	83	\$ 139,728,142	92	\$ (4,323,910)	(3)
Notes Payable (Net)	16,922,515	10	7,235,000	5	9,687,515	134
Workers' Compensation	306,258	-	288,047	-	18,211	6
Compensated Absences	297,556	-	427,035	-	(129,479)	(30)
Net Pension Liability	11,429,108	7	5,037,954	3	6,391,154	127
Totals	\$ 164,359,669	100	\$ 152,716,178	100	\$ 11,643,491	

The District's bonded debt decreased by \$4,323,910 (3 percent) during the current fiscal year, which resulted primarily from payment of scheduled bond payments. The District's note payable, net increased \$9,687,515 due to a tax maintenance note that was issued in the fiscal year.

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.

Pension expense 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 5,964 students, which is less than 6 percent increase from the prior year.
- District staff totals 848 employees, which includes 412 teachers and 90 teachers' aides and secretaries.
- The District maintains 7 campuses for instruction.
- The unemployment rate for the County is currently 5.7 percent, which is an increase from a rate of 4.0 percent a year ago. This compares unfavorably to the state's average unemployment rate of 4.2 percent, which remains the same rate of 4.0 percent a year ago.
- Property values of the District are projected to increase by 6 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 2016-2017. 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 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$442,334. 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
AUGUST 31, 2016**

EXHIBIT A-1

1

<u>Data Control Codes</u>	<u>Primary Government Governmental Activities</u>
ASSETS	
1110 <i>Cash and Cash Equivalents</i>	\$ 2,031,881
1120 <i>Current Investments</i>	16,368,128
1220 <i>Property Taxes Receivables</i>	2,219,541
1230 <i>Allowance for Uncollectible Taxes</i>	(66,587)
1240 <i>Due from Other Governments</i>	3,657,736
1290 <i>Other Receivables</i>	23,470
1300 <i>Inventories</i>	84,358
1410 <i>Prepaid Items</i>	2,306
1800 <i>Restricted Cash and Temporary Investments</i>	1,115,000
Capital Assets:	
1510 <i>Land and Improvements</i>	4,195,527
1520 <i>Buildings and Improvements (Net)</i>	154,262,950
1530 <i>Furniture and Equipment (Net)</i>	3,341,454
1580 <i>Construction in Progress</i>	1,273,912
1000 Total Assets	<u>188,509,676</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 <i>Deferred Outflows - Pension</i>	7,296,489
1710 <i>Deferred Charge on Refunding</i>	1,025,835
1700 Total Deferred Outflows of Resources	<u>8,322,324</u>
LIABILITIES	
2110 <i>Accounts Payable</i>	4,125,772
2140 <i>Interest Payable</i>	390,385
2150 <i>Payroll Deductions and Withholdings</i>	23,067
2160 <i>Accrued Wages Payable</i>	337,341
2180 <i>Due to Other Governments</i>	209
2200 <i>Accrued Expenses</i>	3,986,917
2300 <i>Unearned Revenue</i>	16,738
Noncurrent Liabilities:	
2501 <i>Due Within One Year</i>	4,424,438
2502 <i>Due in More Than One Year</i>	148,506,123
2540 <i>Net Pension Liability</i>	11,429,108
2000 Total Liabilities	<u>173,240,098</u>
DEFERRED INFLOWS OF RESOURCES	
2605 <i>Deferred Inflows - Pension</i>	2,005,251
2600 Total Deferred Inflows of Resources	<u>2,005,251</u>
NET POSITION	
3200 <i>Net Investment in Capital Assets</i>	13,609,330
3820 <i>Restricted for Grants</i>	678,670
3850 <i>Restricted for Debt Service</i>	3,040,516
3900 <i>Unrestricted</i>	4,258,135
3000 Total Net Position	<u>\$ 21,586,651</u>

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

**CROSBY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016**

EXHIBIT B-1

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Primary Government:				
	Governmental Activities:				
0011	Instruction	\$ 38,688,169	\$ 675,408	\$ 3,986,072	\$ (34,026,689)
0012	Intructional Resources and Media Services	550,701	74,618	31,591	(444,492)
0013	Curriculum and Staff Development	856,833	2,758	80,382	(773,693)
0021	Instructional Leadership	759,723	-	60,071	(699,652)
0023	School Leadership	2,988,262	142,056	196,575	(2,649,631)
0031	Guidance, Counseling, and Evaluation Services	1,911,754	-	446,327	(1,465,427)
0033	Health Services	421,959	-	30,287	(391,672)
0034	Student Transportation	3,085,954	-	296,820	(2,789,134)
0035	Food Service	2,741,957	936,110	1,648,744	(157,103)
0036	Extracurricular Activities	2,732,954	546,516	75,381	(2,111,057)
0041	General Administration	1,858,709	-	163,830	(1,694,879)
0051	Plant Maintenance and Operations	5,536,927	77,022	240,294	(5,219,611)
0052	Security amd Monitoring Services	325,276	1,845	4,743	(318,688)
0053	Data Processing Services	1,283,718	-	50,666	(1,233,052)
0061	Community Services	40,821	950	8,605	(31,266)
0072	Interest on Long-term Debt	5,945,241	-	388,398	(5,556,843)
0073	Issuance Costs and Fees	258,706	-	-	(258,706)
0081	Facilities Repair and Maintenance	2,002	-	-	(2,002)
0093	Payments Related to Shared Services Arrangements	75,000	-	-	(75,000)
0095	Payments to Juvenile Justice Alternative Education Programs	120,790	-	-	(120,790)
0099	Other Intergovernmental Charges	326,172	-	-	(326,172)
TG	Total Governmental Activities	<u>70,511,628</u>	<u>2,457,283</u>	<u>7,708,786</u>	<u>(60,345,559)</u>
TP	Total Primary Government	\$ <u>70,511,628</u>	\$ <u>2,457,283</u>	\$ <u>7,708,786</u>	(60,345,559)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				19,267,562
DT	Property Taxes, Levied for Debt Services				8,177,503
GC	Grants and Contributions Not Restricted to Specific Programs				27,556,999
IE	Investment Earnings				192,125
MI	Miscellaneous				301,950
TR	Total General Revenues				<u>55,496,139</u>
CN	Change in Net Position				(4,849,420)
NB	Net Position - Beginning				<u>26,436,071</u>
NE	Net Position - Ending				\$ <u>21,586,651</u>

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

**CROSBY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
AUGUST 31, 2016**

Data Control Codes	199	599
	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
1110 <i>Cash and Cash Equivalents</i>	\$ 9,035	\$ 1,344,201
1120 <i>Current Investments</i>	5,088,772	3,415,712
1220 <i>Property Taxes Receivables</i>	1,672,107	547,434
1230 <i>Allowance for Uncollectable Taxes</i>	(50,164)	(16,423)
1240 <i>Due from Other Governments</i>	3,411,265	178,558
1260 <i>Due from Other Funds</i>	1,624,939	-
1290 <i>Other Receivables</i>	1,628	-
1300 <i>Inventories</i>	-	-
1410 <i>Prepaid Items</i>	-	-
1810 <i>Restricted Cash and Temporary Investments</i>	1,115,000	-
1000 Total Assets	<u>12,872,582</u>	<u>5,469,482</u>
1000a Total Assets and Deferred Outflows of Resources	\$ <u>12,872,582</u>	\$ <u>5,469,482</u>
LIABILITIES		
2110 <i>Accounts Payable</i>	\$ 373,550	\$ -
2150 <i>Payroll Deductions and Withholdings</i>	23,067	-
2160 <i>Accrued Wages Payable</i>	297,388	-
2170 <i>Due to Other Funds</i>	-	1,479,888
2180 <i>Due to Other Governments</i>	-	-
2200 <i>Accrued Expenditures</i>	-	-
2300 <i>Unearned Revenue</i>	-	-
2000 Total Liabilities	<u>694,005</u>	<u>1,479,888</u>
DEFERRED INFLOWS OF RESOURCES		
2600 Unavailable Revenue - Property Taxes	<u>1,621,943</u>	<u>531,011</u>
Total Deferred Inflows of Resources	<u>1,621,943</u>	<u>531,011</u>
FUND BALANCES		
3430 <i>Nonspendable - Prepaid Items</i>	-	-
3450 <i>Restricted - Grant Funds</i>	-	-
3470 <i>Restricted - Capital Acquisitions and Contractual Obligations</i>	-	-
3480 <i>Restricted - Debt Service</i>	1,115,000	3,458,583
3510 <i>Committed - Construction</i>	1,212,337	-
3550 <i>Assigned - Construction</i>	2,395,355	-
3600 <i>Unassigned</i>	5,833,942	-
3000 Total Fund Balances	<u>10,556,634</u>	<u>3,458,583</u>
4000 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>12,872,582</u>	\$ <u>5,469,482</u>

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

EXHIBIT C-1

699	Total Nonmajor Funds	98 Total Governmental Funds
Capital Projects Fund		
\$ 219,796	\$ 458,849	\$ 2,031,881
7,309,153	554,491	16,368,128
-	-	2,219,541
-	-	(66,587)
-	67,913	3,657,736
-	-	1,624,939
-	21,842	23,470
-	84,358	84,358
-	2,306	2,306
-	-	1,115,000
<u>7,528,949</u>	<u>1,189,759</u>	<u>27,060,772</u>
\$ 7,528,949	\$ 1,189,759	\$ 27,060,772
\$ 3,751,462	\$ 760	\$ 4,125,772
-	-	23,067
-	39,953	337,341
96,135	48,916	1,624,939
-	209	209
3,986,917	-	3,986,917
-	16,738	16,738
<u>7,834,514</u>	<u>106,576</u>	<u>10,114,983</u>
-	-	2,152,954
<u>-</u>	<u>-</u>	<u>2,152,954</u>
-	2,306	2,306
-	678,670	678,670
(305,565)	-	(305,565)
-	-	4,573,583
-	402,207	1,614,544
-	-	2,395,355
-	-	5,833,942
<u>(305,565)</u>	<u>1,083,183</u>	<u>14,792,835</u>
\$ 7,528,949	\$ 1,189,759	\$ 27,060,772

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**CROSBY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2016**

EXHIBIT C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1) \$ 14,792,835

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 governmental funds. The governmental capital assets at year end consist of:

Governmental Capital Assets	\$ 213,245,509	
Accumulated Depreciation of Governmental Capital Assets	(50,171,666)	163,073,843

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 2,152,954

Long-term liabilities, including bonds payable, notes payable, workers' compensation, compensated absences, and net pension liability, 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	\$ (127,855,610)	
Premium on Bonds Payable	(5,712,223)	
Accreted Interest on Capital Appreciation Bonds	(1,836,399)	
Accrued Interest on the Bonds	(227,679)	
Notes Payable	(16,490,000)	
Premium on Notes Payable	(432,515)	
Accrued Interest on Notes Payable	(162,706)	
Workers' Compensation	(306,258)	
Compensated Absences	(297,556)	
Net Pension Liability	(11,429,108)	(164,750,054)

Deferred charge on refunding is reported as a deferred outflow of resources in the statement of net position and it is not reported in the governmental funds as it is not a current financial resource available to pay for current expenditures. 1,025,835

Deferred outflows of resources for pension represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/ expenditures) until then. 7,296,489

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. (2,005,251)

Total Net Position - Governmental Activities (Exhibit A-1) \$ 21,586,651

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

**CROSBY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016**

Data Control Codes	199	599
	General Fund	Debt Service Fund
REVENUES		
5700 <i>Local and Intermediate Sources</i>	\$ 19,822,168	\$ 8,233,635
5800 <i>State Program Revenues</i>	27,363,108	1,272,533
5900 <i>Federal Program Revenues</i>	1,640,832	-
5020 Total Revenues	<u>48,826,108</u>	<u>9,506,168</u>
EXPENDITURES		
Current:		
0011 <i>Instruction</i>	33,413,236	-
0012 <i>Instructional Resources and Media Services</i>	484,952	-
0013 <i>Curriculum and Staff Development</i>	797,717	-
0021 <i>Instructional Leadership</i>	736,642	-
0023 <i>School Leadership</i>	2,707,151	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	1,520,341	-
0033 <i>Health Services</i>	402,632	-
0034 <i>Student Transportation</i>	2,692,606	-
0035 <i>Food Service</i>	-	-
0036 <i>Extracurricular Activities</i>	3,142,648	-
0041 <i>General Administration</i>	1,785,047	-
0051 <i>Plant Maintenance and Operations</i>	5,077,830	-
0052 <i>Security and Monitoring Services</i>	336,635	-
0053 <i>Data Processing Services</i>	1,565,447	-
0061 <i>Community Services</i>	8,039	-
Debt Service:		
0071 <i>Principal on Long-term Debt</i>	-	4,335,001
0072 <i>Interest on Long-term Debt</i>	430,483	5,215,720
0073 <i>Issuance Costs and Fees</i>	199,255	59,451
Capital Outlay:		
0081 <i>Facilities Acquisition and Construction</i>	-	-
Intergovernmental:		
0093 <i>Payments to Shared Services Arrangements</i>	75,000	-
0095 <i>Payments to Juvenile Justice Alternative Education Programs</i>	120,790	-
0099 <i>Other Intergovernmental Charges</i>	326,172	-
6030 Total Expenditures	<u>55,822,623</u>	<u>9,610,172</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,996,515)</u>	<u>(104,004)</u>
OTHER FINANCING SOURCES (USES)		
7901 <i>Issuance of Refunding Bonds</i>	-	7,450,000
7914 <i>Loan Proceeds</i>	9,255,000	-
7916 <i>Premium or Discount on Issuance of Bonds</i>	443,605	1,082,434
8940 <i>Payment to Bond Refunding Escrow Agent</i>	-	(8,481,300)
7080 Total Other Financing Sources (Uses)	<u>9,698,605</u>	<u>51,134</u>
1200 Net Change in Fund Balances	2,702,090	(52,870)
0100 Fund Balances - Beginning	<u>7,854,544</u>	<u>3,511,453</u>
3000 Fund Balances - Ending	<u>\$ 10,556,634</u>	<u>\$ 3,458,583</u>

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

EXHIBIT C-2

699	Total Nonmajor Funds	98 Total Governmental Funds
<u>Capital Projects Fund</u>	<u>Funds</u>	<u>Funds</u>
\$ 102,807	\$ 2,343,801	\$ 30,502,411
-	515,543	29,151,184
-	3,420,625	5,061,457
<u>102,807</u>	<u>6,279,969</u>	<u>64,715,052</u>
-	2,245,246	35,658,482
-	51,194	536,146
-	36,077	833,794
-	3,968	740,610
-	97,642	2,804,793
-	314,439	1,834,780
-	-	402,632
-	118,124	2,810,730
-	2,632,537	2,632,537
44,861	262,970	3,450,479
-	689	1,785,736
306,689	173,399	5,557,918
-	1,266	337,901
-	-	1,565,447
-	31,786	39,825
-	-	4,335,001
-	-	5,646,203
-	-	258,706
46,563,024	-	46,563,024
-	-	75,000
-	-	120,790
-	-	326,172
<u>46,914,574</u>	<u>5,969,337</u>	<u>118,316,706</u>
<u>(46,811,767)</u>	<u>310,632</u>	<u>(53,601,654)</u>
-	-	7,450,000
-	-	9,255,000
-	-	1,526,039
-	-	(8,481,300)
-	-	9,749,739
(46,811,767)	310,632	(43,851,915)
<u>46,506,202</u>	<u>772,551</u>	<u>58,644,750</u>
<u>\$ (305,565)</u>	<u>\$ 1,083,183</u>	<u>\$ 14,792,835</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 YEAR ENDED AUGUST 31, 2016**

EXHIBIT C-3

Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2) \$ (43,851,915)

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>	\$ 48,921,476	
Depreciation expense	<u>(3,288,929)</u>	45,632,547

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 year. (105,988)

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

Par Value	\$ (16,705,000)	
(Premium) Discount	<u>(1,526,039)</u>	(18,231,039)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 4,335,001

Payment to escrow agent to refund bonds from refunding proceeds 8,481,300

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 increase (decrease) in interest expense reported in the statement of activities consist of the following:

Accrued Interest on Current Interest Bonds Payable <i>decreased</i>	\$ 4,115	
Accrued Interest on Notes Payable <i>increased</i>	(143,679)	
Interest Accreted on the Capital Appreciation Bonds	(172,857)	
Amortization of Bond and Notes Payable Premium, net of Discount	394,451	
Amortization of Deferred Charge on Refunding	<u>(381,068)</u>	(299,038)

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. (18,211)

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. 129,479

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)	\$ 5,933,724	
Deferred Inflows (Increased) Decreased	(464,126)	
Net Pension Liability (Increased) Decreased	<u>(6,391,154)</u>	<u>(921,556)</u>

Change in Net Position - Governmental Activities (Exhibit B-1) \$ (4,849,420)

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

**CROSBY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
AUGUST 31, 2016**

EXHIBIT E-1

Data Control Codes		865 Agency Fund
		Student Activity
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 8,766
1120	<i>Current Investments</i>	86,212
1290	<i>Other Receivables</i>	70
1000	Total Assets	\$ 95,048
	LIABILITIES:	
2190	<i>Due to Student Groups</i>	\$ 95,048
2000	Total Liabilities	\$ 95,048

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

CROSBY INDEPENDENT SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of 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 (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.

B. Reporting Entity

The Crosby Independent School District (District) is governed by a seven-member board of trustees (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.

C. Basis of Presentation – Government-wide Financial Statements

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.

D. 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Basis of Presentation – Fund Financial Statements – Continued

Additionally, the District reports the following fund types:

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 governmental-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.

E. 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.

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Measurement Focus and Basis of Accounting - Continued

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.

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

F. 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.

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - Continued

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 fair 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 Classes</u>	<u>Lives</u>
Buildings and Improvements	5-50
Furniture and Equipment	5-20

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.

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - Continued

5. Deferred Outflows/Inflows of Resources - Continued

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 Net Position	Balance Sheet - Governmental Funds	
	Governmental Activities	General Fund	Debt Service Fund
Deferred Outflows of Resources:			
Deferred Outflows from Pension Activities	\$ 6,230,589	\$ -	\$ -
Deferred Contributions after the Measurement Date	1,065,900	-	-
Deferred Charge on Refunding	1,025,835	-	-
Total Deferred Outflows of Resources	\$ 8,322,324	\$ -	\$ -
Deferred Inflows of Resources:			
Deferred Inflows from Pension Activities	\$ 2,005,251	\$ -	\$ -
Unavailable Property Taxes	-	1,621,943	531,011
Total Deferred Inflows of Resources	\$ 2,005,251	\$ 1,621,943	\$ 531,011

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

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - Continued

7. Fund Balance Flow Assumptions - Continued

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.

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 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 of trustees (Board) has, by resolution, 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

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - Continued

9. Pension - Continued

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.

G. 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 August 31. There are amounts included in compensated absences for employees that had accrued vacation time under the District's previous policy.

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures/Expenses - Continued

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

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 August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 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.

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

B. Encumbrances - Continued

As of August 31, 2016, significant encumbrances including in governmental fund balances are as follows:

	Encumbrances Included in:
	Assigned Fund Balance
General Fund	\$ 395,355
Total Encumbrances	\$ 395,355

The capital projects fund had encumbrances totaling \$295,890 which will be funded by a transfer from the general fund subsequent to year end.

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.

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) 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) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act; 8) Commercial paper is an authorized investment 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

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

A. Deposits and Investments - Continued

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; 9) Securities lending program as permitted by Government Code 2256.0015; 10) Fully collateralized repurchase agreements permitted by Government Code 2256.011.

The District's measurements are presented in the table below. The District's investment balances and weighted average maturity, and credit risk of such investments are as follows:

	<u>August 31, 2016</u>	<u>Percent of Total Investments</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Risk</u>
<u>Governmental Fund Investment Type</u>				
<u>Investments Measured at Amortized Cost</u>				
Investment Pools				
Texpool Prime	\$ 12,636,868	77%	42	AAAm
Lone Star Overnight	163	0%	37	AAAm
<u>Investments Measured at Net Asset Value (NAV), fair value</u>				
Investment Pools				
Lone Star Overnight Plus	3,070,573	19%	41	AAAF/Si+
LOGIC	660,524	4%	42	AAAm
Total	<u>\$ 16,368,128</u>	<u>100%</u>		
Portfolio Weighted Average Maturity			<u>42</u>	
<u>Fiduciary Fund Investment Type</u>				
<u>Investments Measured at Amortized Cost</u>				
Investment Pools				
Texpool Prime	\$ 86,212	100%	42	AAAm
Total	<u>\$ 86,212</u>	<u>100%</u>		
Portfolio Weighted Average Maturity			<u>42</u>	

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 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

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

A. Deposits and Investments - Continued

The Lone Star Overnight Plus and LOGIC investment pools are external investment pools measured at net asset value. Lone Star 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. The District has no unfunded commitments related to the investment pools. Lone Star 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.

Credit risk. For fiscal year 2016, 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 investments is 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 August 31, 2016, District's bank's balances of \$6,687,827 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.

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.

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS – CONTINUED

B. Receivables

Tax revenues of the general and debt service fund 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	\$ 21,328
Uncollectibles Related to Debt Service Property Taxes	6,208
Total Uncollectibles of the Current Fiscal Year	\$ <u>27,536</u>

Approximately 66% 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 August 31, 2016, is as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 1,624,939	\$ -
Debt Service	-	1,479,888
Capital Projects	-	96,135
Other Governmental Funds - Nonmajor	-	48,916
Total	\$ <u>1,624,939</u>	\$ <u>1,624,939</u>

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.

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 District did not have any transfers for the year ended August 31, 2016.

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Capital Assets

Capital asset activity for the year ended August 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements, Transfers, and Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land and Improvements	\$ 4,195,527	\$ -	\$ -	\$ 4,195,527
Construction in Progress	39,765,987	47,849,497	(86,341,572)	1,273,912
Total Capital Assets, not being Depreciated	<u>43,961,514</u>	<u>47,849,497</u>	<u>(86,341,572)</u>	<u>5,469,439</u>
Capital Assets, being Depreciated:				
Buildings and Improvements	111,737,241	5,481	86,341,572	198,084,294
Furniture and Equipment	8,672,436	1,066,498	(47,158)	9,691,776
Total Capital Assets, being Depreciated	<u>120,409,677</u>	<u>1,071,979</u>	<u>86,294,414</u>	<u>207,776,070</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(41,033,722)	(2,787,622)	-	(43,821,344)
Furniture and Equipment	(5,896,173)	(501,307)	47,158	(6,350,322)
Total Accumulated Depreciation	<u>(46,929,895)</u>	<u>(3,288,929)</u>	<u>47,158</u>	<u>(50,171,666)</u>
Total Capital Assets, being Depreciated, net	<u>73,479,782</u>	<u>(2,216,950)</u>	<u>86,341,572</u>	<u>157,604,404</u>
Governmental Activities Capital Assets, net	<u>\$ 117,441,296</u>	<u>\$ 45,632,547</u>	<u>\$ -</u>	<u>\$ 163,073,843</u>

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

Governmental Activities:	
11 Instruction	\$ 2,605,223
34 Student Transportation	297,184
35 Food Service	85,306
36 Extracurricular Activities	169,813
41 General Administration	39,563
51 Plant Maintenance and Operations	54,415
52 Security and Monitoring Services	3,637
53 Data Processing Services	33,788
Total Depreciation Expense-Governmental Activities	<u>\$ 3,288,929</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS – CONTINUED

D. Capital Assets - Continued

Construction Commitments

The District has active construction projects as of August 31, 2016. The projects include the construction and equipment of school facilities. At year end, the District's commitments with contractors are as follows:

<u>Project</u>	<u>Remaining Commitment</u>
New Crosby High School	\$ 12,511,075
Crosby ISD District Access Control	164,911
Totals	\$ 12,675,986

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

E. 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.

Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 132,106,468	\$ 7,450,000	\$ (11,700,858)	\$ 127,855,610	\$ 3,595,624
Deferred Amounts:					
For Issuance Premium (Discount) (CIB's)	5,008,989	1,082,434	(379,200)	5,712,223	-
For Accreted Interest (CAB's)	2,612,685	172,857	(949,143)	1,836,399	-
Total Bonds Payable, net	139,728,142	8,705,291	(13,029,201)	135,404,232	3,595,624
Notes Payable:					
Notes Payable	7,235,000	9,255,000	-	16,490,000	225,000
Deferred Amounts:					
For Issuance Premium	-	443,605	(11,090)	432,515	-
Total Notes Payable, net	7,235,000	9,698,605	(11,090)	16,922,515	225,000
Workers' Compensation	288,047	143,824	(125,613)	306,258	306,258
Compensated Absences	427,035	-	(129,479)	297,556	297,556
Net Pension Liability	5,037,954	8,197,831	(1,806,677)	11,429,108	-
Governmental Activities Long-term Liabilities	\$ 152,716,178	\$ 26,745,551	\$ (15,102,060)	\$ 164,359,669	\$ 4,424,438

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities (SCH) and to refund general obligation bonds (REF).

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term Liabilities - Continued

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 capital appreciation bonds (CAB) with various amounts of principal maturing each year. Rates may be fixed or variable. The following is a summary of changes in the general obligation bonds for the fiscal year.

<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
1999 CAB	-	\$ 11,781,247	2017	\$ 1,371,482	\$ -	\$ (705,858)	\$ 665,624
2006 SCH	3.50-4.00%	9,105,000	2024	8,410,000	-	(8,410,000)	-
2006 CAB	-	601,906	2019	439,986	-	-	439,986
2009 SCH	2.50-4.20%	4,385,000	2024	4,295,000	-	(15,000)	4,280,000
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	23,090,000	-	(1,210,000)	21,880,000
2013 SCH	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	9,400,000	-	(1,360,000)	8,040,000
2015 REF	3.00-4.00%	7,450,000	2024	-	7,450,000	-	7,450,000
Totals				\$ 132,106,468	\$ 7,450,000	\$ (11,700,858)	\$ 127,855,610

A portion of the bonds sold in the Series 1999 and 2006 were capital appreciation bonds, 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

<u>Description</u>	<u>Accreted Value</u>	<u>Stated Value</u>	<u>Ending Value Accreted Interest</u>
1999	\$ 1,613,843	\$ 665,624	\$ 948,219
2006	1,328,166	439,986	888,180
Total Accreted Interest			\$ 1,836,399

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term Liabilities - Continued

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

<u>Year Ending August 31</u>	<u>Principal Value</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 3,595,624	\$ 6,096,622	\$ 9,692,246
2018	4,785,000	4,980,896	9,765,896
2019	2,309,986	5,891,960	8,201,946
2020	3,390,000	4,757,971	8,147,971
2021	3,480,000	4,621,535	8,101,535
2022	3,570,000	4,481,723	8,051,723
2023	3,660,000	4,338,221	7,998,221
2024	3,775,000	4,198,601	7,973,601
2025	3,920,000	4,091,481	8,011,481
2026	4,020,000	3,990,981	8,010,981
2027	4,145,000	3,868,506	8,013,506
2028	4,270,000	3,742,281	8,012,281
2029	4,405,000	3,608,494	8,013,494
2030	4,175,000	3,455,981	7,630,981
2031	4,345,000	3,287,056	7,632,056
2032	4,520,000	3,111,256	7,631,256
2033	4,710,000	2,925,509	7,635,509
2034	4,905,000	2,729,328	7,634,328
2035	5,130,000	2,505,481	7,635,481
2036	5,365,000	2,269,259	7,634,259
2037	5,610,000	2,022,850	7,632,850
2038	5,865,000	1,765,916	7,630,916
2039	6,140,000	1,494,272	7,634,272
2040	6,445,000	1,189,513	7,634,513
2041	6,765,000	869,506	7,634,506
2042	7,100,000	533,528	7,633,528
2043	7,455,000	180,728	7,635,728
Totals	\$ 127,855,610	\$ 87,009,455	\$ 214,865,065

The District did not have any authorized but unissued unlimited ad valorem tax bonds as of August 31, 2016.

In October 2015, the District issued \$7,450,000 of refunding bonds. The proceeds of the refunding bonds were used to legally defease \$8,315,000 of previously issued District bonds in order to lower its overall debt service requirements. The reacquisition price exceeded the net carrying value of the old debt by \$295,608. The District advance-refunded the bonds in order to reduce its future debt service payments by \$993,157 and to obtain an economic gain (differences between the present values of the debt service payments on the old and new debt) of \$988,698.

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.

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term Liabilities - Continued

The following is a summary of changes in the notes payable during the fiscal year:

Description	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2010 Qualified School Construction Maintenance Tax Note (QSCMT)	5.95%	\$ 7,235,000	2025	\$ 7,235,000	\$ -	\$ -	\$ 7,235,000
2016 Maintenance Tax Note	2.5-3.25%	9,255,000	2036		9,255,000		9,255,000
Totals				\$ 7,235,000	\$ 9,255,000	\$ -	\$ 16,490,000

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

Year Ending August 31	Principal *	Interest	Total Requirements
2017	\$ 225,000	\$ 828,776	\$ 1,053,776
2018	360,000	691,164	1,051,164
2019	370,000	680,214	1,050,214
2020	385,000	668,889	1,053,889
2021	395,000	657,189	1,052,189
2022	405,000	645,189	1,050,189
2023	420,000	632,814	1,052,814
2024	430,000	620,064	1,050,064
2025	7,680,000	391,698	8,071,698
2026	460,000	164,031	624,031
2027	470,000	152,406	622,406
2028	480,000	139,931	619,931
2029	495,000	126,525	621,525
2030	510,000	112,069	622,069
2031	525,000	96,544	621,544
2032	540,000	80,569	620,569
2033	560,000	64,069	624,069
2034	575,000	47,044	622,044
2035	595,000	29,123	624,123
2036	610,000	9,913	619,913
Totals	\$ 16,490,000	\$ 6,838,221	\$ 23,328,221

* 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 of the 2010 QSCMT noted above.

F. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Capital Projects	Other Governmental Funds	Totals
Property Taxes	\$ 19,361,423	\$ 8,189,630	\$ -	\$ -	\$ 27,551,053
Investment Income	47,756	39,085	102,807	2,477	192,125
Food Sales	-	-	-	936,110	936,110
Student Activities	-	-	-	1,280,928	1,280,928
Other	412,989	4,920	-	124,286	542,195
Totals	\$ 19,822,168	\$ 8,233,635	\$ 102,807	\$ 2,343,801	\$ 30,502,411

CROSBY INDEPENDENT SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

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 year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Health Insurance

During the year ended August 31, 2016, 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 limited risk management program for workers' compensation in 1998. Premiums are paid into the general fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. These interfund premiums are used to reduce the amount of claims expenditure reported in the general fund.

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 stop loss or from subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$1,000,000 and statutory limit 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. The workers' compensation claims liability is

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION

A. Risk Management - Continued

presented at a non-discounted amount of \$306,258. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Year Ended 8/31/2016</u>	<u>Year Ended 8/31/2015</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 288,047	\$ 237,179
Incurred Claims	143,824	144,287
Claim Payments	(125,613)	(93,419)
Unpaid Claims, End of Fiscal Year	<u>\$ 306,258</u>	<u>\$ 288,047</u>

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 August 31, 2016, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

The District is a defendant in litigation arising principally in the normal course of operations. In the opinion of the District's management, the potential losses, after insurance coverage, will not have a material effect on the District's financial position, results of operations or liquidity.

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.

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.

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

Benefits Provided

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

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal years 2016 and 2017.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Member	7.2%	6.7%	6.4%
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 fiscal year 2016 are as follows:

District Contributions	\$	1,065,900
Member Contributions		2,545,572
NECE On-behalf Contributions (State)		1,739,644

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

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.

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
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%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad Hoc Post-employment Benefit Changes	None

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

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

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, 2015 are summarized below:

	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-Term Portfolio Returns*</u>
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%
Hedge Funds (Stable Value)	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%
Total	<u>100.0%</u>		<u>8.7%</u>

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

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:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
TRS	\$ 17,907,259	\$ 11,429,108	\$ 6,033,212

**CROSBY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016**

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

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

At August 31, 2016, the District reported a liability of \$11,429,108 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	\$ 11,429,108
State's Proportionate Share of the Net Pension Liability Associated with the District	19,600,726
Total	<u>\$ 31,029,834</u>

The net pension liability was measured as of August 31, 2015 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, 2014 through August 31, 2015.

At August 31, 2015, the employer's proportion of net pension liability was .0323325%, which was an increase of .0134718% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation

The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

- The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

Other Demographic Assumptions

- Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended August 31, 2016, the District recognized pension expense of \$3,714,344 and revenue of \$2,792,788 for support provided by the State.

At August 31, 2016, 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	\$ 64,800	\$ 439,231
Changes of Assumptions	272,346	407,741
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,814,735	1,154,853
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions (Cost-Sharing Plan)	3,078,708	3,426
District Contribution after Measurement Date	1,065,900	-
Totals	\$ 7,296,489	\$ 2,005,251

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

\$1,065,900 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 August 31, 2016. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending August 31:		
2017		\$ 764,432
2018		764,432
2019		764,432
2020		1,149,383
2021		441,651
Thereafter		341,008
Totals		\$ 4,225,338

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 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.

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 2016-2014.

Contribution Rates and Amounts

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
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
2014	0.65%	\$ 191,869	1.00%	\$ 280,203	0.55%	\$ 162,350

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION - CONTINUED

D. School District Retiree Health Plan - Continued

In addition, the State of Texas contributed \$103,677, \$94,043, and \$76,710 in 2016, 2015, and 2014, respectively, for on-behalf payments for Medicare Part D and Early Retiree Reinsurance Program.

For the current fiscal year 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 2016, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$95,374. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$95,374 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 Fund Balance

The capital projects fund reports a deficit fund balance of \$305,565 at August 31, 2016 due to expenditures for construction exceeded the 2015 general obligation bond proceeds at fiscal year end. Upon completion of the project in fiscal year 2016-2017, the District intends to supplement any existing remaining deficit in the capital projects fund with a transfer of funds from the general fund.

G. Campus Activity Funds

In prior years, campus activity funds were included in the agency funds for student activities and the results were reported in the general fund. Beginning September 1, 2015, the District reports campus activity in a special revenue fund.

REQUIRED SUPPLEMENTARY INFORMATION

**CROSBY INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016**

EXHIBIT G-1

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
REVENUES					
5700	Local and Intermediate Sources	\$ 19,727,368	\$ 20,049,242	\$ 19,822,168	\$ (227,074)
5800	State Program Revenues	27,519,927	28,302,840	27,363,108	(939,732)
5900	Federal Program Revenues	2,039,050	2,427,447	1,640,832	(786,615)
5020	Total Revenues	<u>49,286,345</u>	<u>50,779,529</u>	<u>48,826,108</u>	<u>(1,953,421)</u>
EXPENDITURES					
Current:					
0011	Instruction	28,372,930	33,744,935	33,413,236	331,699
0012	Instructional Resources and Media Services	407,213	674,570	484,952	189,618
0013	Curriculum and Staff Development	795,821	802,750	797,717	5,033
0021	Instructional Leadership	700,227	767,060	736,642	30,418
0023	School Leadership	2,575,460	2,804,107	2,707,151	96,956
0031	Guidance, Counseling, and Evaluation Services	1,631,440	1,533,166	1,520,341	12,825
0033	Health Services	406,049	407,653	402,632	5,021
0034	Student Transportation	2,869,785	3,003,233	2,692,606	310,627
0036	Extracurricular Activities	1,741,237	3,344,212	3,142,648	201,564
0041	General Administration	1,636,936	1,816,520	1,785,047	31,473
0051	Plant Maintenance and Operations	4,684,692	5,790,607	5,077,830	712,777
0052	Security and Monitoring Services	356,161	433,188	336,635	96,553
0053	Data Processing Services	987,478	1,582,280	1,565,447	16,833
0061	Community Services	10,580	9,630	8,039	1,591
Debt Service:					
0072	Interest on Long-term Debt	430,483	430,483	430,483	-
0073	Issuance Costs and Fees	288,685	222,825	199,255	23,570
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	2,110,738	-	2,110,738
Intergovernmental:					
0093	Payments to Shared Services Arrangements	75,000	75,000	75,000	-
0095	Payments to Juvenile Justice Alternative Education Programs	104,000	123,400	120,790	2,610
0099	Other Intergovernmental Charges	206,964	337,338	326,172	11,166
6030	Total Expenditures	<u>48,281,141</u>	<u>60,013,695</u>	<u>55,822,623</u>	<u>4,191,072</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,005,204</u>	<u>(9,234,166)</u>	<u>(6,996,515)</u>	<u>2,237,651</u>
OTHER FINANCING SOURCES (USES)					
7914	Loan Proceeds	-	9,255,000	9,255,000	-
7916	Premium or Discount on Issuance of Bonds	-	349,919	443,605	93,686
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>9,604,919</u>	<u>9,698,605</u>	<u>93,686</u>
1200	Net Change in Fund Balance	1,005,204	370,753	2,702,090	2,331,337
0100	Fund Balance - Beginning	<u>7,854,544</u>	<u>7,854,544</u>	<u>7,854,544</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 8,859,748</u>	<u>\$ 8,225,297</u>	<u>\$ 10,556,634</u>	<u>\$ 2,331,337</u>

The accompanying notes to the required supplementary information are an integral part of this statement.

**CROSBY INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
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 (TRS)
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015***

EXHIBIT G-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability	0.0323325%	0.0188607%
District's Proportionate Share of the Net Pension Liability	\$ 11,429,108	\$ 5,037,954
State's Proportionate Share of the Net Pension Liability Associated with the District	19,600,726	16,313,927
<i>Total</i>	<u>\$ 31,029,834</u>	<u>\$ 21,351,881</u>
District's Covered-Employee Payroll	\$ 32,541,661	\$ 29,518,270
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	35.12%	17.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

The accompanying notes to the required supplementary information are an integral part of this statement.

**CROSBY INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TEACHER
 RETIREMENT SYSTEM PENSION PLAN (TRS)
 FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015***

EXHIBIT G-3

	<u>2016</u>	<u>2015</u>
TRS		
Contractually Required Contributions	\$ 1,065,900	\$ 957,378
Contributions in Relation to the Contractually Required Contributions	<u>(1,065,900)</u>	<u>(957,378)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 District's Covered-Employee Payroll	 \$ 35,355,165	 \$ 32,541,661
 Contributions as a Percentage of Covered- Employee Payroll	 3.01%	 2.94%

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

The accompanying notes to the required supplementary information are an integral part of this statement.

**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 August 20 and adopted by August 31 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 August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 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.

B. Variances with Final Budget

The District's general fund budget differs from the original budget due to budget revisions that were made during the fiscal period due to the following:

- Amendments approved shortly after the beginning of the new fiscal year period for amounts restricted, committed, or assigned in the prior year,
- amendments in early and late spring to revise estimates for local and state revenues based on the latest information on student attendance numbers and tax collections,
- amendments during the year for increased construction projects, and
- amendment for bond issue approved in the current fiscal period.

The net increase of \$11,732,554 to appropriations in the final amended budget was primarily related to construction costs for building projects and supplies and materials for the new buildings.

The increase of \$9,604,919 to other financing sources in the final amended budget was to approve a bond issue that was approved in the current fiscal period.

The most significant variance between final budget and actual was in facilities acquisition and construction due to the expenditures being spent out of the capital projects fund with the anticipation of reimbursement from the General Fund.

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1. BUDGET - CONTINUED

C. Excess of Expenditures Over Appropriations

For the year ended August 31, 2016, the District did not have expenditures that exceeded appropriations in the functions (the legal level of budgetary control) for the General Fund.

NOTE 2. PENSION

TRS - Actuarial Assumptions for Contribution Rate

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Ultimate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
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

SUPPLEMENTARY INFORMATION

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**CROSBY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 AUGUST 31, 2016**

**EXHIBIT H-1
 Page 1 of 2**

<u>Data Control Codes</u>	211	224	225	240
	ESEA, Title I, Part A - Improving Basic Programs	IDEA - Part B, Formula	IDEA - Part B, Preschool	National School Breakfast and Lunch Program
ASSETS				
1110 <i>Cash and Cash Equivalents</i>	\$ -	\$ -	\$ -	\$ 40,281
1120 <i>Current Investments</i>	-	-	-	554,491
1240 <i>Due from Other Governments</i>	1,794	35,369	373	23,039
1290 <i>Other Receivables</i>	-	-	-	17,800
1300 <i>Inventories</i>	-	-	-	84,358
1410 <i>Prepaid Items</i>	-	-	-	2,306
1000 Total Assets	\$ 1,794	\$ 35,369	\$ 373	\$ 722,275
LIABILITIES				
2110 <i>Accounts Payable</i>	\$ -	\$ -	\$ -	\$ 760
2160 <i>Accrued Wages Payable</i>	-	-	-	39,953
2170 <i>Due to Other Funds</i>	1,794	35,369	373	-
2180 <i>Due to Other Governments</i>	-	-	-	-
2300 <i>Unearned Revenue</i>	-	-	-	586
2000 Total Liabilities	1,794	35,369	373	41,299
FUND BALANCES:				
3430 <i>Nonspendable - Prepaid Items</i>	-	-	-	2,306
3450 <i>Restricted - Grant Funds</i>	-	-	-	678,670
3545 <i>Committed - Other</i>	-	-	-	-
3000 Total Fund Balances	-	-	-	680,976
4000 Total Liabilities and Fund Balances	\$ 1,794	\$ 35,369	\$ 373	\$ 722,275

Continued

**CROSBY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 AUGUST 31, 2016**

<u>Data Control Codes</u>	244	255	263	289
	<u>Career and Technical - Basic Grant</u>	<u>ESEA, Title II, Part A: Teacher and Principal Training & Recruiting</u>	<u>Title III, Part A, English Language Acquisition and Language Enhancement</u>	<u>Summer School LEP</u>
ASSETS				
1110 <i>Cash and Cash Equivalents</i>	\$ -	\$ -	\$ -	\$ -
1120 <i>Current Investments</i>	-	-	-	-
1240 <i>Due from Other Governments</i>	6,502	-	836	-
1290 <i>Other Receivables</i>	-	-	-	-
1300 <i>Inventories</i>	-	-	-	-
1410 <i>Prepaid Items</i>	-	-	-	-
1000 Total Assets	<u>\$ 6,502</u>	<u>\$ -</u>	<u>\$ 836</u>	<u>\$ -</u>
LIABILITIES				
2110 <i>Accounts Payable</i>	\$ -	\$ -	\$ -	\$ -
2160 <i>Accrued Wages Payable</i>	-	-	-	-
2170 <i>Due to Other Funds</i>	6,502	-	836	-
2180 <i>Due to Other Governments</i>	-	-	-	-
2300 <i>Unearned Revenue</i>	-	-	-	-
2000 Total Liabilities	<u>6,502</u>	<u>-</u>	<u>836</u>	<u>-</u>
FUND BALANCES:				
3430 <i>Nonspendable - Prepaid Items</i>	-	-	-	-
3450 <i>Restricted - Grant Funds</i>	-	-	-	-
3545 <i>Committed - Other</i>	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 6,502</u>	<u>\$ -</u>	<u>\$ 836</u>	<u>\$ -</u>

410	461	496	498	499	
State Textbook Fund	Campus Activity Funds	SPARK Park	Crosby Education Foundation Grant	Professional Development Grant Program	Total Nonmajor Funds (See Exhibit C-1)
\$ 16,152	\$ 402,416	\$ -	\$ -	\$ -	\$ 458,849
-	-	-	-	-	554,491
-	-	-	-	-	67,913
-	-	2,062	1,980	-	21,842
-	-	-	-	-	84,358
-	-	-	-	-	2,306
<u>\$ 16,152</u>	<u>\$ 402,416</u>	<u>\$ 2,062</u>	<u>\$ 1,980</u>	<u>\$ -</u>	<u>\$ 1,189,759</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 760
-	-	-	-	-	39,953
-	-	2,062	1,980	-	48,916
-	209	-	-	-	209
16,152	-	-	-	-	16,738
<u>16,152</u>	<u>209</u>	<u>2,062</u>	<u>1,980</u>	<u>-</u>	<u>106,576</u>
-	-	-	-	-	2,306
-	-	-	-	-	678,670
-	402,207	-	-	-	402,207
-	402,207	-	-	-	1,083,183
<u>\$ 16,152</u>	<u>\$ 402,416</u>	<u>\$ 2,062</u>	<u>\$ 1,980</u>	<u>\$ -</u>	<u>\$ 1,189,759</u>

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**CROSBY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016**

**EXHIBIT H-2
 Page 1 of 2**

Data Control Codes	211	224	225	240
	ESEA, Title I, Part A - Improving Basic Programs	IDEA - Part B, Formula	IDEA - Part B, Preschool	National School Breakfast and Lunch Program
REVENUES				
5700 <i>Local and Intermediate Sources</i>	\$ -	\$ -	\$ -	\$ 1,000,409
5800 <i>State Program Revenues</i>	-	-	-	54,619
5900 <i>Federal Program Revenues</i>	608,485	939,018	23,206	1,659,333
5020 Total Revenues	<u>608,485</u>	<u>939,018</u>	<u>23,206</u>	<u>2,714,361</u>
EXPENDITURES				
Current:				
0011 <i>Instruction</i>	597,121	483,528	22,599	-
0012 <i>Instructional Resources and Media Services</i>	-	-	-	-
0013 <i>Curriculum and Staff Development</i>	3,757	19,566	-	-
0021 <i>Instructional Leadership</i>	-	3,968	-	-
0023 <i>School Leadership</i>	180	-	-	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	-	314,439	-	-
0034 <i>Student Transportation</i>	-	117,517	607	-
0035 <i>Food Service</i>	-	-	-	2,632,537
0036 <i>Extracurricular Activities</i>	-	-	-	-
0041 <i>General Administration</i>	186	-	-	-
0051 <i>Plant Maintenance and Operations</i>	-	-	-	173,399
0052 <i>Security and Monitoring Services</i>	-	-	-	-
0061 <i>Community Services</i>	7,241	-	-	-
6030 Total Expenditures	<u>608,485</u>	<u>939,018</u>	<u>23,206</u>	<u>2,805,936</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,575)</u>
1200 Net Change in Fund Balances	-	-	-	(91,575)
0100 Fund Balances - Beginning	-	-	-	772,551
3000 Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 680,976</u>

Continued

**CROSBY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016**

Data Control Codes	244	255	263	289
REVENUES	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	Summer School LEP
5700 <i>Local and Intermediate Sources</i>	\$ -	\$ -	\$ -	\$ -
5800 <i>State Program Revenues</i>	-	-	-	-
5900 <i>Federal Program Revenues</i>	44,888	101,758	41,711	2,226
5020 Total Revenues	<u>44,888</u>	<u>101,758</u>	<u>41,711</u>	<u>2,226</u>
EXPENDITURES				
Current:				
0011 <i>Instruction</i>	40,429	101,310	41,711	2,226
0012 <i>Instructional Resources and Media Services</i>	-	-	-	-
0013 <i>Curriculum and Staff Development</i>	4,296	108	-	-
0021 <i>Instructional Leadership</i>	-	-	-	-
0023 <i>School Leadership</i>	-	-	-	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	-	-	-	-
0034 <i>Student Transportation</i>	-	-	-	-
0035 <i>Food Service</i>	-	-	-	-
0036 <i>Extracurricular Activities</i>	-	-	-	-
0041 <i>General Administration</i>	163	340	-	-
0051 <i>Plant Maintenance and Operations</i>	-	-	-	-
0052 <i>Security and Monitoring Services</i>	-	-	-	-
0061 <i>Community Services</i>	-	-	-	-
6030 Total Expenditures	<u>44,888</u>	<u>101,758</u>	<u>41,711</u>	<u>2,226</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balances - Beginning	-	-	-	-
3000 Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

410	461	496	498	499	
State Textbook Fund	Campus Activity Funds	SPARK Park	Crosby Education Foundation Grant	Professional Development Grant Program	Total Nonmajor Funds (See Exhibit C-2)
\$ -	\$ 1,280,928	\$ 2,062	\$ 53,944	\$ 6,458	\$ 2,343,801
459,143	99	-	1,682	-	515,543
-	-	-	-	-	3,420,625
<u>459,143</u>	<u>1,281,027</u>	<u>2,062</u>	<u>55,626</u>	<u>6,458</u>	<u>6,279,969</u>
459,143	463,384	2,062	31,733	-	2,245,246
-	51,194	-	-	-	51,194
-	1,892	-	-	6,458	36,077
-	-	-	-	-	3,968
-	97,462	-	-	-	97,642
-	-	-	-	-	314,439
-	-	-	-	-	118,124
-	-	-	-	-	2,632,537
-	262,970	-	-	-	262,970
-	-	-	-	-	689
-	-	-	-	-	173,399
-	1,266	-	-	-	1,266
-	652	-	23,893	-	31,786
<u>459,143</u>	<u>878,820</u>	<u>2,062</u>	<u>55,626</u>	<u>6,458</u>	<u>5,969,337</u>
-	402,207	-	-	-	310,632
-	402,207	-	-	-	310,632
-	-	-	-	-	772,551
<u>\$ -</u>	<u>\$ 402,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,083,183</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2016**

<u>Year Ended August 31</u>	<u>Tax Rates</u>		<u>3 Assessed/Appraised Value For School Tax Purposes</u>
	<u>1 Maintenance</u>	<u>2 Debt Service</u>	
2007 and Prior Years	\$ Various	\$ Various	\$ Various
2008	1.04	0.3000	1,076,516,567
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 (School Year Under Audit)	1.17	0.5000	1,606,094,132
1000 Totals			

EXHIBIT J-1

10 Beginning Balance 9/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/16
\$ 573,822	\$ -	\$ 61,713	\$ 13,565	\$ (17,285)	\$ 481,259
79,801	-	7,887	2,275	(2,763)	66,876
84,246	-	9,450	2,726	(2,267)	69,803
95,179	-	12,364	2,853	(3,641)	76,321
117,608	-	17,762	4,099	(5,728)	90,019
181,789	-	27,397	6,322	(1,080)	146,990
181,612	-	41,389	9,552	(1,487)	129,184
314,399	-	83,355	35,622	(11,066)	184,356
724,609	-	366,398	156,580	104,344	305,975
-	26,821,772	18,322,770	7,830,244	-	668,758
\$ 2,353,065	\$ 26,821,772	\$ 18,950,485	\$ 8,063,838	\$ 59,027	\$ 2,219,541

**CROSBY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2016**

EXHIBIT J-2

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	<i>Local and Intermediate Sources</i>	\$ 1,138,021	\$ 1,156,421	\$ 1,000,409	\$ (156,012)
5800	<i>State Program Revenues</i>	68,000	69,268	54,619	(14,649)
5900	<i>Federal Program Revenues</i>	1,487,000	1,647,080	1,659,333	12,253
5020	Total Revenues	<u>2,693,021</u>	<u>2,872,769</u>	<u>2,714,361</u>	<u>(158,408)</u>
EXPENDITURES					
Current:					
0035	<i>Food Service</i>	2,593,021	2,733,021	2,632,537	100,484
0051	<i>Plant Maintenance and Operations</i>	100,000	200,000	173,399	26,601
6030	Total Expenditures	<u>2,693,021</u>	<u>2,933,021</u>	<u>2,805,936</u>	<u>127,085</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(60,252)</u>	<u>(91,575)</u>	<u>(31,323)</u>
1200	Net Change in Fund Balance	-	(60,252)	(91,575)	(31,323)
0100	Fund Balance - Beginning	<u>772,551</u>	<u>772,551</u>	<u>772,551</u>	-
3000	Fund Balance - Ending	<u>\$ 772,551</u>	<u>\$ 712,299</u>	<u>\$ 680,976</u>	<u>\$ (31,323)</u>

**CROSBY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2016**

EXHIBIT J-3

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
REVENUES					
5700	<i>Local and Intermediate Sources</i>	\$ 7,930,499	\$ 8,171,154	\$ 8,233,635	\$ 62,481
5800	<i>State Program Revenues</i>	1,207,293	1,244,934	1,272,533	27,599
5020	Total Revenues	<u>9,137,792</u>	<u>9,416,088</u>	<u>9,506,168</u>	<u>90,080</u>
EXPENDITURES					
Debt Service:					
0071	<i>Principal on Long-term Debt</i>	4,338,576	4,335,001	4,335,001	-
0072	<i>Interest on Long-term Debt</i>	5,212,145	5,215,720	5,215,720	-
0073	<i>Issuance Costs and Fees</i>	10,000	110,000	59,451	50,549
6030	Total Expenditures	<u>9,560,721</u>	<u>9,660,721</u>	<u>9,610,172</u>	<u>50,549</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(422,929)</u>	<u>(244,633)</u>	<u>(104,004)</u>	<u>140,629</u>
OTHER FINANCING SOURCES (USES)					
7901	<i>Issuance of Refunding Bonds</i>	-	7,450,000	7,450,000	-
7916	<i>Premium or Discount on Issuance of Bonds</i>	-	1,082,434	1,082,434	-
8940	<i>Payment to Bond Refunding Escrow Agent</i>	-	(8,481,300)	(8,481,300)	-
7080	Total Other Financing Sources and (Uses)	<u>-</u>	<u>51,134</u>	<u>51,134</u>	<u>-</u>
1200	Net Change in Fund Balance	(422,929)	(193,499)	(52,870)	140,629
0100	Fund Balance - Beginning	3,511,453	3,511,453	3,511,453	-
3000	Fund Balance - Ending	\$ 3,088,524	\$ 3,317,954	\$ 3,458,583	\$ 140,629

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**OVERALL COMPLIANCE, INTERNAL CONTROL SECTION
AND FEDERAL AWARDS**



**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

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 as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2016.

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.

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.

Yours truly,

Weaver and Tidwell, L.L.P.

Weaver and Tidwell, L.L.P.

Conroe, Texas
December 12, 2016



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 (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 year ended August 31, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 year ended August 31, 2016.

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.

Purpose of this Report

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.

Yours truly,

Weaver and Tidwell, L.L.P.

Weaver and Tidwell, L.L.P.

Conroe, Texas
December 12, 2016

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**CROSBY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016**

SECTION I – 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	Special Education Cluster (IDEA)
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 II – FINANCIAL STATEMENT FINDINGS	
None reported	
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS	
None reported	

**CROSBY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016**

PRIOR YEAR FINDINGS

None reported

**CROSBY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016**

CURRENT YEAR FINDINGS

None reported

**CROSBY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016**

EXHIBIT K-1

Federal Grantor/ Pass-Through Grantor/ Program Title	(1)	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed Through State Department of Education:				
<i>ESEA Title I, Part A-Improving Basic Programs</i>		84.010A	16610101101906	\$ 631,861
Total CFDA 84.010A				631,861
Special Education Cluster (IDEA):				
<i>IDEA-B Formula</i>		84.027A	156600011019066600	32,593
<i>IDEA-B Formula</i>		84.027A	166600011019066600	931,826
<i>IDEA-B Preschool</i>		84.173A	156610011019066610	2,205
<i>IDEA-B Preschool</i>		84.173A	166610011019066610	21,800
Total Special Education Cluster (IDEA)				988,424
<i>Career and Technical-Basic Grant</i>		84.048A	16420006101906	43,548
<i>Career and Technical-Basic Grant</i>		84.048A	17420006101906	2,940
Total CFDA 84.048A				46,488
<i>Title III, Part A-English Language Acquisition and Language Enhancement</i>		84.365A	16671001101906	33,568
<i>Title III, Part A-Immigrant</i>		84.365A	15671003101906	3,085
<i>Title III, Part A-Immigrant</i>		84.365A	16671003101906	6,045
Total CFDA 84.365A				42,698
<i>ESEA Title II, Part A-Teacher and Principal Training and Recruiting</i>		84.367A	16694501101906	103,653
<i>Summer School, LEP</i>		84.369A	69551502	2,226
TOTAL U.S. DEPARTMENT OF EDUCATION				1,815,350
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Child Nutrition Cluster:				
Passed Through State Department of Agriculture - Non-Cash Assistance:				
<i>National School Lunch Program</i>		10.555	00516	153,128
Passed Through State Department of Education - Cash Assistance:				
<i>National School Breakfast Program</i>		10.553	71401601	358,629
<i>National School Lunch Program</i>		10.555	71301601	1,117,996
Passed Through State Department of Agriculture - Cash Assistance:				
<i>Summer Feeding Program</i>		10.559	00516	29,580
TOTAL U.S. DEPARTMENT OF AGRICULTURE - CHILD NUTRITION CLUSTER				1,659,333
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 3,474,683

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**CROSBY INDEPENDENT SCHOOL DISTRICT
NOTES TO 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 Single Audit Act Amendments of 1996 and *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. Presented below is a reconciliation of federal revenues:

Total Expenditures of Federal Awards per Exhibit K-1	\$	3,474,683
Additional federal revenues reported in General Fund:		
SHARS		1,060,899
Interest Subsidy on Qualified School Construction Bonds		388,398
E-Rate		62,238
ROTC		75,239
Total Federal Revenues per Exhibit C-2	\$	<u>5,061,457</u>

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**CROSBY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2016**

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?	\$ 1,836,399
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 11,429,108
SF13	Pension Expense (6147) at fiscal year-end, excluding On-Behalf Pension Expense (6144).	\$ 921,556