

**CROSBY  
INDEPENDENT SCHOOL  
DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED**

**AUGUST 31, 2013**





# CROSBY INDEPENDENT SCHOOL DISTRICT

## ANNUAL FINANCIAL REPORT

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## CERTIFICATE OF BOARD

CROSBY INDEPENDENT SCHOOL DISTRICT

Name of School

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  
(Check One)

for the year ended August 31, 2013 at a meeting of the Board of Trustees of such school district on the 21<sup>st</sup> day of October, 2013.

  
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):

## **FINANCIAL SECTION**

# HLSK

*Hereford, Lynch, Sellars & Kirkham*

Certified Public Accountants • A Professional Corporation

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## INDEPENDENT AUDITORS' 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), Texas, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Managements 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.

### Auditors' 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 auditors' judgment, including the assessments of the risk 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, Texas, as of August 31, 2013, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As described in Note I. F. 9. *Accounting Changes* in the notes to the financial statements, for August 31, 2013, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crosby Independent School District, Texas' basic financial statements. The combining funds financial statements and other supplementary information, including the schedule of required responses to selected school first indicators, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining funds financial statements and other supplementary information, including the schedule of required responses to selected school first indicators, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining funds financial statements and other supplementary information, including the schedule of required responses to selected school first indicators, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2013, on our consideration of the Crosby Independent School District, Texas' 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, Texas' internal control over financial reporting and compliance.

Respectfully,

*Hereford, Lynch, Sellars & Kirkham, P.C.*

**HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.  
Certified Public Accountants**

**Conroe, Texas  
October 16, 2013**

## 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, 2013.

### Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities at the close of the most recent fiscal year by \$25,646,155 (*net position*). Of this amount, \$5,798,283 (*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 \$2,119,180, which includes a prior period adjustment of \$509,184.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$75,624,119, an increase of \$64,316,737.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,323,754, or 11 percent of total general fund expenditures.
- The District's total bonded debt increased by \$67,436,738 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 other supplementary 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).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). 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 thirteen 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 ten 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 other supplementary information, which includes schedules required by the Texas Education Agency. Other supplementary 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 by \$25,646,155 at the close of the most recent fiscal year.

#### CROSBY INDEPENDENT SCHOOL DISTRICT'S NET POSITION

	Governmental Activities					
	2013		2012		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and Other Assets	\$ 78,559,357	49	\$ 14,640,999	15	\$ 63,918,358	437
Capital Assets	81,880,313	51	82,145,628	85	(265,315)	-
<b>Total Assets</b>	<b>160,439,670</b>	<b>100</b>	<b>96,786,627</b>	<b>100</b>	<b>63,653,043</b>	
<b>Total Deferred Outflows of Resources</b>	<b>1,432,642</b>	<b>100</b>	<b>192,290</b>	<b>100</b>	<b>1,240,352</b>	645
Noncurrent Liabilities	135,238,393	99	68,501,959	99	66,736,434	97
Other Liabilities	987,764	1	711,623	1	276,141	39
<b>Total Liabilities</b>	<b>136,226,157</b>	<b>100</b>	<b>69,213,582</b>	<b>100</b>	<b>67,012,575</b>	
<b>Net Position:</b>						
Net Investment in Capital Assets	19,847,872	77	19,040,190	69	807,682	4
Unrestricted	5,798,283	23	8,725,145	31	(2,926,862)	(34)
<b>Total Net Position</b>	<b>\$ 25,646,155</b>	<b>100</b>	<b>\$ 27,765,335</b>	<b>100</b>	<b>\$ (2,119,180)</b>	

The largest portion of the District's net position (77 percent) reflects its investment in capital assets (e.g., land, 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. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of *unrestricted net position* (\$5,798,283) 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 \$1,609,996 from current operations and decreased \$509,184 from the implementation of a new accounting standard as described in the Notes to the Financial Statements. 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					
	2013		2012		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
<b>Revenue:</b>						
Program Revenues:						
Charges for Services	\$ 1,149,111	2	\$ 1,095,732	2	\$ 53,379	5
Operating Grants and Contributions	6,559,149	14	7,735,749	16	(1,176,600)	(15)
General Revenues:						
Property Taxes, Levied for General Purpose	14,616,326	31	14,489,354	30	126,972	1
Property Taxes, Levied for Debt Service	4,297,661	9	4,209,034	9	88,627	2
Grants and Contributions Not Restricted to Specific Programs	20,144,893	44	20,261,434	43	(116,541)	(1)
Investment Earnings	121,301	-	32,931	-	88,370	268
Miscellaneous	196,515	-	-	-	196,515	-
<b>Total Revenues</b>	<b>47,084,956</b>	<b>100</b>	<b>47,824,234</b>	<b>100</b>	<b>(739,278)</b>	
<b>Expenses:</b>						
Instruction	25,057,050	52	23,759,183	52	1,297,867	5
Instructional Resources and Media Services	491,424	1	496,998	1	(5,574)	(1)
Curriculum and Staff Development	968,270	2	819,574	2	148,696	18
Instructional Leadership	630,316	1	571,338	1	58,978	10
School Leadership	2,244,805	5	2,299,585	5	(54,780)	(2)
Guidance, Counseling, and Evaluation Services	1,296,273	3	1,134,872	3	161,401	14
Social Work Services	-	-	-	1	-	-
Health Services	332,248	1	352,202	6	(19,954)	(1)
Student Transportation	2,742,416	6	2,567,269	5	175,147	8
Food Service	2,399,705	5	2,257,011	4	142,694	9
Extracurricular Activities	1,972,468	4	1,614,153	3	358,315	28
General Administration	1,320,741	3	1,268,966	7	51,775	2
Plant Maintenance and Operations	3,144,280	6	3,029,637	-	114,643	63
Security and Monitoring Services	169,671	-	182,452	1	(12,781)	(3)
Data Processing Services	450,639	1	484,156	-	(33,517)	(1,046)
Community Services	7,891	-	3,205	7	4,686	-
Interest on Long-term Debt	3,116,226	6	3,125,417	-	(9,191)	(16)
Issuance Costs and Fees	1,070,987	2	58,819	-	1,012,168	2,026
Facilities Repair and Maintenance	22,209	-	49,950	2	(27,741)	(3)
Payments Related to Shared Services Arrangements	983,139	2	985,020	-	(1,881)	-
Payments to Juvenile Justice Alternative Education Programs	125,380	-	31,580	-	93,800	297
Other Intergovernmental Charges	148,814	-	151,061	-	(2,247)	(1)
<b>Total Expenses</b>	<b>48,694,952</b>	<b>100</b>	<b>45,242,448</b>	<b>100</b>	<b>3,452,504</b>	
Change in Net Position	(1,609,996)		2,581,786		(4,191,782)	
Net Position - Beginning	27,765,335		25,183,549		2,581,786	
Prior Period Adjustment - Implement GASB 65 for Bond Issuance Costs	(509,184)		-		(509,184)	
Net Position - Beginning, as restated	27,256,151		25,183,549		2,072,602	
<b>Net Position - Ending</b>	<b>\$ 25,646,155</b>		<b>\$ 27,765,335</b>		<b>\$ (2,119,180)</b>	

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$26,704,042) represent 58 percent of total revenues and property taxes (\$18,913,987) represent 40 percent of total revenues. The remaining 2 percent is generated from charges for services, investment earnings, and miscellaneous revenues. The significant change was a decrease in grants and contribution revenues due to the reduction of stimulus funds.

The primary functional expense of the District is Instruction (\$25,057,050), which represents 52 percent of total expenses. The remaining functional categories of expenses are less than 10 percent of total expenses. The significant changes were an increase in instruction expenses due to an increase in employment and an increase in current debt fees due to two bond refundings and one new bond issue in the current year.

## 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 \$75,624,119, an increase of \$64,316,737.

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 \$4,323,754 while total fund balance reached \$5,430,129. 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 13 percent of that same amount. The fund balance of the District's general fund decreased by \$3,209,492 during the current fiscal year. The decrease was primarily a result of a decrease in state revenues and an increase in instructional and facilities acquisition and construction expenditures.

The debt service fund has a total fund balance of \$1,772,672, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$156,347 and was primarily due to the increases in local tax revenue, state funding, and the net proceeds from issuance of refunding bonds exceeded the increase in debt requirements.

The capital projects fund ended the year with a total fund balance of \$67,047,769, all of which is reserved for capital acquisition program and contractual obligations. The capital projects fund balance increased by \$67,047,769 during the year representing new bond funds that exceeded current year expenditures.

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 significant differences between the originally-adopted budget and the final amended budget of the general fund were primarily from an increase in facilities acquisition and construction of \$1.9 million. Net change in budgeted fund balance was projected to decrease fund balance approximately \$3.0 million. There were no significant variations between final budget and actual results. Amendments were approved by the governing body.

## Capital Asset and Debt Administration

**Capital assets.** The District's investment in capital assets for its governmental type activities as of August 31, 2013, amounts to \$81,880,313 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress. The total decrease in the District's investment in capital assets for the current fiscal year was less than one percent.

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

- \$1,716,348 Land for new campus site
- \$395,528 Three school buses and four district vehicles
- \$439,739 Capital outlay for new campus

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

	Governmental Activities					
	2013		2012		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land	\$ 3,858,402	5	\$ 2,142,053	3	\$ 1,716,349	80
Buildings and Improvements	74,852,685	91	77,241,294	94	(2,388,609)	(3)
Furniture and Equipment	2,729,487	3	2,762,281	3	(32,794)	(1)
Construction in Progress	439,739	1	-	-	439,739	-
<b>Totals</b>	<b>\$ 81,880,313</b>	<b>100</b>	<b>\$ 82,145,628</b>	<b>100</b>	<b>\$ (265,315)</b>	



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 the end of the current fiscal year, the District had total liabilities outstanding of \$135,238,393. Of this amount, \$126,172,080 comprises debt backed by the full faith and credit of the District, \$8,166,325 comprises the liability for notes payable secured by ad valorem taxes levied for maintenance, \$226,560 is the outstanding liability for workers' compensation claims, and \$673,428 is the outstanding liability for compensated absences.

#### CROSBY INDEPENDENT SCHOOL DISTRICT'S OUTSTANDING DEBT

	Governmental Activities					
	2013		2012		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General Obligation Bonds (Net)	\$ 126,172,080	93	\$ 58,735,342	86	\$ 67,436,738	115
Notes Payable (Net)	8,166,325	6	8,829,378	13	(663,053)	(8)
Workers' Compensation	226,560	-	306,879	-	(80,319)	(26)
Compensated Absences	673,428	1	630,360	1	43,068	7
<b>Totals</b>	<b>\$ 135,238,393</b>	<b>100</b>	<b>\$ 68,501,959</b>	<b>100</b>	<b>\$ 66,736,434</b>	

The District's bonded debt increased by \$67,436,738 (115 percent) during the current fiscal year. The increase is the result of a new bond issue during the 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.

The District's 2013 bond issues reported a "AAA" rating from Standard & Poor's.

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 5,188 students, which is a less than one percent increase from the prior year.
- District staff totals 669 employees, which includes 323 teachers and 122 teachers' aides and secretaries.
- The District maintains 7 campuses for instruction.
- The unemployment rate for the County is currently 6.1 percent, which is a decrease from a rate of 7.0 percent a year ago. This compares favorably to the state's average unemployment rate of 6.3 percent, which is a decrease from a rate of 7.0 percent a year ago.
- Property values of the District are projected to decrease by 2 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 2013-2014. Preceding year rates were \$1.17, \$0.27, and \$1.44, respectively.

All of these factors were considered in preparing the District's budget for the 2014 fiscal year.

During the current fiscal year, unassigned (previously unreserved) fund balance in the general fund decreased to \$4,323,754. 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 designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, 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, 2013

EXHIBIT A-1

1

Data  
Control  
CodesGovernmental  
Activities**ASSETS:**

1110	Cash and Cash Equivalents	\$	2,683,938
1120	Current Investments		72,421,612
1225	Property Taxes Receivables (Net)		2,173,357
1240	Due from Other Governments		772,965
1300	Inventories		101,110
1410	Prepaid Items		406,375
	Capital Assets:		
1510	Land		3,858,402
1520	Buildings and Improvements (Net)		74,852,685
1530	Furniture and Equipment (Net)		2,729,487
1580	Construction in Progress		439,739
1000	Total Assets		<u>160,439,670</u>

**DEFERRED OUTFLOWS OF RESOURCES:**

1700	Deferred Charge on Refunding		1,432,642
	Total Deferred Outflows of Resources		<u>1,432,642</u>

**LIABILITIES:**

2140	Interest Payable		225,883
2150	Payroll Deductions and Withholdings		1,558
2165	Accrued Liabilities		390,450
2180	Due to Other Governments		339,323
2300	Unearned Revenue		30,550
	Noncurrent Liabilities:		
2501	Due Within One Year		3,626,442
2502	Due in More Than One Year		131,611,951
2000	Total Liabilities		<u>136,226,157</u>

**NET POSITION:**

3200	Net Investment in Capital Assets		19,847,872
3900	Unrestricted		5,798,283
3000	Total Net Position	\$	<u>25,646,155</u>

The accompanying notes are an integral part of this statement.

**CROSBY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**EXHIBIT B-1**

Data Control Codes	Functions/Programs	1  Expenses	3  Program Revenues		4  Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services			
						Governmental Activities
	Governmental Activities:					
0011	Instruction	\$ 25,057,050	\$ 16,400	\$ 2,723,031	\$ (22,317,619)	
0012	Instructional Resources and Media Services	491,424	-	18,299	(473,125)	
0013	Curriculum and Staff Development	968,270	-	170,807	(797,463)	
0021	Instructional Leadership	630,316	-	33,362	(596,954)	
0023	School Leadership	2,244,805	-	105,934	(2,138,871)	
0031	Guidance, Counseling, and Evaluation Services	1,296,273	-	101,035	(1,195,238)	
0033	Health Services	332,248	-	15,801	(316,447)	
0034	Student Transportation	2,742,416	-	44,421	(2,697,995)	
0035	Food Service	2,399,705	1,027,417	1,525,727	153,439	
0036	Extracurricular Activities	1,972,468	97,754	42,493	(1,832,221)	
0041	General Administration	1,320,741	-	41,001	(1,279,740)	
0051	Plant Maintenance and Operations	3,144,280	7,540	84,845	(3,051,895)	
0052	Security and Monitoring Services	169,671	-	-	(169,671)	
0053	Data Processing Services	450,639	-	16,449	(434,190)	
0061	Community Services	7,891	-	345	(7,546)	
0072	Interest on Long-term Debt	3,116,226	-	1,635,599	(1,480,627)	
0073	Issuance Costs and Fees	1,070,987	-	-	(1,070,987)	
0081	Facilities Repair and Maintenance	22,209	-	-	(22,209)	
0093	Payments Related to Shared Services Arrangements	983,139	-	-	(983,139)	
0095	Payments to Juvenile Justice Alternative Education Programs	125,380	-	-	(125,380)	
0099	Other Intergovernmental Charges	148,814	-	-	(148,814)	
TG	Total Governmental Activities	48,694,952	1,149,111	6,559,149	(40,986,692)	
TP	Total Primary Government	\$ 48,694,952	\$ 1,149,111	\$ 6,559,149	(40,986,692)	
General Revenues:						
MT	Property Taxes, Levied for General Purposes				14,616,326	
DT	Property Taxes, Levied for Debt Services				4,297,661	
IE	Investment Earnings				121,301	
GC	Grants and Contributions Not Restricted to Specific Programs				20,144,893	
MI	Miscellaneous				196,515	
TR	Total General Revenues				39,376,696	
CN	Change in Net Position				(1,609,996)	
NB	Net Position - Beginning				27,765,335	
PA	Prior Period Adjustment - Implement GASB 65 for Bond Issuance Costs				(509,184)	
	Net Position - Beginning, as restated				27,256,151	
NE	Net Position - Ending				\$ 25,646,155	

The accompanying notes are an integral part of this statement.

# CROSBY INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2013

Data Control Codes		199	599
		General Fund	Debt Service Fund
ASSETS:			
1110	Cash and Cash Equivalents	\$ 2,458,613	\$ 46,674
1120	Current Investments	2,471,058	1,802,003
1225	Taxes Receivables (Net)	1,749,087	424,270
1240	Due from Other Governments	657,314	-
1260	Due from Other Funds	81,766	-
1300	Inventories	-	-
1410	Prepaid Items	406,375	-
1000	Total Assets	<u>\$ 7,824,213</u>	<u>\$ 2,272,947</u>
LIABILITIES:			
2150	Payroll Deductions and Withholdings	\$ 1,545	\$ -
2160	Accrued Wages Payable	380,134	-
2170	Due to Other Funds	-	-
2180	Due to Other Governments	263,318	76,005
2300	Unearned Revenue	-	-
2000	Total Liabilities	<u>644,997</u>	<u>76,005</u>
DEFERRED INFLOWS OF RESOURCES:			
2600	Unavailable Revenue-Property Taxes	1,749,087	424,270
	Total Deferred Inflows of Resources	<u>1,749,087</u>	<u>424,270</u>
FUND BALANCES:			
3410	Non-Spendable - Inventories	-	-
3430	Non-Spendable - Prepaid Items	406,375	-
3470	Restricted - Capital Acquisitions and Contractual Obligations	-	-
3480	Restricted - Debt Service	-	1,772,672
3525	Committed - Retirement of Loans/Notes Payable	700,000	-
3545	Committed - Other	-	-
3600	Unassigned	4,323,754	-
3000	Total Fund Balances	<u>5,430,129</u>	<u>1,772,672</u>
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,824,213</u>	<u>\$ 2,272,947</u>

The accompanying notes are an integral part of this statement.



EXHIBIT C-1

699	Other Governmental Funds	98 Total Governmental Funds
Capital Projects Fund		
\$ -	\$ 178,651	\$ 2,683,938
67,047,769	1,100,782	72,421,612
-	-	2,173,357
-	115,651	772,965
-	-	81,766
-	101,110	101,110
-	-	406,375
<u>\$ 67,047,769</u>	<u>\$ 1,496,194</u>	<u>\$ 78,641,123</u>
\$ -	\$ 13	\$ 1,558
-	10,316	390,450
-	81,766	81,766
-	-	339,323
-	30,550	30,550
<u>-</u>	<u>122,645</u>	<u>843,647</u>
-	-	2,173,357
<u>-</u>	<u>-</u>	<u>2,173,357</u>
-	97,215	97,215
-	-	406,375
67,047,769	-	67,047,769
-	-	1,772,672
-	-	700,000
-	1,276,334	1,276,334
-	-	4,323,754
<u>67,047,769</u>	<u>1,373,549</u>	<u>75,624,119</u>
<u>\$ 67,047,769</u>	<u>\$ 1,496,194</u>	<u>\$ 78,641,123</u>

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**CROSBY INDEPENDENT SCHOOL DISTRICT****EXHIBIT C-1R**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AUGUST 31, 2013*

**Total Fund Balances - Governmental Funds (Exhibit C-1)** **\$ 75,624,119**

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 Costs	\$ 123,227,880	
Accumulated Depreciation of Governmental Capital Assets	<u>(41,347,567)</u>	81,880,313

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.	2,173,357
---	-----------

Long-term liabilities, including bonds, notes payable, workers' compensation, and compensated absences 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 liabilities consist of:

Bonds Payable, at Original Par	\$ (117,825,717)	
(Premium) Discount on Bonds Payable	(4,520,810)	
Accreted Interest on Capital Appreciation Bonds	(3,825,553)	
Deferred Interest Expense Adjustment	1,432,642	
Accrued Interest on the Bonds	(205,656)	
Notes Payable	(8,140,000)	
(Premium) Discount on Notes Payable	(26,325)	
Accrued Interest on Notes Payable	(20,227)	
Workers' Compensation	(226,560)	
Compensated Absences	<u>(673,428)</u>	<u>(134,031,634)</u>

**Total Net Position - Governmental Activities (Exhibit A-1)** **\$ 25,646,155**

The accompanying notes 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, 2013**

		199	599
Data Control Codes		General Fund	Debt Service Fund
REVENUES:			
5700	Local and Intermediate Sources	\$ 15,503,288	\$ 3,852,127
5800	State Program Revenues	21,682,881	1,236,991
5900	Federal Program Revenues	469,556	-
5020	Total Revenues	37,655,725	5,089,118
EXPENDITURES:			
Current:			
0011	Instruction	21,641,208	-
0012	Instructional Resources and Media Services	426,186	-
0013	Curriculum and Staff Development	828,605	-
0021	Instructional Leadership	602,489	-
0023	School Leadership	2,203,607	-
0031	Guidance, Counseling, and Evaluation Services	1,234,268	-
0033	Health Services	323,020	-
0034	Student Transportation	2,679,623	-
0035	Food Service	-	-
0036	Extracurricular Activities	1,860,088	-
0041	General Administration	1,266,796	-
0051	Plant Maintenance and Operations	3,096,475	-
0052	Security and Monitoring Services	169,671	-
0053	Data Processing Services	423,393	-
0061	Community Services	7,883	-
Debt Service:			
0071	Principal on Long-term Debt	645,000	2,261,851
0072	Interest on Long-term Debt	467,308	3,068,815
0073	Issuance Costs and Fees	1,150	310,250
Capital Outlay:			
0081	Facilities Acquisition and Construction	1,723,108	-
Intergovernmental:			
0093	Payments to Shared Services Arrangements	983,139	-
0095	Payments to Juvenile Justice Alternative Education Programs	125,380	-
0099	Other Intergovernmental Charges	148,814	-
6030	Total Expenditures	40,857,211	5,640,916
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	(3,201,486)	(551,798)
OTHER FINANCING SOURCES (USES):			
7901	Issuance of Refunding Bonds	-	34,300,000
7911	Issuance of Capital-related Bonds	-	-
7916	Premium or Discount on Issuance of Bonds	-	3,353,608
8913	Extraordinary Items - Net Loss Due to Fire	(8,006)	-
8940	Payment to Bond Refunding Escrow Agent	-	(36,945,463)
7080	Total Other Financing Sources (Uses)	(8,006)	708,145
1200	Net Change in Fund Balances	(3,209,492)	156,347
0100	Fund Balances - Beginning	8,639,621	1,616,325
3000	Fund Balances - Ending	\$ 5,430,129	\$ 1,772,672

The accompanying notes are an integral part of this statement.

## EXHIBIT C-2

699 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 2,959	\$ 1,029,331	\$ 20,387,705
-	196,169	23,116,041
-	3,177,346	3,646,902
<u>2,959</u>	<u>4,402,846</u>	<u>47,150,648</u>
-	1,660,312	23,301,520
-	-	426,186
-	138,770	967,375
-	8,105	610,594
-	-	2,203,607
-	40,601	1,274,869
-	-	323,020
-	-	2,679,623
-	2,232,945	2,232,945
-	-	1,860,088
-	-	1,266,796
-	-	3,096,475
-	-	169,671
-	-	423,393
-	-	7,883
-	-	2,906,851
-	-	3,536,123
759,587	-	1,070,987
455,189	-	2,178,297
-	-	983,139
-	-	125,380
-	-	148,814
<u>1,214,776</u>	<u>4,080,733</u>	<u>51,793,636</u>
<u>(1,211,817)</u>	<u>322,113</u>	<u>(4,642,988)</u>
-	-	34,300,000
67,020,000	-	67,020,000
1,239,586	-	4,593,194
-	-	(8,006)
-	-	(36,945,463)
<u>68,259,586</u>	<u>-</u>	<u>68,959,725</u>
67,047,769	322,113	64,316,737
-	1,051,436	11,307,382
<u>\$ 67,047,769</u>	<u>\$ 1,373,549</u>	<u>\$ 75,624,119</u>



**CROSBY INDEPENDENT SCHOOL DISTRICT****EXHIBIT C-3****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, 2013**

**Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2)** **\$ 64,316,737**

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 allocated over their estimated useful lives as depreciation expense.

Capital Assets <i>increased</i>	\$ 2,691,988	
Depreciation expense	<u>(2,957,303)</u>	(265,315)

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. (57,686)

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

Par Value	\$ (101,320,000)	
(Premium) Discount	<u>(4,593,194)</u>	(105,913,194)

Repayment of note principal of is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 645,000

Repayment of bond principal of is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,261,851

Payment to escrow agent to refund bonds from refunding proceeds 36,945,463

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>increased</i>	\$ (108,505)	
Accrued Interest on Notes Payable <i>decreased</i>	855	
Interest Accreted on the Capital Appreciation Bonds	(376,710)	
Accreted Interest Paid	818,149	
Amortization of Bond Premium and Discount	145,354	
Amortization of Notes Payable Premium	18,053	
Amortization of Deferred Charge on Refunding	<u>(77,299)</u>	419,897

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. (43,068)

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. 80,319

**Change in Net Position for Governmental Activities (Exhibit B-1)** **\$ (1,609,996)**

The accompanying notes are an integral part of this statement.

# CROSBY INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-4

## GENERAL FUND

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED AUGUST 31, 2013

				Variance with
Data				Final Budget
Control				Positive
Codes		Budgeted Amounts		(Negative)
		Original	Final	Actual
REVENUES:				
5700	Local and Intermediate Sources	\$ 15,901,675	\$ 15,930,275	\$ 15,503,288
5800	State Program Revenues	22,197,670	22,197,670	21,682,881
5900	Federal Program Revenues	486,736	459,650	469,556
5020	Total Revenues	38,586,081	38,587,595	37,655,725
EXPENDITURES:				
Current:				
Instruction & Instructional Related Services:				
0011	Instruction	20,516,570	20,930,690	21,641,208
0012	Instructional Resources and Media Services	444,340	450,940	426,186
0013	Curriculum and Staff Development	952,310	961,310	828,605
	Total Instruction & Instructional Related Services	21,913,220	22,342,940	22,895,999
Instructional and School Leadership:				
0021	Instructional Leadership	587,975	603,075	602,489
0023	School Leadership	2,238,405	2,274,395	2,203,607
	Total Instructional & School Leadership	2,826,380	2,877,470	2,806,096
Support Services - Student (Pupil):				
0031	Guidance, Counseling, and Evaluation Services	1,184,550	1,224,950	1,234,268
0033	Health Services	356,300	362,890	323,020
0034	Student Transportation	2,892,000	2,968,390	2,679,623
0036	Extracurricular Activities	1,491,905	2,084,785	1,860,088
	Total Support Services - Student (Pupil)	5,924,755	6,641,015	6,096,999
Administrative Support Services:				
0041	General Administration	1,188,555	1,289,530	1,266,796
	Total Administrative Support Services	1,188,555	1,289,530	1,266,796
Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	3,372,095	3,395,340	3,096,475
0052	Security and Monitoring Services	189,550	189,550	169,671
0053	Data Processing Services	445,550	455,550	423,393
	Total Support Services - Nonstudent Based	4,007,195	4,040,440	3,689,539
Ancillary Services:				
0061	Community Services	4,295	9,295	7,883
	Total Ancillary Services	4,295	9,295	7,883
Debt Service:				
0071	Principal on Long-term Debt	645,000	645,000	645,000
0072	Interest on Long-term Debt	467,308	467,308	467,308
0073	Issuance Costs and Fees	2,003	3,517	1,150
	Total Debt Service	1,114,311	1,115,825	1,113,458
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	1,915,640	1,723,108
	Total Capital Outlay	-	1,915,640	1,723,108
Intergovernmental Charges:				
0093	Payments to Shared Services Arrangements	1,058,000	1,058,000	983,139
0095	Payments to Juvenile Justice Alternative Education Programs	63,000	128,000	125,380
0099	Other Intergovernmental Charges	155,000	155,000	148,814
	Total Intergovernmental Charges	1,276,000	1,341,000	1,257,333
6030	Total Expenditures	38,254,711	41,573,155	40,857,211
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	331,370	(2,985,560)	(3,201,486)
OTHER FINANCING SOURCES (USES):				
8913	Extraordinary Items - Net Loss Due to Fire	-	-	(8,006)
7080	Total Other Financing Sources (Uses)	-	-	(8,006)
1200	Net Change in Fund Balance	331,370	(2,985,560)	(3,209,492)
0100	Fund Balance - Beginning	8,639,621	8,639,621	8,639,621
3000	Fund Balance - Ending	\$ 8,970,991	\$ 5,654,061	\$ 5,430,129
				\$ (223,932)

The accompanying notes are an integral part of this statement.

**CROSBY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**AUGUST 31, 2013**

EXHIBIT E-1

		865
		Agency
		Fund
Data		
Control		
Codes		
	<b>ASSETS:</b>	Student
		Activity
1110	Cash and Cash Equivalents	\$ 125,066
1120	Current Investments	351,971
1000	Total Assets	\$ 477,037
	<b>LIABILITIES:</b>	
2190	Due to Student Groups	\$ 477,037
2000	Total Liabilities	\$ 477,037

The accompanying notes are an integral part of this statement.



# CROSBY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

### I. 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.

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 government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the amount due from/to agency is included in the governmental activities column.

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



# CROSBY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

### **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 under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 90 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 are reported at fair value (generally based on quoted market prices) except for the position in investment pools. In accordance with state law, the pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as a 2a7-like pool and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

#### **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

AUGUST 31, 2013

### 4. Capital Assets

Capital assets, which include land, 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 two years.

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 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	20-50
Furniture and Equipment	5-20

### 5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue - property taxes*, is reported only in the governmental funds balance sheet. The amount is deferred and recognized as an inflow of resources in the period that 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.



## **CROSBY INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2013**

#### **7. Fund Balance Flow Assumptions**

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

#### **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 only 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. Accounting Changes**

Change in Accounting Principles – As the result of implementing GASB Statement Nos. 63 and 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of September 1, 2012 by \$509,184. The decrease results from no longer deferring and amortizing bond issuance costs. Further, the District has restated its long-term liabilities to reflect that a component of those liabilities as of August 31, 2012 – deferred charge of refunding – is now reported as a deferred outflow of resources on the government-wide Statement of Net Position. The effect of this change, as of August 31, 2012, is an increase of \$192,290 in long-term liabilities and a corresponding increase in deferred outflows of resources.

### **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.



# CROSBY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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### 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 at August 31.

### 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 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.

## II. Stewardship, Compliance, and Accountability

### A. Budgetary Information

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

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. There were no significant differences between the original and final amended budget of the general fund.

### 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.

### C. Excess of Expenditures Over Appropriations

For the year ended August 31, 2013, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following funds:

Fund	Function	Final Budget	Actual	Variance
General Fund	Instruction	\$ 20,930,690	\$ 21,641,208	\$ (710,518)
General Fund	Guidance, Counseling, and Evaluation Services	1,224,950	1,234,268	(9,318)

These excess expenditures in the general fund were funded by excess funds available in other functions.



# CROSBY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

### III. Detailed Notes on All Funds

#### A. Deposits and Investments

**Cash Deposits.** The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are approved by the TEA and 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 investment rating firm (NRIRF) not less than A or its equivalent; 2) Certificates of deposit issued by a depository located in Texas which is insured by the FDIC; 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 NRIRF; 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 meet the requirements of the Public Funds Investment Act; 8) securities lending program. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

As of August 31, 2013, the District had the following governmental and fiduciary funds' investments:

<u>Governmental Fund Investment Type</u>	<u>Standard &amp; Poor's Rating</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>	<u>Weighted Average Maturity (Years)</u>
Texpool - Prime	AAAm	\$ 66,864,120	92%	0.15
Texpool - LGIP	AAAm	942,650	1%	0.19
Lone Star - Corporate Overnight Fund	AAAf/s	4,308,340	6%	0.18
LOGIC	AAAm	306,502	1%	0.16
<b>Total Fair Value</b>		<b>\$ 72,421,612</b>	<b>100%</b>	
<b>Portfolio Weighted Average Maturity</b>				<b>0.16</b>

  

<u>Fiduciary Fund Investment Type</u>	<u>Standard &amp; Poor's Rating</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>	<u>Weighted Average Maturity (Years)</u>
Texpool - Prime	AAAm	\$ 351,971	100%	0.15
<b>Total Fair Value</b>		<b>\$ 351,971</b>	<b>100%</b>	
<b>Portfolio Weighted Average Maturity</b>				<b>0.15</b>

**Credit risk.** At year-end, the District's investments were rated as noted in the table above. All credit ratings met acceptable levels required by legal guidelines prescribed in both the PFIA and the District's investment policy.

**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. 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 to 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.

# CROSBY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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*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, 2013, District's bank balance of \$3,716,277 was not exposed to custodial credit risk because it was 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. 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.

### B. Receivables

Receivables as of year-end for the District's individual major governmental funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Nonmajor Governmental Funds	Total
<b>Receivables:</b>				
Property Taxes	\$ 1,821,966	\$ 441,948	\$ -	\$ 2,263,914
Due From Other Governments:				
State	657,314	-	8,554	665,868
Federal	-	-	107,097	107,097
Gross Receivables	2,479,280	441,948	115,651	3,036,879
Less: Allowance for Uncollectibles	(72,879)	(17,678)	-	(90,557)
<b>Net Total Receivables</b>	<b>\$ 2,406,401</b>	<b>\$ 424,270</b>	<b>\$ 115,651</b>	<b>\$ 2,946,322</b>

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

Uncollectibles Related to General Fund Property Taxes	\$ 3,624
Uncollectibles Related to Debt Service Property Taxes	(1,221)
<b>Total Uncollectibles of the Current Fiscal Year</b>	<b>\$ 2,403</b>

Approximately \$1,706,000 of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

### C. Interfund Receivables, Payables, and Transfers

#### Receivables/Payables

The composition of interfund receivable/payable balances as of August 31, 2013, is as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 81,766	\$ -
Other Governmental Funds - Nonmajor	-	81,766
<b>Total</b>	<b>\$ 81,766</b>	<b>\$ 81,766</b>

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



# CROSBY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

### Transfers

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the District's interfund transfers for the year ended August 31, 2013.

Transfer Out	Transfer In	Amount
None		\$ -
<b>Total</b>		<b>\$ -</b>

### D. Capital Assets

Capital asset activity for the year ended August 31, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental Activities:</b>				
<b>Capital Assets, not being Depreciated:</b>				
Land	\$ 2,142,053	\$ 1,716,349	\$ -	\$ 3,858,402
Construction in Progress	-	439,739	-	439,739
<b>Total Capital Assets, not being Depreciated</b>	<b>2,142,053</b>	<b>2,156,088</b>	<b>-</b>	<b>4,298,141</b>
<b>Capital Assets, being Depreciated:</b>				
Buildings and Improvements	111,107,523	-	-	111,107,523
Furniture and Equipment	7,334,813	535,900	(48,497)	7,822,216
<b>Total Capital Assets, being Depreciated</b>	<b>118,442,336</b>	<b>535,900</b>	<b>(48,497)</b>	<b>118,929,739</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(33,866,229)	(2,388,609)	-	(36,254,838)
Furniture and Equipment	(4,572,532)	(568,694)	48,497	(5,092,729)
<b>Total Accumulated Depreciation</b>	<b>(38,438,761)</b>	<b>(2,957,303)</b>	<b>48,497</b>	<b>(41,347,567)</b>
<b>Total Capital Assets, being Depreciated, net</b>	<b>80,003,575</b>	<b>(2,421,403)</b>	<b>-</b>	<b>77,582,172</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 82,145,628</b>	<b>\$ (265,315)</b>	<b>\$ -</b>	<b>\$ 81,880,313</b>

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

<b>Governmental Activities:</b>	
Instruction	\$ 1,824,600
Instructional Resources and Media Services	64,803
Instructional Leadership	19,026
School Leadership	38,429
Guidance, Counseling, and Evaluation Services	19,791
Health Services	8,814
Student Transportation	455,854
Food Service	197,274
Extracurricular Activities	119,622
General Administration	52,773
Plant Maintenance and Operations	68,797
Data Processing Services	87,520
<b>Total Depreciation Expense-Governmental Activities</b>	<b>\$ 2,957,303</b>



# CROSBY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

### E. Long-term Liabilities

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

### Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds Payable:</b>					
General Obligation Bonds	\$ 54,327,568	\$ 101,320,000	\$ (37,821,851)	\$ 117,825,717	\$ 2,061,454
Less Deferred Amounts:					
For Issuance Premium (Discount) (CIB's)	140,782	4,593,194	(213,166)	4,520,810	-
For Accreted Interest (CAB's)	4,266,992	376,710	(818,149)	3,825,553	-
<b>Total Bonds Payable, net</b>	<b>58,735,342</b>	<b>106,289,904</b>	<b>(38,853,166)</b>	<b>126,172,080</b>	<b>2,061,454</b>
<b>Notes Payable:</b>					
Notes Payable	8,785,000	-	(645,000)	8,140,000	665,000
Less Deferred Amounts:					
For Issuance Premium (Discount)	44,378	-	(18,053)	26,325	-
<b>Total Notes Payable, net</b>	<b>8,829,378</b>	<b>-</b>	<b>(663,053)</b>	<b>8,166,325</b>	<b>665,000</b>
Workers' Compensation	306,879	32,699	(113,018)	226,560	226,560
Compensated Absences	630,360	79,232	(36,164)	673,428	673,428
<b>Governmental Activity</b>					
<b>Long-term Liabilities</b>	<b>\$ 68,501,959</b>	<b>\$ 106,401,835</b>	<b>\$ (39,665,401)</b>	<b>\$ 135,238,393</b>	<b>\$ 3,626,442</b>

### General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities and to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 13-26 year current interest (CIB) and capital appreciation bonds (CAB) with various amounts of principal maturing each year. The following is a summary of changes in the general obligation bonds for the fiscal year.

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
1999 (CAB)	-	\$ 11,781,247	2017	\$ 3,747,582	\$ -	\$ (836,851)	\$ 2,910,731
2003	3.625-5.125%	29,500,000	2029	24,085,000	-	(24,085,000)	-
2004	4.00-5.00%	9,500,000	2029	8,075,000	-	(7,820,000)	255,000
2005	3.00-4.55%	6,000,000	2029	4,970,000	-	(4,800,000)	170,000
2006	3.50-4.00%	9,105,000	2024	8,670,000	-	(85,000)	8,585,000
2006 (CAB)	-	601,906	2019	439,986	-	-	439,986
2009	2.5-4.2%	4,385,000	2024	4,340,000	-	(15,000)	4,325,000
2012 REF	2.00-3.00%	9,275,000	2029	-	9,275,000	(180,000)	9,095,000
2013 REF	1.00-4.00%	25,025,000	2029	-	25,025,000	-	25,025,000
2013	4.00-5.00%	67,020,000	2043	-	67,020,000	-	67,020,000
<b>Totals</b>				<b>\$ 54,327,568</b>	<b>\$ 101,320,000</b>	<b>\$ (37,821,851)</b>	<b>\$ 117,825,717</b>

# CROSBY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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

Year Ending August 31	Principal Value	Interest	Total Requirements
2014	2,061,454	5,502,020	7,563,474
2015	2,042,795	5,517,364	7,560,159
2016	2,025,858	5,537,295	7,563,153
2017	2,015,624	5,548,604	7,564,228
2018	3,080,000	4,481,153	7,561,153
2019	2,139,986	5,419,842	7,559,828
2020	3,270,000	4,289,928	7,559,928
2021	3,405,000	4,155,616	7,560,616
2022	3,545,000	4,015,979	7,560,979
2023	3,690,000	3,870,503	7,560,503
2024	3,835,000	3,727,133	7,562,133
2025	3,720,000	3,620,813	7,340,813
2026	3,815,000	3,526,388	7,341,388
2027	3,930,000	3,410,213	7,340,213
2028	4,050,000	3,290,513	7,340,513
2029	4,180,000	3,163,400	7,343,400
2030	3,545,000	3,026,138	6,571,138
2031	3,690,000	2,881,438	6,571,438
2032	3,840,000	2,730,838	6,570,838
2033	3,995,000	2,571,641	6,566,641
2034	4,165,000	2,403,341	6,568,341
2035	4,360,000	2,208,438	6,568,438
2036	4,565,000	2,002,431	6,567,431
2037	4,785,000	1,785,800	6,570,800
2038	5,010,000	1,559,713	6,569,713
2039	5,245,000	1,322,125	6,567,125
2040	5,515,000	1,053,125	6,568,125
2041	5,800,000	770,250	6,570,250
2042	6,095,000	472,875	6,567,875
2043	6,410,000	160,250	6,570,250
<b>Totals</b>	<b>\$ 117,825,717</b>	<b>\$ 94,025,167</b>	<b>\$ 211,850,884</b>

The District has \$19,000,000 of authorized but unissued unlimited ad valorem tax bonds as of August 31, 2013.

In August 2012, the District issued \$9,275,000 of refunding bonds. The proceeds of the refunding bonds were used to legally defease \$9,365,000 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 \$425,523. The amount is netted against the new debt and amortized over the shorter life of the old or new debt. The refunding resulted in an economic gain of \$2,445,014.

In January 2013, the District issued \$25,025,000 of refunding bonds. The proceeds of the refunding bonds were used to legally defease \$26,195,000 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 \$892,128. The amount is netted against the new debt and amortized over the shorter life of the old or new debt. The refunding resulted in an economic gain of \$4,357,919.

### Prior Year Refunding of General Obligation Bonds

In fiscal year 2012-2013, the District defeased certain outstanding bonds by placing proceeds of new bonds in irrevocable escrow accounts to provide for all future debt service payments on the old bonds. Accordingly, the escrow accounts to provide for all future debt service payments are not included in District's financial statements. At August 31, 2013, \$12,210,000 of previously refunding bonds outstanding are considered defeased as noted below:

2004 General Obligation Bonds (maturing 2015-2029, callable February 15, 2014)	\$ 7,575,000
2005 General Obligation Bonds (maturing 2015-2029, callable August 15, 2014)	4,635,000
	<b>\$ 12,210,000</b>

# CROSBY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

### 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 5-15 year current interest notes.

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 Maintenance Tax Note	2.5-3.0%	\$ 2,765,000	2015	\$ 1,550,000	\$ -	\$ (645,000)	\$ 905,000
2010 Qualified School Construction Maintenance Tax Note (QSCMT)	5.95%	7,235,000	2025	7,235,000	-	-	7,235,000
<b>Totals</b>				<b>\$ 8,785,000</b>	<b>\$ -</b>	<b>\$ (645,000)</b>	<b>\$ 8,140,000</b>

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

Year Ending August 31	Principal *	Interest	Total Requirements
2014	665,000	447,658	1,112,658
2015	240,000	434,083	674,083
2016	-	430,483	430,483
2017	-	430,483	430,483
2018	-	430,483	430,483
2019	-	430,483	430,483
2020	-	430,483	430,483
2021	-	430,483	430,483
2022	-	430,483	430,483
2023	-	430,483	430,483
2024	-	430,483	430,483
2025	7,235,000	215,241	7,450,241
<b>Totals</b>	<b>\$ 8,140,000</b>	<b>\$ 4,971,329</b>	<b>\$ 13,111,329</b>

\* The District plans to make annual principal payments 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. Fund Balance

Other committed fund balance includes the following commitments of funds:

#### Other Governmental Fund:

Food Service	\$ 1,276,334
<b>Total Other Committed Fund Balance</b>	<b>\$ 1,276,334</b>

### G. 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	\$ 15,418,160	\$ 3,553,513	\$ -	\$ -	\$ 18,971,673
Investment Income	15,680	100,748	2,959	1,914	121,301
Food Sales	-	-	-	1,027,417	1,027,417
Other	69,448	197,866	-	-	267,314
<b>Total</b>	<b>\$ 15,503,288</b>	<b>\$ 3,852,127</b>	<b>\$ 2,959</b>	<b>\$ 1,029,331</b>	<b>\$ 20,387,705</b>



# CROSBY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

### IV. Other Information

#### A. Risk Management

##### Property/Liability

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance.

##### Health Insurance

During the year ended August 31, 2013, employees of the District were covered by a health insurance plan. The District paid premiums of \$225 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. 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 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 presented at a non-discounted amount of \$226,560. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended 8/31/2013	Year Ended 8/31/2012
Unpaid Claims, Beginning of Fiscal Year	\$ 306,879	\$ 339,189
Incurred Claims (including IBNRs and changes in provisions)	32,699	108,290
Claim Payments	(113,018)	(140,600)
Unpaid Claims, End of Fiscal Year	<u>\$ 226,560</u>	<u>\$ 306,879</u>

#### B. Contingent Liabilities

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, 2013, 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.

# CROSBY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

### C. Defined Benefit Pension Plan

#### Pension Plan for Employees Participating in Teacher Retirement System

*Plan Description.* The Crosby Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapter 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute 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.

*Contributions.* Contribution rates and contributions for fiscal years 2013-2011 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts

Year	Member		State		School District Statutory Minimum
	Rate	Amount	Rate	Amount	Amount
2013	6.4%	\$ 1,700,748	6.400%	\$ 1,338,292	\$ 231,868
2012	6.4%	\$ 1,619,582	6.000%	\$ 1,224,069	\$ 219,719
2011	6.4%	\$ 1,654,434	6.644%	\$ 1,411,548	\$ 375,071

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.

### 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 Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.



## CROSBY INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

*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 2013-2011.

#### Contribution Rates

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2013	0.65%	\$ 172,732	0.50%	\$ 124,999	0.55%	\$ 146,158
2012	0.65%	\$ 164,489	1.00%	\$ 240,631	0.55%	\$ 139,183
2011	0.65%	\$ 168,028	1.00%	\$ 244,487	0.55%	\$ 142,178

In addition, the State of Texas contributed \$99,372, \$122,880 and \$69,110 in 2013, 2012, and 2011, 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 2013, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$11,985. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$11,985 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

#### F. Extraordinary Item - Net Loss to Fire

In the prior year, the District suffered a loss resulting from a fire at a campus which was covered by insurance. In the current year, the District incurred additional replacement expenditures of \$8,006 which was not recovered by insurance.

## **COMBINING FUNDS FINANCIAL STATEMENTS**

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# CROSBY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
AUGUST 31, 2013

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool
<b>ASSETS:</b>			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -
1120 Current Investments	-	-	-
1240 Due from Other Governments	-	66,626	1,382
1300 Inventories	-	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ 66,626</u>	<u>\$ 1,382</u>
<b>LIABILITIES:</b>			
2150 Payroll Deductions and Withholdings	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	-	-
2170 Due to Other Funds	-	66,626	1,382
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>-</u>	<u>66,626</u>	<u>1,382</u>
<b>FUND BALANCES:</b>			
3410 Non-Spendable - Inventories	-	-	-
3545 Committed - Other	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 66,626</u>	<u>\$ 1,382</u>

# CROSBY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2013

Data Control Codes	240 National School Breakfast/Lunch Program	244 Career and Tech Basic	255 ESEA Title II Training & Recruiting
<b>ASSETS:</b>			
1110 <i>Cash and Cash Equivalents</i>	\$ 151,996	\$ -	\$ -
1120 <i>Current Investments</i>	1,100,782	-	-
1240 <i>Due from Other Governments</i>	33,885	-	4,804
1300 <i>Inventories</i>	101,110	-	-
1000 Total Assets	<u>\$ 1,387,773</u>	<u>\$ -</u>	<u>\$ 4,804</u>
<b>LIABILITIES:</b>			
2150 <i>Payroll Deductions and Withholdings</i>	\$ 13	\$ -	\$ -
2160 <i>Accrued Wages Payable</i>	10,316	-	-
2170 <i>Due to Other Funds</i>	-	-	4,804
2300 <i>Unearned Revenue</i>	3,895	-	-
2000 Total Liabilities	<u>14,224</u>	<u>-</u>	<u>4,804</u>
<b>FUND BALANCES:</b>			
3410 <i>Non-Spendable - Inventories</i>	97,215	-	-
3545 <i>Committed - Other</i>	1,276,334	-	-
3000 Total Fund Balances	<u>1,373,549</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,387,773</u>	<u>\$ -</u>	<u>\$ 4,804</u>



263 English Language Acquisition and Enhancement	289 Summer School LEP	404 Student Success Initiatives	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ -	\$ -	\$ -	\$ 26,655	\$ 178,651
-	-	-	-	1,100,782
400	-	8,554	-	115,651
-	-	-	-	101,110
<u>\$ 400</u>	<u>\$ -</u>	<u>\$ 8,554</u>	<u>\$ 26,655</u>	<u>\$ 1,496,194</u>
\$ -	\$ -	\$ -	\$ -	\$ 13
-	-	-	-	10,316
400	-	8,554	-	81,766
-	-	-	26,655	30,550
<u>400</u>	<u>-</u>	<u>8,554</u>	<u>26,655</u>	<u>122,645</u>
-	-	-	-	97,215
-	-	-	-	1,276,334
-	-	-	-	1,373,549
<u>\$ 400</u>	<u>\$ -</u>	<u>\$ 8,554</u>	<u>\$ 26,655</u>	<u>\$ 1,496,194</u>

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**CROSBY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ -	\$ -	\$ -
5800 <i>State Program Revenues</i>	-	-	-
5900 <i>Federal Program Revenues</i>	698,493	785,776	12,086
5020 <i>Total Revenues</i>	<u>698,493</u>	<u>785,776</u>	<u>12,086</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	628,643	706,335	12,086
0013 <i>Curriculum and Staff Development</i>	69,850	31,936	-
0021 <i>Instructional Leadership</i>	-	8,105	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	-	39,400	-
0035 <i>Food Service</i>	-	-	-
6030 <i>Total Expenditures</i>	<u>698,493</u>	<u>785,776</u>	<u>12,086</u>
1200 <i>Net Change in Fund Balances</i>	-	-	-
0100 <i>Fund Balances - Beginning</i>	-	-	-
3000 <i>Fund Balances - Ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# CROSBY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	240 National School Breakfast/Lunch Program	244 Career and Tech Basic	255 ESEA Title II Training & Recruiting
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 1,029,331	\$ -	\$ -
5800 <i>State Program Revenues</i>	33,661	-	-
5900 <i>Federal Program Revenues</i>	1,492,066	47,181	114,804
5020 <i>Total Revenues</i>	<u>2,555,058</u>	<u>47,181</u>	<u>114,804</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	-	39,250	112,561
0013 <i>Curriculum and Staff Development</i>	-	6,730	2,243
0021 <i>Instructional Leadership</i>	-	-	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	-	1,201	-
0035 <i>Food Service</i>	2,232,945	-	-
6030 <i>Total Expenditures</i>	<u>2,232,945</u>	<u>47,181</u>	<u>114,804</u>
1200 <i>Net Change in Fund Balances</i>	322,113	-	-
0100 <i>Fund Balances - Beginning</i>	1,051,436	-	-
3000 <i>Fund Balances - Ending</i>	<u>\$ 1,373,549</u>	<u>\$ -</u>	<u>\$ -</u>

263 English Language Acquisition and Enhancement	289 Summer School LEP	404 Student Success Initiatives	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ -	\$ 1,029,331
-	-	19,230	143,278	196,169
24,709	2,231	-	-	3,177,346
<u>24,709</u>	<u>2,231</u>	<u>19,230</u>	<u>143,278</u>	<u>4,402,846</u>
12,866	2,231	3,062	143,278	1,660,312
11,843	-	16,168	-	138,770
-	-	-	-	8,105
-	-	-	-	40,601
-	-	-	-	2,232,945
<u>24,709</u>	<u>2,231</u>	<u>19,230</u>	<u>143,278</u>	<u>4,080,733</u>
-	-	-	-	322,113
-	-	-	-	1,051,436
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,373,549</u>



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## OTHER SUPPLEMENTARY INFORMATION

**CROSBY INDEPENDENT SCHOOL DISTRICT***SCHEDULE OF DELINQUENT TAXES RECEIVABLE**FOR THE YEAR ENDED AUGUST 31, 2013*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
	\$	Various	\$	Various	\$	Various
2004 and Prior Years						
2005		1.50		.38		769,272,598
2006		1.50		.36		860,615,707
2007		1.37		.3011		986,413,320
2008		1.04		.30		1,076,516,567
2009		1.04		.30		1,186,302,836
2010		1.17		.27		1,239,013,333
2011		1.17		.27		1,276,037,917
2012		1.17		.27		1,282,400,903
2013 (School Year Under Audit)		1.17		.27		1,287,574,028

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code



10 Beginning Balance 9/1/12	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/13
\$ 536,502	\$ -	\$ 22,481	\$ 5,761	\$ (43,669)	\$ 464,591
113,407	-	6,874	1,741	(7,626)	97,166
116,375	-	9,284	2,228	(3,322)	101,541
127,390	-	8,805	1,935	(4,532)	112,118
132,022	-	13,984	4,034	(4,758)	109,246
159,413	-	24,700	7,126	(861)	126,726
197,257	-	36,376	8,394	(1,231)	151,256
326,135	-	101,112	23,334	8,382	210,071
615,502	-	239,265	55,215	14,018	335,040
-	18,541,066	14,612,737	3,372,170	-	556,159
<u>\$ 2,324,003</u>	<u>\$ 18,541,066</u>	<u>\$ 15,075,618</u>	<u>\$ 3,481,938</u>	<u>\$ (43,599)</u>	<u>\$ 2,263,914</u>
		\$ -	\$ -		

**CROSBY INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**EXHIBIT J-2**

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,009,650	\$ 1,009,650	\$ 1,029,331	\$ 19,681
5800	State Program Revenues	42,700	42,700	33,661	(9,039)
5900	Federal Program Revenues	1,375,000	1,375,000	1,492,066	117,066
5020	Total Revenues	2,427,350	2,427,350	2,555,058	127,708
EXPENDITURES:					
Current:					
Support Services - Student (Pupil):					
0035	Food Service	2,321,250	2,421,250	2,232,945	188,305
0053	Data Processing Services	10,000	10,000	-	10,000
	Total Support Services - Student (Pupil)	2,331,250	2,431,250	2,232,945	198,305
6030	Total Expenditures	2,331,250	2,431,250	2,232,945	198,305
1200	Net Change in Fund Balance	96,100	(3,900)	322,113	326,013
0100	Fund Balance - Beginning	1,051,436	1,051,436	1,051,436	-
3000	Fund Balance - Ending	\$ 1,147,536	\$ 1,047,536	\$ 1,373,549	\$ 326,013

# CROSBY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

## DEBT SERVICE FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 3,877,290	\$ 4,637,775	\$ 3,852,127	\$ (785,648)
5800	State Program Revenues	1,202,710	1,313,000	1,236,991	(76,009)
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	5,080,000	5,950,775	5,089,118	(861,657)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-term Debt	2,261,851	2,261,851	2,261,851	-
0072	Interest on Long-term Debt	2,818,149	3,068,815	3,068,815	-
0073	Issuance Costs and Fees	-	620,109	310,250	309,859
	Total Debt Service	5,080,000	5,950,775	5,640,916	309,859
6030	Total Expenditures	5,080,000	5,950,775	5,640,916	309,859
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	-	-	(551,798)	(551,798)
OTHER FINANCING SOURCES (USES):					
7901	Issuance of Refunding Bonds	-	34,300,000	34,300,000	-
7916	Premium or Discount on Issuance of Bonds	-	3,353,608	3,353,608	-
8940	Payment to Bond Refunding Escrow Agent	-	(36,945,463)	(36,945,463)	-
7080	Total Other Financing Sources and (Uses)	-	708,145	708,145	-
1200	Net Change in Fund Balance	-	708,145	156,347	(551,798)
0100	Fund Balance - Beginning	1,616,325	1,616,325	1,616,325	-
3000	Fund Balance - Ending	\$ 1,616,325	\$ 2,324,470	\$ 1,772,672	\$ (551,798)

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

# HLSK

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## **INDEPENDENT AUDITORS' 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crosby Independent School District (District), Texas, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise Crosby Independent School District, Texas' basic financial statements and have issued our report thereon dated October 16, 2013.

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

In planning and performing our audit of the financial statements, we considered Crosby Independent School District, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crosby Independent School District, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Crosby Independent School District, Texas' 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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Crosby Independent School District, Texas' 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.

Respectfully,

*Hereford, Lynch, Sellars & Kirkham, P.C.*

**HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.**  
**Certified Public Accountants**

**Conroe, Texas**  
**October 16, 2013**



# HLSK

*Hereford, Lynch, Sellars & Kirkham*

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 (District), Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Crosby Independent School District, Texas' major federal programs for the year ended August 31, 2013. Crosby Independent School District, Texas' major federal programs are identified in the summary of auditors' 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Crosby Independent School District, Texas' 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Crosby Independent School District, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### Opinion on Each Major Federal Program

In our opinion, Crosby Independent School District, Texas, 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, 2013.



## Report on Internal Control Over Compliance

Management of Crosby Independent School District, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Crosby Independent School District, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Crosby Independent School District, Texas' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully,

*Hereford, Lynch, Sellars & Kirkham, P.C.*

**HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.**  
**Certified Public Accountants**

**Conroe, Texas**  
**October 16, 2013**

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**CROSBY INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2013*

<b>SECTION I – SUMMARY OF AUDITORS’ RESULTS</b>	
<b>FINANCIAL STATEMENTS</b>	
1. Type of auditors’ 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
<b>FEDERAL AWARDS</b>	
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 auditors’ report issued on compliance with major programs	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	No
7. Identification of Major Programs	Child Nutrition Cluster
8. Dollar Threshold used to distinguish Between Type A and Type B Federal Programs	\$300,000
9. Auditee Qualified as a Low-Risk Auditee?	Yes
<b>SECTION II –FINANCIAL STATEMENT FINDINGS</b>	
None reported	
<b>SECTION III –FEDERAL AWARD FINDINGS AND QUESTIONED COSTS</b>	
None reported	

**CROSBY INDEPENDENT SCHOOL DISTRICT**

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2013*

<b><i>PRIOR YEAR FINDINGS</i></b>
None reported



**CROSBY INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**CURRENT YEAR FINDINGS**

None reported

**CROSBY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

EXHIBIT K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<b>Passed Through State Department of Education:</b>			
<i>ESEA Title I, Part A-Improving Basic Programs</i>	84.010A	13610101101906	\$ 698,493
<b>Special Education Cluster (IDEA):</b>			
<i>IDEA-B Formula</i>	84.027A	136600011019066000	785,776
<i>IDEA-B Preschool</i>	84.173A	136610011019066610	12,086
<b>Total Special Education Cluster (IDEA)</b>			<b>797,862</b>
<i>Career and Technical-Basic Grant</i>	84.048A	13420006101906	47,181
<i>Title III, Part A-English Language Acquisition and Language Enhancement</i>	84.365A	13671001101906	24,709
<i>ESEA Title II, Part A-Teacher and Principal Training and Recruiting</i>	84.367A	13694501101906	114,804
<i>Summer School, LEP</i>	84.369A	69551202	2,231
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>1,685,280</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<b>Child Nutrition Cluster:</b>			
<b>Passed Through State Department of Agriculture - Non-Cash Assistance:</b>			
<i>National School Lunch Program</i>	10.555	00516	123,039
<b>Passed Through State Department of Education - Cash Assistance:</b>			
<i>National School Breakfast Program</i>	10.553	71401301	337,005
<i>National School Lunch Program</i>	10.555	71301301	1,008,529
<b>Passed Through State Department of Agriculture - Cash Assistance:</b>			
<i>Summer Feeding Program</i>	10.559	00516	23,493
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE - CHILD NUTRITION CLUSTER</b>			<b>1,492,066</b>
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>			
<i>Reserve Officers' Training Corps</i>	12.000	N/A	70,948
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 3,248,294</b>

The accompanying notes are an integral part of this schedule.

**CROSBY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**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 OMB Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations*. 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:

<b><i>Total Expenditures of Federal Awards per Exhibit K-1</i></b>	<b>\$ 3,248,294</b>
Additional federal revenues reported in General Fund:	
Interest Subsidy on Qualified School Construction Bonds	398,608
<b><i>Total Federal Revenues per Exhibit C-2</i></b>	<b>\$ <u>3,646,902</u></b>

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**CROSBY INDEPENDENT SCHOOL DISTRICT**

EXHIBIT L-1

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2013*

<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 default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 3,825,553