

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

THIS PAGE LEFT BLANK INTENTIONALLY

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

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Certificate of Board	1
	Independent Auditor's Report	2
	Management's Discussion and Analysis	4
Basic Financial Statements		
	Government-wide Statements:	
A-1	Statement of Net Position	10
B-1	Statement of Activities	11
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	13
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	15
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	16
C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	18
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Position	19
D-2	Statement of Revenues, Expenses and Changes in Net Position	20
D-3	Statement of Cash Flows	21
	Fiduciary Fund Financial Statements:	
E-1	Statement of Asset and Liabilities	22
	Notes to the Financial Statements.....	23
Required Supplementary Information		
G-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund.....	46
	Notes to Required Budgetary Information	47
G-2	Schedule of the District's Proportionate Share of the Net Pension Liability	48
G-3	Schedule of District Pension Contributions Teacher Retirement System.....	50
G-4	Schedule of the District's Proportionate Share of the Net OPEB Liability	52

G-5	Schedule of District OPEB Contributions Teacher Retirement System.....	53
-----	---	----

Combining Statements

Nonmajor Governmental Funds:

H-1	Combining Balance Sheet	54
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	59

Required TEA Schedules

J-1	Schedule of Delinquent Taxes Receivable	64
J-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – National School Breakfast and Lunch Program	66
J-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Debt Service Fund.....	67

Federal Awards Section

	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	68
	Independent Auditor's Report on Compliance for Each Major Federal and State Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance and the State of Texas Uniform Grant Management Standards	70
K-1	Schedule of Expenditures of Federal and State Awards	72
	Notes to Schedule of Expenditures of Federal and State Awards	75
	Schedule of Findings and Questioned Costs.....	76
	Summary Schedule of Prior Audit Findings	77

Other Information

L-1	Schedule of Required Responses to Selected School First Indicators.....	79
-----	---	----

CERTIFICATE OF BOARD

Crosby Independent School District
Name of School District

Harris
County

101-906
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ✓ approved _____ disapproved for the year ended June 30, 2020, at a meeting of the Board of Trustees of such school district on the 19th day of October 2020.

Tanya Eagleton

Signature of Board Secretary

Randy Condra

Signature of Board President

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

THIS PAGE LEFT BLANK INTENTIONALLY



INDEPENDENT AUDITOR'S REPORT

Board of Trustees of
Crosby Independent School District
Crosby, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crosby Independent School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Crosby Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Crosby Independent School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OFFICE LOCATIONS

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crosby Independent School District's basic financial statements. The combining statements, required TEA schedules and the Schedule of Expenditures of Federal and State Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas *Uniform Grant Management Standards* ("UGMS"), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements, required TEA schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, required TEA schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2020 on our consideration of Crosby Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Crosby Independent School District internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crosby Independent School District's internal control over financial reporting and compliance.

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

Waco, Texas
October 19, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Crosby Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$316,759 (*net position*). Of this amount, a deficit of \$27,526,701 (unrestricted net position) exists, which includes recognition of the District's pension and OPEB liabilities and net related deferred outflows/inflows of \$41,781,288.
- The District's total net position increased by \$7,169,480, from current fiscal year operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$29,020,009, an increase of \$6,300,517 from current operations.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,881,110, an increase of \$6,738,671 in comparison with the prior year.

The District's financial condition continued to improve significantly during the 2019-2020 fiscal year as noted by the trend information provided below:

- The District had a negative unassigned fund balance in the general fund of (\$2,516,449) at June 30, 2018, a positive unassigned fund balance of \$5,142,439 at June 30, 2019, and a positive unassigned fund balance of \$11,881,110 at June 30, 2020, an increase of \$6,738,671 from the prior year and an increase of \$14,397,559 from June 30, 2018.
- The District had a total fund balance in the general fund of \$1,968,034 at June 30, 2018, \$8,453,867 at June 30, 2019, and \$15,863,651 at June 30, 2020, an increase of \$7,409,784 from the prior year and an increase of \$13,895,617 from June 30, 2018.
- After a three-year trend of a deficiency of revenues under expenditures of (\$6,996,515), (\$7,997,147), and (\$4,759,649), the District had an excess of revenues over expenditures of \$6,598,393 for the year ended June 30, 2019 and an excess of revenues over expenditures of \$7,385,623 for the year ended June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *Statement of Net Position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

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

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

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

The District maintains 28 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 25 governmental funds are combined into a single, aggregated presentation titled *other governmental*.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, the District's net position increased \$7,169,480 this year from operations. Unrestricted net position – the part of net position that can be used for financing day-to-day operations without constraints by debt covenants, enabling legislation, or other legal requirements – was a deficit \$27,526,701 on June 30, 2020 compared to \$31,410,896 deficit on June 30, 2019.

TABLE 1
CROSBY INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities		Increase/ (Decrease)
	2020	2019	
Current and other assets	\$ 38,437,276	\$ 33,375,394	\$ 5,061,882
Capital assets	<u>170,707,214</u>	<u>172,232,845</u>	(1,525,631)
Total assets	<u>209,144,490</u>	<u>205,608,239</u>	<u>3,536,251</u>
Total deferred outflows of resources	<u>15,734,105</u>	<u>18,751,587</u>	(3,017,482)
Long-term liabilities	198,574,275	211,499,702	(12,925,427)
Other liabilities	<u>8,898,698</u>	<u>10,495,783</u>	(1,597,085)
Total liabilities	<u>207,472,973</u>	<u>221,995,485</u>	(14,522,512)
Total deferred inflows of resources	<u>17,088,863</u>	<u>9,217,062</u>	<u>7,871,801</u>
Net position:			
Net investment in capital assets	16,014,794	15,355,757	659,037
Restricted	11,828,666	9,202,418	2,626,248
Unrestricted	(27,526,701)	(31,410,896)	3,884,195
Total net position	<u>\$ 316,759</u>	<u>\$ (6,852,721)</u>	<u>\$ 7,169,480</u>

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings and improvements, and furniture and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Net position that is restricted for debt service and grants total \$11,828,666.

The unrestricted net position \$27,526,701 reported a deficit in the current fiscal period. The deficit is caused by an excess of non-capital debt and liabilities/deferred inflows over non-capital assets/deferred outflows. The pension and OPEB liabilities, and related net deferred outflows/inflows, are the largest components, lowering the District's net position by \$41,781,288.

Governmental Activities. Governmental activities increased the District's net position by \$7,169,480 from current operations. The elements giving rise to this change may be determined from the table below.

TABLE 2
CROSBY INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities		Increase/ (Decrease)
	2020	2019	
REVENUES			
Program revenues:			
Charges for services	\$ 1,180,688	\$ 1,488,888	\$ (308,200)
Operating grants and contributions	13,311,175	13,237,378	73,797
Capital grants and contributions	1,033,200	-	1,033,200
General revenues:			
Property taxes, levied for general purposes	21,984,216	22,018,813	(34,597)
Property taxes, levied for debt service	9,855,992	8,989,127	866,865
Grants and contributions not restricted	34,072,564	29,411,966	4,660,598
Investment earnings	352,655	355,490	(2,835)
Miscellaneous	<u>375,125</u>	<u>199,392</u>	<u>175,733</u>
Total revenues	<u>82,165,615</u>	<u>75,701,054</u>	<u>6,464,561</u>
EXPENSES			
Instruction	43,278,150	39,758,611	3,519,539
Instructional resources and media services	192,758	319,828	(127,070)
Curriculum and staff development	902,438	920,954	(18,516)
Instructional leadership	741,098	841,385	(100,287)
School leadership	3,715,977	3,412,986	302,991
Guidance, counseling and evaluation services	2,711,851	2,551,933	159,918
Health services	707,375	620,567	86,808
Student transportation	2,915,801	3,085,383	(169,582)
Food service	2,987,157	3,067,612	(80,455)
Extracurricular activities	2,006,622	2,206,766	(200,144)
General administration	2,612,105	2,045,946	566,159
Plant maintenance and operations	4,862,226	4,415,421	446,805
Security and monitoring services	544,667	528,430	16,237
Data processing services	352,947	802,104	(449,157)
Community services	130,954	143,061	(12,107)
Interest on long-term debt	6,029,804	6,150,870	(121,066)
Bond issuance cost and fees	11,650	147,905	(136,255)
Payments to shared services arrangements	62,500	77,000	(14,500)
Other governmental charges	<u>230,055</u>	<u>222,822</u>	<u>7,233</u>
Total expenses	<u>74,996,135</u>	<u>71,319,584</u>	<u>3,676,551</u>
CHANGE IN NET POSITION	<u>7,169,480</u>	<u>4,381,470</u>	<u>2,788,010</u>
NET POSITION, BEGINNING	<u>(6,852,721)</u>	<u>(11,234,191)</u>	<u>4,381,470</u>
NET POSITION, ENDING	<u>\$ 316,759</u>	<u>\$ (6,852,721)</u>	<u>\$ 7,169,480</u>

The District's total revenues increased \$6,464,561, or 9%, over the previous year. This is largely due to an increase in foundation funding related to House Bill 3 of approximately \$4.5 million, as well as a one-time grant for buses in the amount of \$1 million. House Bill (HB 3) 3, a sweeping and historic school finance bill was passed by the 86th Texas Legislature in 2019 and signed by Gov. Greg Abbott. The bill provides more money for Texas classrooms, increases teacher compensation and cuts local property taxes for Texas taxpayers. HB 3 is one of the most transformative Texas education bills in recent history.

The District's total expenses increased \$3,676,551, or 5%, over the previous year. This is largely due to an increase in salaries which was mandated by the state in HB 3.

FINANCIAL ANALYSIS DISTRICT'S FUNDS

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

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

As of the end of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$29,020,009, an increase of \$6,300,517 in comparison with the prior year, from current operations. This increase represents combined revenues in excess of expenditures of \$6,250,382, coupled with proceeds from the sale of capital assets of \$50,135.

The general fund is the chief operating fund of the District. At the end of the current fiscal period, unassigned fund balance of the general fund had a balance of \$11,881,110 while total fund balance reached \$15,863,651. 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 22% of total general fund expenditures. Total fund balance represents 29% of total general fund expenditures.

The fund balance of the District's general fund increased by \$7,409,784 from current operations. The increase is largely attributed to an increase in state revenue from student growth and HB3, and the austerity measures taken by the District to reduce operating expenditures. Current period revenues exceeded expenditures by \$7,385,623.

The debt service fund has a total fund balance of \$8,902,939, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$1,360,720 from current operations and was primarily due to an increase in property tax values which resulted in additional property tax revenues.

The capital projects fund has a total fund balance of \$3,072,690, all of which is restricted for capital acquisitions and contractual obligations. The capital projects fund balance decreased by \$2,307,059 during the fiscal period, primarily due to on-going projects which are mentioned in the capital asset section below.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The original expenditure budget was amended during the fiscal year to increase appropriations by \$6,663,317, with \$6,151,321 of the increase due primarily to House Bill 3 legislation as noted above which provided additional revenues and required an increase in compensation. Actual expenditures were less than budget by \$3,701,192 in total, with the variance due primarily to austerity measures still in place and budgeted expenses not utilized during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for its governmental type activities as of June 30, 2020, amounts to \$170,707,214 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, and furniture and equipment. Significant additions to capital assets in the current year total approximately \$4 million and include the following:

- Construction of High School addition - \$650 thousand
- New 6th grade renovations - \$925 thousand
- Buses and other vehicles - \$2,275 million

Construction in progress of \$2.5 million reflects the purchase of land and ongoing projects for the new 6th grade, new elementary and high school additions. Additional information about the District's capital assets can be found in the notes to the financial statements as indicated in the table of contents of this report.

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

Long-term Liabilities. The District's bonded debt and tax notes decreased by \$4,574,659 during the current fiscal period, due to scheduled debt payments being made. Additional information on the District's long-term liabilities can be found in the notes to the financial statements as indicated in the table of contents of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2021 budget and tax rates. These factors included, but were not limited to, the state foundation school program formula, property values, student growth and anticipated District needs. The state legislature made many funding changes with HB 3 which was passed in June 2019. Some of the effects of the changes from HB 3 are still an ongoing process with TEA and the District.

The District also considered the effects of the ongoing COVID-19 pandemic. Although the pandemic has resulted in an economic downturn and presents significant future uncertainty, the District's property tax revenues were not significantly affected, as those tax revenues were due in January before the pandemic began. Although the pandemic could negatively affect next year's property tax collections or demand for services, statewide foundation revenue is expected to cover possible shortfalls in local revenue.

- Current enrollment totals 6,323 students, which is a 2.03 percent decrease from the prior year.
- District staff totals 780 employees, which includes 403 teachers and 115 teachers' aides and secretaries.
- The District maintains 7 campuses for instruction.
- The unemployment rate for the County is currently 10.0 percent, which is an increase from a rate of 3.9 percent a year ago. This compares to the state's average unemployment rate of 8.4 percent, which increased from a rate of 3.4 percent.
- Property values of the District are projected to increase by 10.05 percent.
- A maintenance and operations tax rate of \$0.9983 and a debt service tax rate of \$0.48 for a total tax rate of \$1.4783 will be proposed for 2020-2021. Preceding year rates were \$1.06835, \$0.48, and \$1.54835, respectively.

The District adopted an original 2020-2021 general fund budget with revenues at \$61,705,790 and expenditures at \$60,052,590 resulting in a budget surplus of \$1,653,200.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

CROSBY INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION

JUNE 30, 2020

Data Control Codes		1 Primary Government Governmental Activities
ASSETS		
1110	Cash and cash equivalents	\$ 2,056,479
1120	Current investments	19,004,401
1220	Property taxes receivables	3,006,474
1230	Allowance for uncollectible taxes	(90,194)
1240	Due from other governments	10,387,412
1250	Accrued interest	32
1290	Other receivables	13,036
1300	Inventories	82,913
1410	Prepaid items	132,405
1800	Restricted cash and cash equivalents	3,844,318
	Capital assets:	
1510	Land and improvements	4,195,527
1520	Buildings and improvements, net	158,114,535
1530	Furniture and equipment, net	5,858,239
1580	Construction in progress	2,538,913
1000	Total assets	<u>209,144,490</u>
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred charge on bond refunding	694,107
1705	Deferred outflow related to pensions	10,291,472
1706	Deferred outflow related to other post-employment benefit	4,748,526
1700	Total deferred outflows of resources	<u>15,734,105</u>
LIABILITIES		
2110	Accounts payable	1,120,976
2140	Interest payable	2,373,161
2150	Payroll deductions and withholdings	707,630
2160	Accrued wages	4,110,344
2180	Due to other governments	434,821
2300	Unearned revenue	151,766
	Noncurrent liabilities:	
2501	Due within one year	4,179,558
2502	Due in more than one year	154,662,294
2540	Net pension liability	18,719,667
2545	Net other post-employment benefit liability	21,012,756
2000	Total liabilities	<u>207,472,973</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflow related to pensions	4,603,829
2606	Deferred inflow related to other post-employment benefit	12,485,034
2600	Total deferred inflows of resources	<u>17,088,863</u>
NET POSITION		
3200	Net investment in capital assets	16,014,794
3820	Restricted for grants	654,277
3850	Restricted for debt service	11,174,389
3900	Unrestricted	(27,526,701)
3000	Total net position	<u>\$ 316,759</u>

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

CROSBY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes	Functions/Programs	1	Program Revenues 3
		Expenses	Charges for Services
	Primary government:		
	Governmental activities:		
11	Instruction	\$ 43,278,150	\$ 2,400
12	Instructional resources and media services	192,758	-
13	Curriculum and staff development	902,438	-
21	Instructional leadership	741,098	-
23	School leadership	3,715,977	-
31	Guidance, counseling, and evaluation services	2,711,851	-
33	Health services	707,375	-
34	Student transportation	2,915,801	-
35	Food service	2,987,157	666,317
36	Extracurricular activities	2,006,622	455,174
41	General administration	2,612,105	-
51	Facilities maintenance and operations	4,862,226	56,797
52	Security and monitoring services	544,667	-
53	Data processing services	352,947	-
61	Community services	130,954	-
72	Interest on long-term debt	6,029,804	-
73	Bond issuance costs and fees	11,650	-
93	Payments to shared services arrangements	62,500	-
99	Other governmental changes	230,055	-
TG	Total governmental activities	\$ <u>74,996,135</u>	\$ <u>1,180,688</u>
	General revenues:		
MT	Property taxes, levied for general purposes		
DT	Property taxes, levied for debt service		
GC	Grants and contributions not restricted to specific programs		
IE	Investment earnings		
MI	Miscellaneous		
TR	Total general revenues		
CN	Change in net position		
NB	Net position - beginning		
NE	Net position - ending		

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

EXHIBIT B-1

Program Revenues		Revenue and Changes in Net Position
4	5	6
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$ 6,462,416	\$ -	\$(36,813,334)
15,456	-	(177,302)
96,501	-	(805,937)
143,149	-	(597,949)
375,030	-	(3,340,947)
1,062,045	-	(1,649,806)
85,253	-	(622,122)
1,379,198	1,033,200	(503,403)
1,903,217	-	(417,623)
75,287	-	(1,476,161)
203,020	-	(2,409,085)
232,228	-	(4,573,201)
67,896	-	(476,771)
55,655	-	(297,292)
81,570	-	(49,384)
1,068,076	-	(4,961,728)
-	-	(11,650)
5,178	-	(57,322)
-	-	(230,055)
<u>\$ 13,311,175</u>	<u>\$ 1,033,200</u>	<u>(59,471,072)</u>
		21,984,216
		9,855,992
		34,072,564
		352,655
		<u>375,125</u>
		<u>66,640,552</u>
		7,169,480
		<u>(6,852,721)</u>
		<u>\$ 316,759</u>

CROSBY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

Data Control Codes		199	599
		<u>General</u>	<u>Debt Service</u>
ASSETS			
1110	Cash and cash equivalents	\$ 851,335	\$ 517
1120	Current investments	6,394,478	9,105,158
1220	Property taxes receivable	2,181,430	825,044
1230	Allowance for uncollectible taxes	(65,443)	(24,751)
1240	Due from other governments	8,552,536	232,012
1250	Accrued interest	32	-
1260	Due from other funds	1,391,969	-
1290	Other receivables	7,269	-
1300	Inventories	5,818	-
1410	Prepaid items	132,405	-
1800	Restricted cash and cash equivalents	<u>3,844,318</u>	<u>-</u>
1000	Total assets	<u>23,296,147</u>	<u>10,137,980</u>
LIABILITIES			
2110	Accounts payable	856,575	-
2150	Payroll deductions and withholdings	670,348	-
2160	Accrued wages payable	3,789,586	-
2170	Due to other funds	-	-
2180	Due to other governments	-	434,748
2300	Unearned revenue	<u>-</u>	<u>-</u>
2000	Total liabilities	<u>5,316,509</u>	<u>434,748</u>
DEFERRED INFLOWS OF RESOURCES			
2610	Unavailable revenue - property taxes	<u>2,115,987</u>	<u>800,293</u>
2600	Total deferred inflows of resources	<u>2,115,987</u>	<u>800,293</u>
FUND BALANCES			
3410	Nonspendable - inventories	5,818	-
3430	Nonspendable - prepaid items	132,405	-
3450	Restricted - grant funds	-	-
3470	Restricted - capital projects	-	-
3480	Restricted - debt service	3,844,318	8,902,939
3545	Committed - campus activity	-	-
3600	Unassigned	<u>11,881,110</u>	<u>-</u>
3000	Total fund balances	<u>15,863,651</u>	<u>8,902,939</u>
4000	Total liabilities, deferred inflows of	\$ <u>23,296,147</u>	\$ <u>10,137,980</u>

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

699		98
Capital Projects	Other Governmental	Total Governmental Funds
\$ 4,008	\$ 989,862	\$ 1,845,722
3,068,682	436,083	19,004,401
-	-	3,006,474
-	-	(90,194)
-	1,602,864	10,387,412
-	-	32
-	-	1,391,969
-	5,767	13,036
-	77,095	82,913
-	-	132,405
-	-	3,844,318
<u>3,072,690</u>	<u>3,111,671</u>	<u>39,618,488</u>
-	29,094	885,669
-	37,282	707,630
-	320,758	4,110,344
-	1,391,969	1,391,969
-	73	434,821
-	151,766	151,766
<u>-</u>	<u>1,930,942</u>	<u>7,682,199</u>
<u>-</u>	<u>-</u>	<u>2,916,280</u>
<u>-</u>	<u>-</u>	<u>2,916,280</u>
-	77,095	82,913
-	-	132,405
-	654,277	654,277
3,072,690	-	3,072,690
-	-	12,747,257
-	449,357	449,357
-	-	11,881,110
<u>3,072,690</u>	<u>1,180,729</u>	<u>29,020,009</u>
\$ <u>3,072,690</u>	\$ <u>3,111,671</u>	\$ <u>39,618,488</u>

THIS PAGE LEFT BLANK INTENTIONALLY

CROSBY INDEPENDENT SCHOOL DISTRICT**EXHIBIT C-2****RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

JUNE 30, 2020

Total fund balances - governmental funds	\$ 29,020,009
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	170,707,214
Uncollected property taxes are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.	2,916,280
Long-term liabilities, including bonds and tax notes payable, workers compensation, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds. Also, the loss on refunding bonds and the premium on issuance of bonds and tax notes payable payable are not reported in the funds. Liabilities at year-end related to such items consist of:	
Bonds and tax notes payable	(150,990,000)
Issuance premium	(7,469,217)
Deferred charge on refunding	694,107
Compensated absences	(382,635)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,373,161)
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to pensions included a deferred resource outflow in the amount of \$10,291,472, a deferred resource inflow in the amount of \$4,603,829, and a net pension liability in the amount of \$18,719,667. This resulted in a decrease in net position.	(13,032,024)
Included in the items related to debt is the recognition of the District's proportionate share of the net other post-employment benefit (OPEB) liability required by GASB 75. The net position related to the OPEB included a deferred resource outflow in the amount of \$4,748,526, a deferred resource inflow in the amount of \$12,485,034, and a net OPEB liability in the amount of \$21,012,756.	(28,749,264)
The internal service funds are used by management to charge the costs of fleet management and risk management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	(24,550)
Net position of governmental activities	\$ <u>316,759</u>

CROSBY INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes		199	599
		<u>General</u>	<u>Debt Service</u>
	REVENUES		
5700	Local and intermediate sources	\$ 22,420,706	\$ 9,864,855
5800	State program revenues	37,807,791	678,011
5900	Federal program revenues	<u>1,224,907</u>	<u>-</u>
5020	Total revenues	<u>61,453,404</u>	<u>10,542,866</u>
	EXPENDITURES		
	Current:		
0011	Instruction	33,091,364	-
0012	Instructional resources and media services	150,419	-
0013	Curriculum and instructional staff development	809,329	-
0021	Instructional leadership	606,167	-
0023	School leadership	3,362,398	-
0031	Guidance, counseling, and evaluation services	1,660,693	-
0033	Health services	655,548	-
0034	Student transportation	2,941,235	-
0035	Food service	-	-
0036	Extracurricular activities	1,235,959	-
0041	General administration	2,402,819	-
0051	Plant maintenance and operations	4,649,108	-
0052	Security and monitoring services	471,376	-
0053	Data processing services	325,177	-
0061	Community services	5,037	-
	Debt service:		
0071	Principal on long-term debt	620,000	3,410,000
0072	Interest on long-term debt	786,947	5,762,146
0073	Issuance costs and fees	1,650	10,000
0081	Capital outlay	-	-
	Intergovernmental:		
0093	Payments to shared services arrangements	62,500	-
0099	Other intergovernmental charges	<u>230,055</u>	<u>-</u>
6030	Total expenditures	<u>54,067,781</u>	<u>9,182,146</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,385,623</u>	<u>1,360,720</u>
	OTHER FINANCING SOURCES (USES)		
7912	Proceeds from sale of capital assets	<u>24,161</u>	<u>-</u>
7080	Total other financing sources (uses)	<u>24,161</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	<u>7,409,784</u>	<u>1,360,720</u>
0100	FUND BALANCES, BEGINNING	<u>8,453,867</u>	<u>7,542,219</u>
3000	FUND BALANCES, ENDING	\$ <u>15,863,651</u>	\$ <u>8,902,939</u>

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

699		98
Capital Projects	Other Governmental	Total Governmental Funds
\$ 62,762	\$ 1,095,551	\$ 33,443,874
-	2,125,141	40,610,943
-	4,335,918	5,560,825
<u>62,762</u>	<u>7,556,610</u>	<u>79,615,642</u>
-	2,661,920	35,753,284
-	32,796	183,215
-	21,745	831,074
-	70,089	676,256
-	51,976	3,414,374
-	801,478	2,462,171
-	331	655,879
693,383	1,054,066	4,688,684
-	2,742,887	2,742,887
-	119,120	1,355,079
-	360	2,403,179
-	41,675	4,690,783
-	67,943	539,319
-	-	325,177
-	79,126	84,163
-	-	4,030,000
-	-	6,549,093
-	-	11,650
1,676,438	-	1,676,438
-	-	62,500
-	-	230,055
<u>2,369,821</u>	<u>7,745,512</u>	<u>73,365,260</u>
(2,307,059)	(188,902)	6,250,382
-	25,974	50,135
-	25,974	50,135
(2,307,059)	(162,928)	6,300,517
<u>5,379,749</u>	<u>1,343,657</u>	<u>22,719,492</u>
\$ <u>3,072,690</u>	\$ <u>1,180,729</u>	\$ <u>29,020,009</u>

THIS PAGE LEFT BLANK INTENTIONALLY

CROSBY INDEPENDENT SCHOOL DISTRICT**EXHIBIT C-4****RECONCILIATION OF THE GOVERNMENTAL FUDNS
BALANCE SHEET TO THE STATEMENT OF NET POSITION****FOR THE YEAR ENDED JUNE 30, 2020**

Net change in fund balances - total governmental funds \$ 6,300,517

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

(1,525,631)

Property tax revenues that do not provide current financial resources are not reported as revenues in the funds.

325,438

Bond and tax note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and tax note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.

4,030,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

853,420

GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,225,333. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$1,059,829. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$2,817,603. The net result is a decrease in the change in net position.

(2,652,099)

GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$279,608. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$264,051. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$153,172. The net result is a decrease in the change in net position.

(137,615)

Internal Services Funds are used by management to charge the costs of certain activities, such as workers' compensation to individual funds. The net revenue (expense) of the Internal Service Funds is reported with governmental activities.

(24,550)

Change in net position of governmental activities

\$ 7,169,480

CROSBY INDEPENDENT SCHOOL DISTRICT**EXHIBIT D-1**STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2020

	<u>Governmental Activities Internal Service Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ <u>210,757</u>
Total current assets	<u>210,757</u>
 Total assets	 <u>210,757</u>
LIABILITIES	
Current liabilities:	
Accounts payable	226
Accrued liabilities	<u>235,081</u>
Total current liabilities	<u>235,307</u>
 Total liabilities	
NET POSITION	
Unrestricted net position	(<u>24,550</u>)
 Total net position	 \$(<u><u>24,550</u></u>)

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

FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Activities <u>Internal Service Fund</u>
OPERATING REVENUES	
Local and intermediate sources	\$ <u>363,940</u>
Total operating revenues	<u>363,940</u>
OPERATING EXPENSES	
Workers' compensation claims and premiums	<u>388,494</u>
Total operating expenses	<u>388,494</u>
OPERATING LOSS	(24,554)
NONOPERATING REVENUES	
Earnings from temporary deposits and investments	<u>4</u>
Total nonoperating revenues	<u>4</u>
CHANGE IN NET POSITION	(24,550)
NET POSITION, BEGINNING	<u>-</u>
NET POSITION, ENDING	<u>\$(24,550)</u>

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

FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Activities
	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for workers comp premiums	\$ 363,940
Cash payments for insurance claims	(153,187)
Net cash provided by operating activities	<u>210,753</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Cash received for interest and dividends	<u>4</u>
Net cash flows from investing activities	<u>4</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 <u>210,757</u>
 CASH, BEGINNING	 <u>-</u>
 CASH, ENDING	 \$ <u>210,757</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$(24,554)
Effects of increases and decreases in current assets and liabilities:	
Increase (decrease) in accounts payable	226
Increase (decrease) in accrued liabilities	<u>235,081</u>
Net cash provided by operating activities	\$ <u>210,753</u>

CROSBY INDEPENDENT SCHOOL DISTRICT**EXHIBIT E-1**STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND

JUNE 30, 2020

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 46,815
Current investments	<u>66,100</u>
Total assets	\$ <u>112,915</u>
LIABILITIES	
Due to student groups	\$ <u>112,915</u>
Total liabilities	\$ <u>112,915</u>

THIS PAGE LEFT BLANK INTENTIONALLY

CROSBY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

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

The District reports the following major governmental funds:

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

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

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

Additionally, the District reports the following fund types:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

1. *Cash and Cash Equivalents*

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

2. Investments

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

TexPool, Lone Star and LOGIC have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

3. Receivables and Payables

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

All property taxes receivable are shown net of any allowance for uncollectible. The property tax receivable allowance is equal to 3% of outstanding property taxes at June 30, 2020.

4. Inventories and Prepaid Items

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

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

5. Capital Assets

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

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

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

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

6. *Deferred Outflows/Inflows of Resources*

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

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

7. *Compensated Absences*

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

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

8. *Net Position Flow Assumption*

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

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

9. Net Position

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

10. Fund Balance Flow Assumption

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

11. Fund Balance Policies

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

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

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

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

12. Pension

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

13. Other Post-Employment Benefits

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

E. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

F. Use of Estimates

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

G. Data Control Codes

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Net Position

At year-end, the District's internal service fund has a deficit net position of \$24,550. The internal service fund's revenue is generated through charges to other funds and departments within the District which are assessed by the District during the budget process. The District had more worker's compensation expenses than anticipated in the current year which resulted in a negative net position. This negative net position will be funded with charges to other funds and departments in future years.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Cash Deposits

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

Cash deposits of the District include all amounts deposited at the District's depository bank, including demand deposits and certificates of deposit. The District's cash deposits at June 30, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

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

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

Investment Type	Net Asset Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
TexPool Prime	\$ 16,667,148	51	AAAm
Lone Star Corporate Overnight Plus	2,222,188	50	AAAf/S1+
LOGIC	181,164	43	AAAm
Total	<u>\$ 19,070,500</u>		
Portfolio weighted average maturity		51	

Credit Risk

For fiscal year 2020, the District invested in TexPool, Lone Star and LOGIC. TexPool is duly chartered and administered by the State Comptroller's Office. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC, formerly the Texas Association of School Boards Financial Services. LOGIC is administered by First Southwest, a division of Hilltop Securities, and J.P. Morgan Investment Inc. The credit rating for these investment pools are noted in the preceding table.

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk - Investments

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

Public Funds Investment Pools

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

Restricted Cash and Cash Equivalents

The District has restricted cash and cash equivalents in the amount of \$3,844,318 as of June 30, 2020 which are restricted for the purpose of future debt requirements of the Qualified School Construction Maintenance Tax Notes.

B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenue is considered available (1) when it becomes due or past due and receivable within the current period and (2) when it is expected to be collected during a 60-day period after the close of the school fiscal year.

Allowances for uncollectible tax receivables within the General Fund and Debt Service Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

C. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the state through the School Foundation and Per Capital Programs. Amounts due from local, federal, and state governments as of June 30, 2020, are summarized below.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental</u>	<u>Total</u>
State Entitlements	\$ 8,031,747	\$ -	\$ -	\$ 8,031,747
Federal/State Grants	-	-	1,602,864	1,602,864
Local	<u>520,789</u>	<u>232,012</u>	<u>-</u>	<u>752,801</u>
Totals	<u>\$ 8,552,536</u>	<u>\$ 232,012</u>	<u>\$ 1,602,864</u>	<u>\$ 10,387,412</u>

D. Interfund Balances

Receivables/Payables

The composition of interfund receivable/payable balances as of June 30, 2020, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 1,391,969

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

E. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Retirements, Transfers, and Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 4,195,527	\$ -	\$ -	\$ 4,195,527
Construction in progress	862,475	1,676,438	-	2,538,913
Total capital assets, not being depreciated	5,058,002	1,676,438	-	6,734,440
Capital assets, being depreciated:				
Buildings and improvements	218,412,209	-	-	218,412,209
Furniture and equipment	13,251,291	2,344,005	(1,608,707)	13,986,589
Total capital assets, being depreciated	231,663,500	2,344,005	(1,608,707)	232,398,798
Less accumulated depreciation for:				
Buildings and improvements	(55,763,212)	(4,534,462)	-	(60,297,674)
Furniture and equipment	(8,725,445)	(1,006,526)	1,603,621	(8,128,350)
Total accumulated depreciation	(64,488,657)	(5,540,988)	1,603,621	(68,426,024)
Total capital assets, being depreciated, net	167,174,843	(3,196,983)	(5,086)	163,972,774
Total capital assets, net	\$ 172,232,845	\$ (1,520,545)	\$ (5,086)	\$ 170,707,214

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

Governmental activities:	
Instruction	\$ 4,363,391
Student pupil transportation	333,819
Food services	88,127
Co-curricular/extracurricular	582,249
General administration	39,562
Plant maintenance and operations	72,690
Security and monitoring services	3,637
Data processing services	17,303
Community services	40,210
Total depreciation expense - governmental activities	\$ 5,540,988

F. Short-term Liabilities

During fiscal year 2019, the District entered into a loan agreement to provide funds for maintenance and operations in the general fund. This agreement was amended in February 2020. The taxable loan agreement was secured by the proceeds of a continuing annual ad valorem tax levied for maintenance and anticipated state aid from the Texas Education Agency (TEA). The period in which funds up to \$4,000,000 can be utilized by the District ends March 15, 2022. The District is obligated to pay down the principal amount of the loan to zero by March 15 of each year of the agreement and to maintain a zero balance for a period of at least 30 consecutive days thereafter. In fiscal year 2019 the District borrowed \$2,000,000 and this principal amount was paid during fiscal year 2020. The interest rate stated in the loan agreement is 6%. Interest payment dates are each October 15, November 15, December 15, January 15, February 15, and March 15. As of the year ended June 30, 2020, the outstanding balance is zero.

G. Long-term Liabilities

Changes in Long-term Liabilities

Changes in the District's long-term liabilities for the year ended June 30, 2020 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 136,920,000	\$ -	\$ (3,410,000)	\$ 133,510,000	\$ 3,550,000
Issuance premium (discount)	7,560,747	-	(510,986)	7,049,761	-
Total bonds payable, net	144,480,747	-	(3,920,986)	140,559,761	3,550,000
Limited maintenance tax notes:					
Tax notes	18,100,000	-	(620,000)	17,480,000	560,000
Issuance premium	453,129	-	(33,673)	419,456	-
Total limited maintenance tax notes, net	18,553,129	-	(653,673)	17,899,456	560,000
Compensated absences	404,160	32,325	(53,850)	382,635	69,558
Totals	\$ 163,438,036	\$ 32,325	\$ (4,628,509)	\$ 158,841,852	\$ 4,179,558

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

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

General Obligation Bonds

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

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as current interest bonds (CIB) with various amounts of principal maturing each year. Rates may be fixed or variable. The following is a summary of changes in the general obligation bonds for the fiscal year ended June 30, 2020:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
Bonds:							
2009 REF	2.50-4.20%	4,385,000	2024	\$ 2,170,000	\$ -	\$ (400,000)	\$ 1,770,000
2012 REF	2.00-3.00%	9,275,000	2029	9,095,000	-	-	9,095,000
2013 REF	1.00-4.00%	25,025,000	2029	18,060,000	-	(1,375,000)	16,685,000
2013 BLDG	4.00-5.00%	67,020,000	2043	67,020,000	-	-	67,020,000
2014 BLDG	3.50-4.00%	8,985,000	2043	8,985,000	-	-	8,985,000
2015 BLDG	3.00-3.625%	9,400,000	2043	4,520,000	-	(175,000)	4,345,000
2015 REF	3.00-4.00%	7,450,000	2024	7,315,000	-	(1,440,000)	5,875,000
2018 BLDG	4.00-5.00%	20,010,000	2048	19,755,000	-	(20,000)	19,735,000
Totals				\$ 136,920,000	\$ -	\$ (3,410,000)	\$ 133,510,000

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

Year Ending June 30,	Principal	Interest	Total Requirements
2021	\$ 3,550,000	\$ 5,626,496	\$ 9,176,496
2022	3,695,000	5,485,674	9,180,674
2023	3,845,000	5,339,071	9,184,071
2024	3,990,000	5,186,271	9,176,271
2025	4,105,000	5,043,831	9,148,831
2026-2030	22,165,000	23,448,430	45,613,430
2031-2035	25,455,000	19,206,524	44,661,524
2036-2040	31,695,000	13,162,214	44,857,214
2041-2045	27,425,000	5,170,219	32,595,219
2046-2049	7,585,000	771,000	8,356,000
Totals	<u>\$ 133,510,000</u>	<u>\$ 88,439,730</u>	<u>\$ 221,949,730</u>

As of June 30, 2020, the District had \$86,500,000 of authorized but unissued bonds.

In previous years, the District defeased certain outstanding bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the District's financial statements. As of June 30, 2020, there were no outstanding defeased bonds.

Tax Notes

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

The following is a summary of changes in the tax notes for the fiscal year ended June 30, 2020:

Description	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
Limited maintenance tax notes:							
2010 Qualified school construction maintenance tax notes (QSCMT)	5.95%	\$ 7,235,000	2025	\$ 7,235,000	\$ -	\$ -	\$ 7,235,000
2016 Maintenance tax notes	2.5-3.25%	9,255,000	2036	8,300,000	-	(385,000)	7,915,000
2017 Maintenance tax notes	3.00%	2,970,000	2032	2,565,000	-	(235,000)	2,330,000
Totals				<u>\$ 18,100,000</u>	<u>\$ -</u>	<u>\$ (620,000)</u>	<u>\$ 17,480,000</u>

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

Year Ending June 30,	Principal	Interest	Total Requirements
2021	\$ 560,000	\$ 733,014	\$ 1,293,014
2022	575,000	716,214	1,291,214
2023	595,000	698,964	1,293,964
2024	610,000	681,114	1,291,114
2025	7,865,000	662,814	8,527,814
2026-2030	3,420,000	887,693	4,307,693
2031-2035	3,245,000	380,045	3,625,045
2036	610,000	19,825	629,825
Totals	<u>\$ 17,480,000</u>	<u>\$ 4,779,683</u>	<u>\$ 22,259,683</u>

H. Risk Management

Property/Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. During fiscal 2020, the District purchased commercial insurance to cover these general liabilities. There were no significant reductions in coverage in the current fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Health Insurance

During the fiscal year ended June 30, 2020, employees of the District were covered by TRS-Active Care (the Plan), a statewide health coverage program for Texas public education employees implemented by the Teacher Retirement System of Texas (TRS). The District's contribution of \$150 per month is combined with the state contribution of \$75 per month per participating employee to be used for healthcare coverage premiums. Employees, at their option, authorized payroll deductions to pay remaining premium amounts. All premiums were paid to the TRS.

Workers' Compensation

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

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

	Year Ended <u>6/30/2019</u>	Year Ended <u>6/30/2020</u>
Unpaid claims, beginning of fiscal year	\$ 303,422	\$ 330,953
Incurred claims	131,560	94,768
Claim payments	(104,029)	(190,640)
Unpaid claims, end of fiscal year	\$ <u>330,953</u>	\$ <u>235,081</u>

I. Litigation and Contingencies

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through June 30, 2020, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

The District is a defendant in an inquiry. Although the outcome of the inquiry is not presently determinable, in the opinion of the District's legal counsel, the resolution of this matter will not have a material adverse effect on the financial condition of the District.

J. Defined Benefit Pension Plan

Plan Description. The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the TRS website at www.trs.state.tx.us; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers, and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	Contribution Rates	
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
Current fiscal year employer contributions		\$ 1,425,866
Current fiscal year member contributions		3,090,696
2019 measurement year NECE on-behalf contributions		1,708,062

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non (OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions. The total pension liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019, and was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
Ad Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

Discount Rate. A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	Target Allocation ¹	Long-Term New Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³
Global Equity			
U.S.	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	-	-
Private Equity	13.00%	14.00%	8.40%
Stable Value			
U.S. Treasuries ⁴	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Real Return			
Global Inflation Linked Bonds ⁴	3.00%	-	-
Real Estate	14.00%	15.00%	8.50%
Energy and Natural Resources	5.00%	6.00%	7.30%
Risk Parity			
Risk Parity	5.00%	8.00%	5.8%/6.5% ⁵
Leverage			
Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	-	-6.00%	2.70%
Total	100.00%	100.00%	7.23%

¹ Target allocations are based on the Strategic Asset Allocation as of FY2019.

² New allocations are based on the Strategic Asset Allocation to be implemented FY 2020.

³ 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

⁴ New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

⁵ 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the net pension liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability	\$ 28,774,848	\$ 18,719,667	\$ 10,573,030

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the District reported a liability of \$18,719,667 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	18,719,667
State's proportionate share that is associated with the District		<u>25,368,891</u>
Total	\$	<u><u>44,088,558</u></u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0360110457% which was a decrease of 0.0048680704% from its proportion measured as of August 31, 2018.

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

Changes Since the Prior Actuarial Valuation. The following changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the measurement period.

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the year ended June 30, 2020, the District recognized pension expense of \$7,862,527 and revenue of \$3,985,095 for support provided by the State.

At June 30, 2020, the District's proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 78,639	\$ 649,977
Changes in actuarial assumptions	5,807,760	2,400,041
Differences between projected and actual investment earnings	187,967	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	2,991,773	1,553,811
Contributions paid to TRS subsequent to the measurement date	<u>1,225,333</u>	<u>-</u>
Totals	<u><u>\$ 10,291,472</u></u>	<u><u>\$ 4,603,829</u></u>

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

For the Year Ended June 30,	Pension Expense
2021	\$ 1,318,362
2022	1,093,171
2023	1,197,149
2024	993,185
2025	137,832
Thereafter	(277,389)

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

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the TRS website at www.trs.state.tx.us; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

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

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

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

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2019	2020
Active employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions		\$ 330,887
Current fiscal year member contributions		260,905
2019 measurement year NECE on-behalf contributions		419,003

In addition, the State of Texas contributed \$174,123, \$136,671 and \$125,103 in 2020, 2019, and 2018, respectively, for on-behalf payments for Medicare Part D.

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

Actuarial Assumptions. The total OPEB liability in the August 31, 2018 was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	
Additional Actuarial Methods and Assumptions	
Valuation Date	August 31, 2018, rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Expected Payroll Growth	3.00%
Projected Salary Increases	3.05% to 9.05%
Healthcare Trend Rates	4.50% to 10.25%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than the discount rate that was used (2.63%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (1.63%)	Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of net OPEB liability	\$ 25,369,139	\$ 21,012,756	\$ 17,604,754

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 17,141,470	\$ 21,012,756	\$ 26,198,503

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2020, the District reported a liability of \$21,012,756 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 21,012,756
State's proportionate share that is associated with the District	<u>27,921,253</u>
Total	<u>\$ 48,934,009</u>

The net OPEB liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net OPEB liability was 0.0444326752% which was a decrease of 0.0061335966% from its proportion measured as of August 31, 2018.

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

Changes Since the Prior Actuarial Valuation. The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the total OPEB liability.

- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the total OPEB liability.
- There were no changes in benefit terms since the prior measurement date.

The impact of the Cadillac Tax that is returning in fiscal year 2023 has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,153,113 and revenue of \$735,890 for support provided by the State.

At June 30, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 1,030,854	\$ 3,438,515
Changes in actuarial assumptions	1,167,095	5,651,916
Differences between projected and actual investment earnings	2,267	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	2,268,702	3,394,603
Contributions paid to TRS subsequent to the measurement date	<u>279,608</u>	<u>-</u>
Totals	<u>\$ 4,748,526</u>	<u>\$ 12,485,034</u>

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

For the Year Ended June 30,	OPEB Expense
2021	\$(1,259,585)
2022	(1,259,585)
2023	(1,260,318)
2024	(1,260,738)
2025	(1,260,623)
Thereafter	(1,715,267)

L. New Accounting Standards

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

Statement No. 84, *Fiduciary Activities* – This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus is generally on whether a government is controlling the assets of the fiduciary activity and on the beneficiaries with whom a fiduciary relationship exists. This Statement will become effective for the District in fiscal year 2021.

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

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

CROSBY INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

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

FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 23,837,475	\$ 21,829,608	\$ 22,420,706	\$ 591,098
5800	State programs	31,328,951	38,086,275	37,807,791	(278,484)
5900	Federal program	1,193,375	1,195,232	1,224,907	29,675
5020	Total revenues	56,359,801	61,111,115	61,453,404	342,289
EXPENDITURES					
Current:					
0011	Instruction	30,814,629	34,426,474	33,091,364	1,335,110
0012	Instructional resources and media sources	136,129	170,301	150,419	19,882
0013	Curriculum and staff development	618,560	889,650	809,329	80,321
0021	Instructional leadership	731,605	642,415	606,167	36,248
0023	School leadership	2,983,640	3,411,253	3,362,398	48,855
0031	Guidance, counseling, and evaluation services	1,400,503	1,744,770	1,660,693	84,077
0033	Health services	530,579	688,822	655,548	33,274
0034	Student transportation	3,183,576	3,472,309	2,941,235	531,074
0036	Extracurricular activities	1,359,323	1,547,563	1,235,959	311,604
0041	General administration	1,893,124	2,787,900	2,402,819	385,081
0051	Facilities maintenance and operations	4,577,087	5,248,115	4,649,108	599,007
0052	Security and monitoring services	463,243	528,862	471,376	57,486
0053	Data processing services	584,389	431,154	325,177	105,977
0061	Community services	58,855	8,971	5,037	3,934
Debt service:					
0071	Principal on long-term debt	620,000	620,000	620,000	-
0072	Interest on long-term debt	811,614	811,614	786,947	24,667
0073	Bond issuance costs and fees	5,000	5,000	1,650	3,350
Intergovernmental:					
0093	Payments to shared services arrangements	77,000	77,000	62,500	14,500
	Payments to juvenile justice alternative education programs	19,800	19,800	-	19,800
0095	Other governmental charges	237,000	237,000	230,055	6,945
6030	Total expenditures	51,105,656	57,768,973	54,067,781	3,701,192
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,254,145	3,342,142	7,385,623	4,043,481
OTHER FINANCING SOURCES (USES)					
7912	Proceeds from sale of capital assets	-	20,000	24,161	4,161
8949	Transfers out	(10,000)	(10,000)	-	10,000
7080	Total other financing sources (uses)	(10,000)	10,000	24,161	14,161
1200	NET CHANGE IN FUND BALANCES	5,244,145	3,352,142	7,409,784	4,057,642
0100	FUND BALANCES, BEGINNING	8,453,867	8,453,867	8,453,867	-
3000	FUND BALANCES, ENDING	\$ 13,698,012	\$ 11,806,009	\$ 15,863,651	\$ 4,057,642

THIS PAGE LEFT BLANK INTENTIONALLY

CROSBY INDEPENDENT SCHOOL DISTRICT

NOTES TO BUDGETARY INFORMATION

JUNE 30, 2020

Budgetary Information

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

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

1. Prior to June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is formally approved and adopted by the Board.

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

Encumbrances

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

CROSBY INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM**

FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

CROSBY INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM****FOR THE YEAR ENDED JUNE 30, 2020**

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

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

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

Fiscal Year Ended June 30,			
2017 ⁽¹⁾	2018	2019	2020
\$ 994,987	\$ 1,368,942	\$ 1,294,013	\$ 1,425,866
(994,987)	(1,368,942)	(1,294,013)	(1,425,866)
\$ -	\$ -	\$ -	\$ -
\$ 33,078,371	\$ 42,528,472	\$ 39,010,561	\$ 40,138,908
3.01%	3.22%	3.32%	3.55%

CROSBY INDEPENDENT SCHOOL DISTRICT**EXHIBIT G-4**

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

FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

FOR THE YEAR ENDED JUNE 30, 2020

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

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

THIS PAGE LEFT BLANK INTENTIONALLY

COMBINING SCHEDULES

CROSBY INDEPENDENT SCHOOL DISTRICTCOMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2020

	Special Revenue Funds			
	206	211	224	225
	Texas Education for Homeless Children & Youth	Title I, Part A- Improving Basic Programs	IDEA-B Formula	IDEA-B Preschool
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Current investments	-	-	-	-
Due from other governments	-	197,602	224,585	5,136
Other receivables	-	-	-	-
Inventories	-	-	-	-
Total assets	<u>-</u>	<u>197,602</u>	<u>224,585</u>	<u>5,136</u>
LIABILITIES				
Accounts payable	-	-	2,725	-
Payroll deductions and withholdings	-	12,674	11,309	276
Accrued wages	-	96,029	86,110	2,798
Due to other funds	-	88,899	124,441	2,062
Due to other governments	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>197,602</u>	<u>224,585</u>	<u>5,136</u>
FUND BALANCES				
Nonspendable - inventories	-	-	-	-
Restricted - grant funds	-	-	-	-
Committed - campus activity funds	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	\$ <u>-</u>	\$ <u>197,602</u>	\$ <u>224,585</u>	\$ <u>5,136</u>

Special Revenue Funds						
226	226	240	244	255	263	289
IDEA-B High Cost	IDEA-B Evaluation Capacity	National School Breakfast and Lunch Program	Carl D. Perkins Career & Technical Basic Grant	Title II, Part A- Supporting Effective Instruction	Title III, Part A- ELA	Restart Hurricane Recovery
\$ -	\$ -	\$ 433,687	\$ -	\$ -	\$ -	\$ -
-	-	436,083	-	-	-	-
59,685	-	-	7,765	41,693	10,264	-
-	-	-	-	-	-	-
-	-	77,095	-	-	-	-
<u>59,685</u>	<u>-</u>	<u>946,865</u>	<u>7,765</u>	<u>41,693</u>	<u>10,264</u>	<u>-</u>
-	-	1,631	-	-	1,075	-
-	-	9,354	534	2,410	159	-
-	-	108,247	-	23,474	3,780	-
59,685	-	40,679	7,231	15,809	5,250	-
-	-	-	-	-	-	-
-	-	55,582	-	-	-	-
<u>59,685</u>	<u>-</u>	<u>215,493</u>	<u>7,765</u>	<u>41,693</u>	<u>10,264</u>	<u>-</u>
-	-	77,095	-	-	-	-
-	-	654,277	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>731,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>59,685</u>	\$ <u>-</u>	\$ <u>946,865</u>	\$ <u>7,765</u>	\$ <u>41,693</u>	\$ <u>10,264</u>	\$ <u>-</u>

CROSBY INDEPENDENT SCHOOL DISTRICTCOMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2020

	Special Revenue Funds			
	289	289	410	424
	LEP Summer School	Title IV, Part A, Subpart I	State Textbook Fund	Career and Technical Education
ASSETS				
Cash and cash equivalents	\$ 483	\$ -	\$ 4,245	\$ -
Current investments	-	-	-	-
Due from other governments	-	6,012	-	16,922
Other receivables	-	-	-	-
Inventories	-	-	-	-
Total assets	<u>483</u>	<u>6,012</u>	<u>4,245</u>	<u>16,922</u>
LIABILITIES				
Accounts payable	-	-	1,437	13,404
Payroll deductions and withholdings	483	-	-	-
Accrued wages	-	-	-	-
Due to other funds	-	6,012	-	3,518
Due to other governments	-	-	-	-
Unearned revenue	-	-	2,808	-
Total liabilities	<u>483</u>	<u>6,012</u>	<u>4,245</u>	<u>16,922</u>
FUND BALANCES				
Nonspendable - inventories	-	-	-	-
Restricted - grant funds	-	-	-	-
Committed - campus activity funds	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	\$ <u>483</u>	\$ <u>6,012</u>	\$ <u>4,245</u>	\$ <u>16,922</u>

Special Revenue Funds						
426 Special Education Fiscal Support	427 TCEQ VW Environmental Program	428 Read to Succeed License Plate Program	429 Literacy and Math Academies	461 Campus Activity Funds	494 Target Grant	495 Class of '77
\$ 100,554	\$ -	\$ -	\$ -	\$ 450,612	\$ -	\$ 197
-	-	-	-	-	-	-
-	1,033,200	-	-	-	-	-
-	-	-	-	181	-	-
-	-	-	-	-	-	-
<u>100,554</u>	<u>1,033,200</u>	<u>-</u>	<u>-</u>	<u>450,793</u>	<u>-</u>	<u>197</u>
7,262	-	-	-	1,363	-	197
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,033,200	-	-	-	-	-
-	-	-	-	73	-	-
<u>93,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>100,554</u>	<u>1,033,200</u>	<u>-</u>	<u>-</u>	<u>1,436</u>	<u>-</u>	<u>197</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	449,357	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>449,357</u>	<u>-</u>	<u>-</u>
\$ <u>100,554</u>	\$ <u>1,033,200</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>450,793</u>	\$ <u>-</u>	\$ <u>197</u>

THIS PAGE LEFT BLANK INTENTIONALLY

CROSBY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2020

	Special Revenue Funds			
	497	498	499	
	Code Red	Crosby Education Foundation	Region IV School Support Grant	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 84	\$ 989,862
Current investments	-	-	-	436,083
Due from other governments	-	-	-	1,602,864
Other receivables	-	5,586	-	5,767
Inventories	-	-	-	77,095
Total assets	<u>-</u>	<u>5,586</u>	<u>84</u>	<u>3,111,671</u>
LIABILITIES				
Accounts payable	-	-	-	29,094
Payroll deductions and withholdings	-	83	-	37,282
Accrued wages	-	320	-	320,758
Due to other funds	-	5,183	-	1,391,969
Due to other governments	-	-	-	73
Unearned revenue	-	-	84	151,766
Total liabilities	<u>-</u>	<u>5,586</u>	<u>84</u>	<u>1,930,942</u>
FUND BALANCES				
Nonspendable - inventories	-	-	-	77,095
Restricted - grant funds	-	-	-	654,277
Committed - campus activity funds	-	-	-	449,357
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,180,729</u>
 Total liabilities and fund balances	 \$ -	 \$ 5,586	 \$ 84	 \$ 3,111,671

CROSBY INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds			
	206	211	224	225
	Texas Education for Homeless Children & Youth	Title I, Part A- Improving Basic Programs	IDEA-B Formula	IDEA-B Preschool
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State programs	-	-	-	-
Federal programs	3,460	961,943	1,108,233	24,429
Total revenues	<u>3,460</u>	<u>961,943</u>	<u>1,108,233</u>	<u>24,429</u>
EXPENDITURES				
Current:				
Instruction	3,100	948,757	324,279	24,429
Instructional resources and media services	-	-	-	-
Curriculum and instructional staff development	-	472	7,239	-
Instructional leadership	-	-	6,336	-
School leadership	-	-	3,927	-
Guidance, counseling, and evaluating services	-	-	765,079	-
Health services	-	-	-	-
Student transportation	-	-	1,373	-
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
General administration	360	-	-	-
Facility maintenance and operations	-	-	-	-
Security and monitoring services	-	-	-	-
Community services	-	12,714	-	-
Total expenditures	<u>3,460</u>	<u>961,943</u>	<u>1,108,233</u>	<u>24,429</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, BEGINNING	-	-	-	-
FUND BALANCES, ENDING	\$ -	\$ -	\$ -	\$ -

Special Revenue Funds						
226	226	240	244	255	263	289
IDEA-B High Cost	IDEA-B Evaluation Capacity	National School Breakfast and Lunch Program	Carl D. Perkins Career & Technical Basic Grant	Title II, Part A- Supporting Effective Instruction	Title III, Part A- ELA	Restart Hurricane Recovery
\$ -	\$ -	\$ 674,197	\$ -	\$ -	\$ -	\$ -
-	-	74,802	-	-	-	-
59,685	-	1,780,630	70,715	179,428	67,134	8,308
59,685	-	2,529,629	70,715	179,428	67,134	8,308
48,500	-	-	-	179,428	55,381	-
-	-	-	-	-	-	-
-	-	-	-	-	5,752	-
-	-	-	63,213	-	-	-
-	-	-	-	-	-	-
-	-	-	7,502	-	5,970	-
-	-	-	-	-	-	-
11,185	-	-	-	-	-	8,308
-	-	2,742,887	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	41,108	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	31	-
59,685	-	2,783,995	70,715	179,428	67,134	8,308
-	-	(254,366)	-	-	-	-
-	-	25,974	-	-	-	-
-	-	25,974	-	-	-	-
-	-	(228,392)	-	-	-	-
-	-	959,764	-	-	-	-
\$ -	\$ -	\$ 731,372	\$ -	\$ -	\$ -	\$ -

CROSBY INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds			
	289	289	410	424
	LEP Summer School	Title IV, Part A, Subpart I	State Textbook Fund	Career and Technical Education
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State programs	-	-	974,602	16,279
Federal programs	5,343	66,610	-	-
Total revenues	<u>5,343</u>	<u>66,610</u>	<u>974,602</u>	<u>16,279</u>
EXPENDITURES				
Current:				
Instruction	5,343	1,831	974,602	16,279
Instructional resources and media services	-	-	-	-
Curriculum and instructional staff development	-	-	-	-
Instructional leadership	-	-	-	-
School leadership	-	-	-	-
Guidance, counseling, and evaluating services	-	-	-	-
Health services	-	-	-	-
Student transportation	-	-	-	-
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
General administration	-	-	-	-
Facility maintenance and operations	-	-	-	-
Security and monitoring services	-	64,779	-	-
Community services	-	-	-	-
Total expenditures	<u>5,343</u>	<u>66,610</u>	<u>974,602</u>	<u>16,279</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, BEGINNING	-	-	-	-
FUND BALANCES, ENDING	\$ -	\$ -	\$ -	\$ -

Special Revenue Funds						
426 Special Education Fiscal Support	427 TCEQ VW Environmental Program	428 Read to Succeed License Plate Program	429 Literacy and Math Academies	461 Campus Activity Funds	494 Target Grant	495 Class of '77
\$ - 21,733 -	\$ - 1,033,200 -	\$ - 100 -	\$ - 370 -	\$ 320,672 - -	\$ 1,000 - -	\$ 558 - -
<u>21,733</u>	<u>1,033,200</u>	<u>100</u>	<u>370</u>	<u>320,672</u>	<u>1,000</u>	<u>558</u>
-	-	-	370	48,476	1,000	-
-	-	100	-	32,696	-	-
-	-	-	-	2,034	-	-
-	-	-	-	-	-	-
-	-	-	-	47,999	-	-
21,733	-	-	-	884	-	-
-	-	-	-	331	-	-
-	1,033,200	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	119,120	-	-
-	-	-	-	-	-	-
-	-	-	-	9	-	558
-	-	-	-	3,164	-	-
-	-	-	-	495	-	-
<u>21,733</u>	<u>1,033,200</u>	<u>100</u>	<u>370</u>	<u>255,208</u>	<u>1,000</u>	<u>558</u>
-	-	-	-	65,464	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	65,464	-	-
-	-	-	-	383,893	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449,357</u>	<u>\$ -</u>	<u>\$ -</u>

CROSBY INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds			Total Nonmajor Governmental
	497	498	499	
	Code Red	Crosby Education Foundation	Region IV School Support Grant	
REVENUES				
Local and intermediate sources	\$ 125	\$ 91,851	\$ 7,148	\$ 1,095,551
State programs	-	4,055	-	2,125,141
Federal programs	-	-	-	4,335,918
Total revenues	<u>125</u>	<u>95,906</u>	<u>7,148</u>	<u>7,556,610</u>
EXPENDITURES				
Current:				
Instruction	-	30,145	-	2,661,920
Instructional resources and media services	-	-	-	32,796
Curriculum and instructional staff development	-	-	6,248	21,745
Instructional leadership	-	-	540	70,089
School leadership	-	-	50	51,976
Guidance, counseling, and evaluating services	-	-	310	801,478
Health services	-	-	-	331
Student transportation	-	-	-	1,054,066
Food services	-	-	-	2,742,887
Extracurricular activities	-	-	-	119,120
General administration	-	-	-	360
Facility maintenance and operations	-	-	-	41,675
Security and monitoring services	-	-	-	67,943
Community services	<u>125</u>	<u>65,761</u>	<u>-</u>	<u>79,126</u>
Total expenditures	<u>125</u>	<u>95,906</u>	<u>7,148</u>	<u>7,745,512</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(188,902)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,974</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,974</u>
NET CHANGE IN FUND BALANCES	-	-	-	(162,928)
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,343,657</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,180,729</u>

REQUIRED TEA SCHEDULES

CROSBY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2020

Last Ten Years Ended June 30,	1	2	3
	Tax Rates		Net Assessed/ Appraised Value for School Tax Purpose
	Maintenance	Debt Service	
2011 and prior years	various	various	various
2012	1.170000	0.270000	1,282,400,903
2013	1.170000	0.270000	1,287,574,028
2014	1.170000	0.500000	1,323,928,443
2015	1.170000	0.500000	1,510,967,066
2016	1.170000	0.500000	1,606,094,132
2017	1.170000	0.500000	1,671,335,749
2018	1.170000	0.500000	1,760,500,180
2019	1.170000	0.480000	1,843,055,758
2020 (School year under audit)	1.068350	0.480000	2,029,405,109
1000 Totals			

EXHIBIT J-1

10	20	31	32	40	50
Beginning Balance 07/01/19	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 06/30/20
\$ 604,687	\$ -	\$ 15,756	\$ 3,636	\$ (12,553)	\$ 572,742
118,597	-	3,170	732	36	114,731
82,443	-	5,192	1,198	(1,563)	74,490
102,421	-	9,825	4,199	2,142	90,539
119,263	-	17,102	7,309	9,140	103,992
130,952	-	29,093	12,433	18,716	108,142
181,556	-	39,088	16,704	13,817	139,581
344,662	-	92,012	39,321	(10,083)	203,246
986,389	-	376,260	154,356	(100,301)	355,472
-	31,422,294	20,823,117	9,355,638	-	1,243,539
<u>\$ 2,670,970</u>	<u>\$ 31,422,294</u>	<u>\$ 21,410,615</u>	<u>\$ 9,595,526</u>	<u>\$ (80,649)</u>	<u>\$ 3,006,474</u>

CROSBY INDEPENDENT SCHOOL DISTRICT**EXHIBIT J-4**

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALNCE
BUDGET AND ACTUAL -
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE YEAR ENDED JUNE 30, 2020

		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts	Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 984,619	\$ 694,619	\$ 674,197	\$(20,422)
5800	State programs	57,000	82,000	74,802	(7,198)
5900	Federal programs	<u>2,397,170</u>	<u>1,797,170</u>	<u>1,780,630</u>	<u>(16,540)</u>
5020	Total revenues	<u>3,438,789</u>	<u>2,573,789</u>	<u>2,529,629</u>	<u>(44,160)</u>
EXPENDITURES					
Current:					
0035	Food service	3,378,789	2,978,789	2,742,887	235,902
0051	Facilities maintenance and operations	<u>60,000</u>	<u>60,000</u>	<u>41,108</u>	<u>18,892</u>
6030	Total expenditures	<u>3,438,789</u>	<u>3,038,789</u>	<u>2,783,995</u>	<u>254,794</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(465,000)</u>	<u>(254,366)</u>	<u>210,634</u>
OTHER FINANCING SOURCES (USES)					
7912	Proceeds from sale of capital assets	<u>-</u>	<u>25,000</u>	<u>25,974</u>	<u>(974)</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>25,000</u>	<u>25,974</u>	<u>(974)</u>
1200	NET CHANGE IN FUND BALANCES	<u>-</u>	<u>(440,000)</u>	<u>(228,392)</u>	<u>211,608</u>
0100	FUND BALANCES, BEGINNING	<u>959,764</u>	<u>959,764</u>	<u>959,764</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 959,764</u>	<u>\$ 519,764</u>	<u>\$ 731,372</u>	<u>\$ 211,608</u>

CROSBY INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2020

		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts	Positive
					(Negative)
REVENUES					
5700	Local and intermediate sources	\$ 8,637,232	\$ 9,620,451	\$ 9,864,855	\$ 244,404
5800	State programs	730,418	597,920	678,011	80,091
5020	Total revenues	9,367,650	10,218,371	10,542,866	324,495
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	3,410,000	3,410,000	3,410,000	-
0072	Interest on long-term debt	5,762,147	5,762,147	5,762,146	1
0073	Bond issuance costs and fees	25,000	25,000	10,000	15,000
6030	Total expenditures	9,197,147	9,197,147	9,182,146	15,001
1200	NET CHANGE IN FUND BALANCES	170,503	1,021,224	1,360,720	339,496
0100	FUND BALANCES, BEGINNING	7,542,219	7,542,219	7,542,219	-
3000	FUND BALANCES, ENDING	\$ 7,712,722	\$ 8,563,443	\$ 8,902,939	\$ 339,496

THIS PAGE LEFT BLANK INTENTIONALLY

COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

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

Board of Trustees of
Crosby Independent School District
Crosby, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crosby Independent School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Crosby Independent School District's basic financial statements, and have issued our report thereon dated October 19, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Waco, Texas
October 19, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND
THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS**

Board of Trustees of
Crosby Independent School District
Crosby, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Crosby Independent School District's compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* ("UGMS"), issued by the Governor's Office of Budget and Planning, that could have a direct and material effect on each of Crosby Independent School District's major federal and state programs for the year ended June 30, 2020. Crosby Independent School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, Crosby Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal and state 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 and state 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 and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Waco, Texas
October 19, 2020

THIS PAGE LEFT BLANK INTENTIONALLY

CROSBY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

(1) Federal Grantor/ Pass-through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
FEDERAL AWARDS:			
U. S. DEPARTMENT OF AGRICULTURE			
Passed through the Texas Education Agency:			
School Breakfast Program (SBP)	10.553	71401801	\$ 401,991
National School Lunch Program (NSLP)	10.555	71301801	<u>1,171,244</u>
Total Passed through the Texas Education Agency			<u>1,573,235</u>
Passed through the Texas Department of Agriculture:			
NSLP - Commodities - Noncash Assistance	10.555	00516	<u>207,395</u>
Total Passed through the Texas Department of Agriculture			<u>207,395</u>
Total Child Nutrition Cluster			<u>1,780,630</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>1,780,630</u>
U. S. DEPARTMENT OF EDUCATION			
Passed through the Texas Education Agency:			
Title I, Part A-Improving Basic Programs	84.010A	19610101101906	51,025
Title I, Part A-Improving Basic Programs	84.010A	20610101101906	<u>948,905</u>
Total Title I, Part A			<u>999,930</u>
IDEA B Formula	84.027A	196600011019066000	187,628
IDEA B Formula	84.027A	206600011019066000	964,378
IDEA B High Cost Risk Pool	84.027A	66002006	59,685
IDEA B Preschool	84.173A	196610011019066000	3,193
IDEA B Preschool	84.173A	206610011019066000	<u>22,202</u>
Total Special Education Cluster (IDEA)			<u>1,237,086</u>
Career and Technical-Basic Grant	84.048A	19420006101906	7,798
Career and Technical-Basic Grant	84.048A	20420006101906	<u>65,709</u>
Total Career and Technical-Basic Grant			<u>73,507</u>
Texas Education For Homeless Children and Youth	84.196A	194600057110018	438
Texas Education For Homeless Children and Youth	84.196A	204600057110018	<u>3,160</u>
Total Texas Education For Homeless Children and Youth			<u>3,598</u>
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	19671001101906	10,094
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	20671001101906	<u>59,691</u>
Total Title III, Part A			<u>69,785</u>
Title II, Part A-Teacher and Principal Training and Recruiting	84.367A	19694501101906	15,591
Title II, Part A-Teacher and Principal Training and Recruiting	84.367A	20694501101906	<u>170,923</u>
Total Title II, Part A			<u>186,514</u>

(1) Federal Grantor/ Pass-through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
U. S. DEPARTMENT OF EDUCATION (continued)			
Summer School, LEP	84.369A	69551702	\$ 5,343
Title IV, Part A, Subpart 1	84.424A	19680101101906	983
Title IV, Part A, Subpart 1	84.424A	20680101101906	65,627
Total Title IV, Part A, Subpart 1			<u>66,610</u>
Restart Hurricane Recovery	84.938A	18511701101906	<u>8,308</u>
Total Passed through the Texas Education Agency			<u>2,650,681</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>2,650,681</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Texas Department of Health and Human Services:			
Medical Assistance Program	93.778	529-14-0042-00005	<u>27,688</u>
Total Medicaid Cluster			<u>27,688</u>
Total Passed through the Texas Department of Health & Human Services			<u>27,688</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>27,688</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>4,458,999</u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

<u>(1)</u> <u>State Grantor/Program Title</u>	<u>(2A)</u> <u>Grant Number</u>	<u>(3)</u> <u>Expenditures</u>
STATE AWARDS:		
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY		
Texas Volkswagen Environmental Mitigation Program (TxVEMP)	582-19-97502-VW	\$ <u>1,033,200</u>
TOTAL TEXAS COMMISSION ON ENVIRONMENTAL QUALITY		<u>1,033,200</u>
TOTAL EXPENDITURES OF STATE AWARDS		\$ <u>1,033,200</u>

CROSBY INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Crosby Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Uniform Grant Management Standards*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. National School Lunch Program noncash commodities are recorded at their estimated market value at the time of donation. The District has elected not to use 10% de minimis indirect cost rate as allowed under Uniform Guidance, and none of the federal awards expended by the District were provided to subrecipients. Presented below is a reconciliation of federal revenues:

Total expenditures of federal awards per Exhibit K-1	\$ 4,458,999
Additional federal revenues reported in general fund:	
SHARS	623,771
Interest subsidy on qualified school construction bonds	391,523
E-Rate	21,000
ROTC	<u>65,532</u>
Total federal revenues per exhibit C-3	\$ <u><u>5,560,825</u></u>

CROSBY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2020

Summary of Auditor's Results

Financial Statements

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

Federal and State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified, that were not considered a material weakness?	None reported

Type of auditor's report on compliance for major programs	Unmodified
---	------------

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or <i>Uniform Grant Management Standards</i> ?	None
--	------

Identification of major programs:	
CFDA Numbers:	Name of Federal/State Programs or Cluster:
84.010A	Title I, Part A-Improving Basic Programs
84.027A and 84.173A	Special Education Cluster (IDEA)
10.553 and 10.555	Child Nutrition Cluster
State	Texas Volkswagen Environmental Mitigation Program (TxVEMP)

Dollar threshold used to distinguish between Type A and Type B federal programs	\$750,000
---	-----------

Dollar threshold used to distinguish between Type A and Type B state programs	\$300,000
---	-----------

Auditee qualified as low-risk auditee?	No
--	----

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

None

Findings and Questioned Costs for Federal and State Awards

None

THIS PAGE LEFT BLANK INTENTIONALLY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2020

Item 2019-001: Employee Time Entry – Significant Deficiency

Criteria

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

Condition

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

Cause

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

Effect or Potential Effect

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

Recommendation

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

Status

Completed.

Item 2019-002: Suspension & Debarment - Material Weakness

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

Criteria

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

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

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

Condition

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

Cause

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

Effect or Potential Effect

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

Recommendation:

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

Status

Completed.

Item 2019-003: Allowable Costs - Material Weakness

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

Criteria

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

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

Condition

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

Cause

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

Effect or Potential Effect

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

Recommendation

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

Status

Completed.

THIS PAGE LEFT BLANK INTENTIONALLY

OTHER INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

CROSBY INDEPENDENT SCHOOL DISTRICT**EXHIBIT L-1****SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
(UNAUDITED)****JUNE 30, 2020**

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

THIS PAGE LEFT BLANK INTENTIONALLY