

CROSBY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2022

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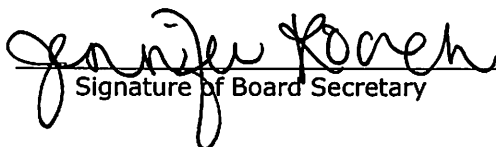
CERTIFICATE OF BOARD

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, 2022, at a meeting of the Board of Trustees of such school district on the November 14, 2022.



Signature of Board Secretary



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)

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees of
Crosby Independent School District
Crosby, Texas

Report on the Audit of the Financial Statements

Opinions

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, 2022, 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.

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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Crosby Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Crosby Independent School District's Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Crosby Independent School District's ability to continue as a going concern for twelve months beyond the financial statement due date, including any currently known information that may raise substantial doubt shortly thereafter.

OFFICE LOCATIONS

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Crosby Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Crosby Independent School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crosby Independent School District's basic financial statements. The combining statements, required TEA schedules, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, required TEA schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Financial Report

Management is responsible for the other information included in the annual financial report (AFR). The other information comprises the Other Information section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022, on our consideration of the 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 the District's 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 the District's internal control over financial reporting and compliance.

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

Waco, Texas
November 14, 2022

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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, 2022.

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 \$24,864,127 (*net position*). Of this amount, a deficit of \$12,697,564 (unrestricted net position) exists, which includes recognition of the District's pension and OPEB liabilities and net related deferred outflows/inflows of \$41,131,047.
- The District's total net position increased by \$15,629,413, 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 \$43,997,878, an increase of \$10,133,494 from current operations.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$20,062,611, an increase of \$1,891,873, in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and supplementary 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 25 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 and debt service fund, which are considered to be major funds. Data from the other 23 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 \$15,629,413 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 \$12,697,564 on June 30, 2022 compared to \$22,235,518 deficit on June 30, 2021.

TABLE 1
CROSBY INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities		Increase/ (Decrease)
	2022	2021	
Current and other assets	\$ 53,925,486	\$ 44,055,212	\$ 9,870,274
Capital assets	160,414,737	165,921,307	(5,506,570)
Total assets	<u>214,340,223</u>	<u>209,976,519</u>	<u>4,363,704</u>
Total deferred outflows of resources	<u>18,130,489</u>	<u>20,247,467</u>	<u>(2,116,978)</u>
Long-term liabilities	173,736,581	192,953,959	(19,217,378)
Other liabilities	7,924,101	8,678,497	(754,396)
Total liabilities	<u>181,660,682</u>	<u>201,632,456</u>	<u>(19,971,774)</u>
Total deferred inflows of resources	<u>25,945,903</u>	<u>19,356,816</u>	<u>6,589,087</u>
Net position:			
Net investment in capital assets	23,635,042	20,214,945	3,420,097
Restricted	13,926,649	11,255,287	2,671,362
Unrestricted	(12,697,564)	(22,235,518)	9,537,954
Total net position	<u>\$ 24,864,127</u>	<u>\$ 9,234,714</u>	<u>\$ 15,629,413</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 \$13,926,649.

The District reported a deficit unrestricted net position \$12,697,564 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 \$41,131,047.

Governmental Activities. Governmental activities increased the District's net position by \$15,629,413 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)
	2022	2021	
REVENUES			
Program revenues:			
Charges for services	\$ 1,160,080	\$ 500,784	\$ 659,296
Operating grants and contributions	13,875,720	12,993,912	881,808
Capital grants and contributions	-	252,816	(252,816)
General revenues:			
Property taxes, levied for general purposes	23,206,288	22,439,402	766,886
Property taxes, levied for debt service	11,569,828	10,753,893	815,935
Grants and contributions not restricted	36,329,988	36,138,330	191,658
Investment earnings	98,434	38,691	59,743
Miscellaneous	<u>348,671</u>	<u>409,251</u>	<u>(60,580)</u>
Total revenues	<u>86,589,009</u>	<u>83,527,079</u>	<u>3,061,930</u>
EXPENSES			
Instruction	40,221,125	43,452,140	(3,231,015)
Instructional resources and media services	231,102	132,723	98,379
Curriculum and staff development	1,394,243	1,499,772	(105,529)
Instructional leadership	744,332	725,868	18,464
School leadership	3,155,115	3,494,107	(338,992)
Guidance, counseling and evaluation services	2,911,122	2,793,048	118,074
Health services	622,287	636,259	(13,972)
Student transportation	2,658,580	2,591,300	67,280
Food service	3,395,865	2,430,369	965,496
Extracurricular activities	2,012,263	2,285,375	(273,112)
General administration	2,309,944	2,703,826	(393,882)
Plant maintenance and operations	6,004,934	5,436,236	568,698
Security and monitoring services	707,868	613,441	94,427
Data processing services	235,709	348,642	(112,933)
Community services	153,660	78,222	75,438
Interest on long-term debt	3,894,950	4,280,399	(385,449)
Bond issuance cost and fees	22,437	815,085	(792,648)
Payments to shared services arrangements	37,500	62,500	(25,000)
Other governmental charges	<u>246,560</u>	<u>234,330</u>	<u>12,230</u>
Total expenses	<u>70,959,596</u>	<u>74,613,642</u>	<u>(3,654,046)</u>
CHANGE IN NET POSITION	<u>15,629,413</u>	<u>8,913,437</u>	<u>6,715,976</u>
NET POSITION, BEGINNING	<u>9,234,714</u>	<u>316,759</u>	<u>8,917,955</u>
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>4,518</u>	<u>(4,518)</u>
NET POSITION, ENDING	<u>\$ 24,864,127</u>	<u>\$ 9,234,714</u>	<u>\$ 15,629,413</u>

The District's total revenues increased \$3,061,930, or 4%, over the previous year. This is largely due to an increase in foundation funding and increased property tax revenues due to continued increases in the taxable property base. Additionally, charges for services increased due to the return to more normal operations following a year of interruptions due to the COVID-19 pandemic.

The District's total expenses decreased \$3,654,046, or 5%, over the previous year. This was largely due to a decrease in pension and OPEB expense due to a significant decrease in the net pension and OPEB liabilities in the current year.

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 \$43,997,878, an increase of \$10,133,494 in comparison with the prior year, from current operations. This increase represents combined revenues in excess of expenditures of \$13,014,644, coupled with a net decrease related to other financing sources and uses of \$2,881,150.

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 \$20,062,611 while total fund balance reached \$30,893,438. 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 35% of total general fund expenditures. Total fund balance represents 54% of total general fund expenditures.

The fund balance of the District's general fund increased by \$8,118,644 from current operations. The increase is largely attributed to an increase in property tax revenues. Current period revenues exceeded prior year revenues by \$1,135,022. Expenditures remained consistent and comparable to prior year.

The debt service fund has a total fund balance of \$7,373,069, 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 \$558,913 from current operations and was primarily due to a large decrease in debt service expenditures in the current year offset by a decrease in fund balance from the issuance of refunding bonds. Debt service expenditures decreased \$5,552,716. As discussed below in the items relating to long-term debt, the District contributed \$2,900,000 of existing cash into the bond refunding, which allowed for future debt service savings while making use of current reserves.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District revised the general fund budget several times during the year ended June 30, 2022. Budget revenue amendments totaling \$1.09 million were approved by the Board resulting in revenue increases. The increase consisted primarily of \$600,000 in property tax collections due to increase in taxable values, \$246,000 from a property value audit, \$116,000 insurance recovery, and \$74,000 in additional state and federal funding.

Budget appropriations for expenditures for the general fund increased \$873,000 due primarily to \$321,000 in anticipated repairs and maintenance, \$154,000 for additional staff positions (teacher, hall monitors, security guard, and an additional school resource officer), \$92,000 for playoff transportation and expenses, \$60,000 for security needs, \$41,000 for property value audit attorney fees, and \$53,000 for settlement agreement and attorney fees.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for its governmental type activities as of June 30, 2022, amounts to \$160,414,737 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, and furniture and equipment. Due to the COVID-19 pandemic, the District paused progress on construction projects currently in construction in progress and the District only made capital asset additions of \$662,316, all in furniture and equipment. The largest expenditures were \$384,830 for 10 new district vehicles.

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 \$10,096,983 during the current fiscal period. Scheduled debt principal payments during the year were \$5,415,000. Additionally, the District issued refunding bonds in the amount of \$13,965,000, during the current year to take advantage of lower interest rates. The bond refunding included a cash contribution of \$2.9 million to make use of existing current resources.

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 2022-2023 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 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.

The adopted general fund budget for fiscal year 2022-2023 was approved by the Board of Trustees on June 20, 2022. The approved budget includes \$64,746,860 in revenues, \$63,217,719 in expenditures, \$5,000 in other sources, and \$10,000 in other uses, resulting in a budget surplus of \$1,524,141. A general pay increase of 3% was included.

House Bill 3, which was passed during the 86th legislative session in 2019, resulted in changes to the allocation of District revenue. HB 3 limits property value growth for school districts to 2.5%. This limit impacts the District's maintenance and operations (M&O) tax rate and results in compression of the tax rate each year based on property valuation growth. Based on property value growth and the required HB 3 compression, the District's M&O rate decreased from \$0.9603 in 2021-2022 fiscal year to \$0.9429 for the 2022-2023 fiscal year. The compression of the tax rate does not impact overall revenues, as the loss of local revenues is offset by an increase in state aid.

The Debt Service budget for 2022-2023 was adopted and maintains the tax rate of \$0.48 to fund required principal and interest payments. The total tax rate, based on HB 3 compression of the M&O rate of \$0.9429, is \$1.42290 and was approved by the Board of Trustees on September 19, 2022.

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.

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BASIC FINANCIAL STATEMENTS

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CROSBY INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION

JUNE 30, 2022

1

Primary Government
Governmental
Activities

Data
Control
Codes

ASSETS

1110	Cash and cash equivalents	\$	2,816,234
1120	Current investments		31,485,118
1220	Property taxes receivables		3,104,391
1230	Allowance for uncollectible taxes	(124,175)
1240	Due from other governments		11,215,746
1250	Accrued interest		2,019
1290	Other receivables		17,576
1300	Inventories		128,316
1410	Prepaid items		83,370
1800	Restricted cash and cash equivalents		5,196,891
	Capital assets:		
1510	Land and improvements		3,660,902
1520	Buildings and improvements, net		149,046,846
1530	Furniture and equipment, net		5,168,076
1580	Construction in progress		2,538,913
1000	Total assets		<u>214,340,223</u>

DEFERRED OUTFLOWS OF RESOURCES

1701	Deferred charge on bond refunding		7,207,664
1705	Deferred outflow related to pensions		5,955,243
1706	Deferred outflow related to other post-employment benefit		<u>4,967,582</u>
1700	Total deferred outflows of resources		<u>18,130,489</u>

LIABILITIES

2110	Accounts payable		990,203
2140	Interest payable		1,521,756
2150	Payroll deductions and withholdings		764,599
2160	Accrued wages		4,472,357
2180	Due to other governments		127,616
2300	Unearned revenue		47,570
	Noncurrent liabilities:		
	Due within one year:		
2501	Long-term debt		7,621,243
	Due within one year:		
2502	Due in more than one year		139,715,047
2540	Net pension liability		9,172,737
2545	Net other post-employment benefit liability		<u>17,227,554</u>
2000	Total liabilities		<u>181,660,682</u>

DEFERRED INFLOWS OF RESOURCES

2601	Deferred gain on refunding		292,322
2605	Deferred inflow related to pensions		10,919,017
2606	Deferred inflow related to other post-employment benefit		<u>14,734,564</u>
2600	Total deferred inflows of resources		<u>25,945,903</u>

NET POSITION

3200	Net investment in capital assets		23,635,042
3820	Restricted for grants		1,966,172
3850	Restricted for debt service		11,960,477
3900	Unrestricted (deficit)	(<u>12,697,564)</u>
3000	Total net position	\$	<u>24,864,127</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, 2022

Data Control Codes	Functions/Programs	1	Program Revenues 3
		Expenses	Charges for Services
	Primary government:		
	Governmental activities:		
11	Instruction	\$ 40,221,125	\$ 3,452
12	Instructional resources and media services	231,102	-
13	Curriculum and staff development	1,394,243	-
21	Instructional leadership	744,332	-
23	School leadership	3,155,115	-
31	Guidance, counseling, and evaluation services	2,911,122	-
33	Health services	622,287	-
34	Student transportation	2,658,580	-
35	Food service	3,395,865	303,605
36	Extracurricular activities	2,012,263	636,745
41	General administration	2,309,944	-
51	Facilities maintenance and operations	6,004,934	215,278
52	Security and monitoring services	707,868	-
53	Data processing services	235,709	-
61	Community services	153,660	1,000
72	Interest on long-term debt	3,894,950	-
73	Bond issuance costs and fees	22,437	-
93	Payments to shared services arrangements	37,500	-
99	Other governmental changes	246,560	-
TG	Total governmental activities	\$ <u>70,959,596</u>	\$ <u>1,160,080</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
\$ 5,825,637	\$ -	\$(34,392,036)
97,484	-	(133,618)
108,416	-	(1,285,827)
187,382	-	(556,950)
68,357	-	(3,086,758)
1,446,053	-	(1,465,069)
86,060	-	(536,227)
113,829	-	(2,544,751)
4,437,131	-	1,344,871
8,533	-	(1,366,985)
61,941	-	(2,248,003)
366,868	-	(5,422,788)
78,546	-	(629,322)
1,216	-	(234,493)
64,339	-	(88,321)
919,575	-	(2,975,375)
-	-	(22,437)
4,353	-	(33,147)
-	-	(246,560)
<u>\$ 13,875,720</u>	<u>\$ -</u>	<u>(55,923,796)</u>

23,206,288
 11,569,828
 36,329,988
 98,434
348,671
71,553,209

15,629,413

 9,234,714

\$ 24,864,127

CROSBY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2022

Data Control Codes	10	50
	<u>General</u>	<u>Debt Service</u>
ASSETS		
1110 Cash and cash equivalents	\$ 1,883,816	\$ 2,519
1120 Current investments	18,377,846	7,434,019
1220 Property taxes receivable	2,188,427	915,964
1230 Allowance for uncollectible taxes	(87,537)	(36,638)
1240 Due from other governments	9,267,004	96,498
1250 Accrued interest	2,019	-
1260 Due from other funds	1,169,886	-
1290 Other receivables	6,678	-
1300 Inventories	64,936	-
1410 Prepaid items	69,000	-
1800 Restricted cash and cash equivalents	<u>5,196,891</u>	<u>-</u>
1000 Total assets	<u>38,138,966</u>	<u>8,412,362</u>
LIABILITIES		
2110 Accounts payable	625,644	-
2140 Interest payable	-	32,947
2150 Payroll deductions and withholdings	683,781	-
2160 Accrued wages payable	3,831,899	-
2170 Due to other funds	3,303	-
2180 Due to other governments	11	127,020
2300 Unearned revenue	<u>-</u>	<u>-</u>
2000 Total liabilities	<u>5,144,638</u>	<u>159,967</u>
DEFERRED INFLOWS OF RESOURCES		
2610 Unavailable revenue - property taxes	<u>2,100,890</u>	<u>879,326</u>
2600 Total deferred inflows of resources	<u>2,100,890</u>	<u>879,326</u>
FUND BALANCES		
3410 Nonspendable - inventories	64,936	-
3430 Nonspendable - prepaid items	69,000	-
3450 Restricted - grant funds	-	-
3470 Restricted - capital projects	-	-
3480 Restricted - debt service	5,196,891	7,373,069
3545 Committed - campus activity	-	-
3550 Assigned - capital projects	5,500,000	-
3600 Unassigned	<u>20,062,611</u>	<u>-</u>
3000 Total fund balances	<u>30,893,438</u>	<u>7,373,069</u>
4000 Total liabilities, deferred inflows of resources and fund balances	\$ <u>38,138,966</u>	\$ <u>8,412,362</u>

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

<u>Other Governmental</u>	<u>98 Total Governmental Funds</u>
\$ 810,922	\$ 2,697,257
5,063,498	30,875,363
-	3,104,391
-	(124,175)
1,852,244	11,215,746
-	2,019
3,303	1,173,189
10,898	17,576
63,380	128,316
14,370	83,370
-	5,196,891
<u>7,818,615</u>	<u>54,369,943</u>
147,927	773,571
-	32,947
80,818	764,599
640,458	4,472,357
1,169,886	1,173,189
585	127,616
47,570	47,570
<u>2,087,244</u>	<u>7,391,849</u>
-	2,980,216
<u>-</u>	<u>2,980,216</u>
63,380	128,316
7,123	76,123
1,966,172	1,966,172
3,086,661	3,086,661
-	12,569,960
608,035	608,035
-	5,500,000
-	20,062,611
<u>5,731,371</u>	<u>43,997,878</u>
\$ <u>7,818,615</u>	\$ <u>54,369,943</u>

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CROSBY INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-2

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

JUNE 30, 2022

Total fund balances - governmental funds	\$ 43,997,878
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	160,414,737
2 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.	2,980,216
3 Long-term liabilities, including bonds and tax notes payable, workers compensation, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds. Also, the loss on refunding bonds and the premium on issuance of bonds and tax notes payable are not reported in the funds. Liabilities at year-end related to such items consist of:	
Bonds and tax notes payable	(132,890,000)
Issuance premium	(13,891,698)
Deferred charge on refunding	7,207,664
Deferred gain on refunding	(292,322)
Compensated absences	(336,002)
CAB interest accretion	(218,590)
4 Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,488,809)
5 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.	
Net pension liability	(9,172,737)
Deferred outflows related to pensions	5,955,243
Deferred inflows related to pensions	(10,919,017)
6 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.	
Net OPEB liability	(17,227,554)
Deferred outflows related to OPEB	4,967,582
Deferred inflows related to OPEB	(14,734,564)
7 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.	<u>512,100</u>
19 Net position of governmental activities	\$ <u>24,864,127</u>

CROSBY INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		10	50
		General	Debt Service
	REVENUES		
5700	Local and intermediate sources	\$ 24,081,878	\$ 11,585,070
5800	State programs	39,119,151	526,257
5900	Federal programs	2,031,659	-
5020	Total revenues	<u>65,232,688</u>	<u>12,111,327</u>
	EXPENDITURES		
	Current:		
0011	Instruction	33,657,527	-
0012	Instructional resources and media services	127,732	-
0013	Curriculum and instructional staff development	1,420,716	-
0021	Instructional leadership	645,314	-
0023	School leadership	3,324,220	-
0031	Guidance, counseling, and evaluation services	1,860,892	-
0033	Health services	628,656	-
0034	Student transportation	2,656,273	-
0035	Food service	-	-
0036	Extracurricular activities	1,809,322	-
0041	General administration	2,404,464	-
0051	Plant maintenance and operations	6,072,034	-
0052	Security and monitoring services	638,451	-
0053	Data processing services	234,403	-
0061	Community services	44,165	-
	Debt service:		
0071	Principal on long-term debt	575,000	4,840,000
0072	Interest on long-term debt	716,214	3,803,608
0073	Issuance costs and fees	1,650	20,787
	Intergovernmental:		
0093	Payments to shared services arrangements	37,500	-
0099	Other intergovernmental charges	246,560	-
6030	Total expenditures	<u>57,101,093</u>	<u>8,664,395</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>8,131,595</u>	<u>3,446,932</u>
	OTHER FINANCING SOURCES (USES)		
7911	Issuance of bonds	-	13,965,000
7912	Proceeds from sale of capital assets	3,049	-
7915	Transfers in	-	-
7916	Premium on issuance of bonds	-	541,681
8911	Transfers out	(16,000)	-
8940	Payments to escrow agent	-	(17,394,700)
7080	Total other financing sources (uses)	<u>(12,951)</u>	<u>(2,888,019)</u>
1200	NET CHANGE IN FUND BALANCES	<u>8,118,644</u>	<u>558,913</u>
0100	FUND BALANCES, BEGINNING	<u>22,774,794</u>	<u>6,814,156</u>
3000	FUND BALANCES, ENDING	<u>\$ 30,893,438</u>	<u>\$ 7,373,069</u>

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

Other Governmental	98 Total Governmental Funds
\$ 821,103	\$ 36,488,051
218,607	39,864,015
<u>10,878,733</u>	<u>12,910,392</u>
<u>11,918,443</u>	<u>89,262,458</u>
4,432,232	38,089,759
119,341	247,073
89,747	1,510,463
162,133	807,447
113,680	3,437,900
1,275,606	3,136,498
49,742	678,398
45,894	2,702,167
3,442,981	3,442,981
134,206	1,943,528
60,555	2,465,019
407,937	6,479,971
72,937	711,388
855	235,258
74,480	118,645
-	5,415,000
-	4,519,822
-	22,437
-	37,500
-	<u>246,560</u>
<u>10,482,326</u>	<u>76,247,814</u>
<u>1,436,117</u>	<u>13,014,644</u>
-	13,965,000
3,820	6,869
16,000	16,000
-	541,681
-	(16,000)
-	(17,394,700)
<u>19,820</u>	<u>(2,881,150)</u>
<u>1,455,937</u>	<u>10,133,494</u>
<u>4,275,434</u>	<u>33,864,384</u>
\$ <u>5,731,371</u>	\$ <u>43,997,878</u>

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

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds	\$ 10,133,494
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.	(5,506,570)
Property tax revenues that do not provide current financial resources are not reported as revenues in the funds.	(62,962)
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.	8,114,582
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.	934,487
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 \$1,492,395. 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 \$1,279,261. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by \$453,192. The net result is a decrease in the change in net position.	666,326
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 \$324,194. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$289,878. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$1,011,760. The net result is an increase in the change in net position.	1,046,076
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.	<u>303,980</u>
Change in net position of governmental activities	\$ <u>15,629,413</u>

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

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

JUNE 30, 2022

	<u>Governmental Activities Internal Service Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 118,977
Current investments	<u>609,755</u>
Total current assets	<u>728,732</u>
 Total assets	 <u>728,732</u>
LIABILITIES	
Current liabilities:	
Accounts payable	7,482
Accrued liabilities	<u>209,150</u>
Total current liabilities	<u>216,632</u>
 Total liabilities	 216,632
NET POSITION	
Unrestricted net position	<u>512,100</u>
 Total net position	 \$ <u>512,100</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, 2022

	Governmental Activities
	<u>Internal Service Fund</u>
OPERATING REVENUES	
Local and intermediate sources	\$ 494,007
Total operating revenues	<u>494,007</u>
OPERATING EXPENSES	
Workers' compensation claims and premiums	<u>191,191</u>
Total operating expenses	<u>191,191</u>
OPERATING INCOME	<u>302,816</u>
NONOPERATING REVENUES	
Earnings from temporary deposits and investments	<u>1,164</u>
Total nonoperating revenues	<u>1,164</u>
CHANGE IN NET POSITION	303,980
NET POSITION, BEGINNING	<u>208,120</u>
NET POSITION, ENDING	\$ <u>512,100</u>

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

FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Activities
	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for workers comp premiums	\$ 494,007
Cash payments for insurance claims	(189,890)
Net cash provided by operating activities	<u>304,117</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash received for interest and dividends	<u>1,164</u>
Net cash provided by investing activities	<u>1,164</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>305,281</u>
CASH, BEGINNING	<u>423,451</u>
CASH, ENDING	\$ <u><u>728,732</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 302,816
Effects of increases and decreases in current assets and liabilities:	
Increase (decrease) in accounts payable	4,700
Increase (decrease) in accrued liabilities	(3,399)
Net cash provided by operating activities	\$ <u><u>304,117</u></u>

CROSBY INDEPENDENT SCHOOL DISTRICT**EXHIBIT E-1**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

JUNE 30, 2022

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ 73,891
Current investments	66,401
Inventories	<u>53</u>
Total assets	<u>140,345</u>
LIABILITIES	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION	
Restricted for student groups	<u>140,345</u>
Total net position	<u>\$ 140,345</u>

CROSBY INDEPENDENT SCHOOL DISTRICT**EXHIBIT E-2****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Custodial Fund</u>
ADDITIONS	
Collections from student groups	\$ <u>94,594</u>
Total additions	<u>94,594</u>
DEDUCTIONS	
Payments on-behalf of student groups	<u>82,016</u>
Total deductions	<u>82,016</u>
NET INCREASE IN FIDUCIARY NET POSITION	12,578
NET POSITION, BEGINNING	<u>127,767</u>
NET POSITION, ENDING	\$ <u>140,345</u>

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CROSBY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

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.

Additionally, the District reports the following fund types:

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

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 **Custodial Fund** accounts for assets held by the District for student organizations.

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, Basis of Accounting, and Financial Statement Presentation

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 and fiduciary fund 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 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).

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. The District also has a treasury money market fund with Wells Fargo that is classified as a cash equivalent investment with a redemption period of one day.

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 4% of outstanding property taxes at June 30, 2022.

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. 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 irrevocable standby letter of credit which complies with state law is in favor of the District. The letter of credit shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The irrevocable standby letter of credit 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, money market and certificates of deposit. The District's cash deposits at June 30, 2022, were entirely covered by FDIC insurance or by an irrevocable standby letter of credit in favor of the District.

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	Reported Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
TexPool Prime	\$ 11,771,365	20	AAAm
Lone Star Corporate Overnight Plus	8,964,756	12	AAAm
LOGIC	181,947	36	AAAm
Texas Class	10,633,451	38	AAAm
Total	<u>\$ 31,551,519</u>		
Portfolio weighted average maturity		24	

Credit Risk

For fiscal year 2022, the District invested in TexPool, Lone Star, Texas Class 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. Texas Class is administered by Public Trust Advisors, LLC with UMB Bank, N.A. as Custodian. The Treasury Money Market Fund is administered by Wells Fargo. 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 \$5,196,891 as of June 30, 2022 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, 2022, are summarized below.

	General Fund	Debt Service Fund	Other Governmental	Total
State Entitlements	\$ 8,885,545	\$ -	\$ -	\$ 8,885,545
Federal/State Grants	180,824	-	1,852,244	2,033,068
Local	<u>200,635</u>	<u>96,498</u>	<u>-</u>	<u>297,133</u>
Totals	<u>\$ 9,267,004</u>	<u>\$ 96,498</u>	<u>\$ 1,852,244</u>	<u>\$ 11,215,746</u>

D. Interfund Balances

Receivables/Payables

The composition of interfund balances as of June 30, 2022, is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Other governmental funds	\$ 1,169,886
Other governmental funds	General fund	<u>3,303</u>
Total		<u>\$ 1,173,189</u>

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

E. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, 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	\$ -	\$ (534,625)	\$ 3,660,902
Construction in progress	<u>2,538,913</u>	<u>-</u>	<u>-</u>	<u>2,538,913</u>
Total capital assets, not being depreciated	<u>6,734,440</u>	<u>-</u>	<u>(534,625)</u>	<u>6,199,815</u>
Capital assets, being depreciated:				
Buildings and improvements	218,412,209	-	-	218,412,209
Furniture and equipment	<u>14,831,447</u>	<u>662,316</u>	<u>(16,276)</u>	<u>15,477,487</u>
Total capital assets, being depreciated	<u>233,243,656</u>	<u>662,316</u>	<u>(16,276)</u>	<u>233,889,696</u>
Less accumulated depreciation for:				
Buildings and improvements	(64,831,998)	(4,533,365)	-	(69,365,363)
Furniture and equipment	<u>(9,224,791)</u>	<u>(1,100,896)</u>	<u>16,276</u>	<u>(10,309,411)</u>
Total accumulated depreciation	<u>(74,056,789)</u>	<u>(5,634,261)</u>	<u>16,276</u>	<u>(79,674,774)</u>
Total capital assets, being depreciated, net	<u>159,186,867</u>	<u>(4,971,945)</u>	<u>-</u>	<u>154,214,922</u>
Total capital assets, net	<u>\$ 165,921,307</u>	<u>\$ (4,971,945)</u>	<u>\$ (534,625)</u>	<u>\$ 160,414,737</u>

Depreciation expense was charged to governmental functions of the government as follows:

Governmental activities:	
Instruction	\$ 4,851,093
Student pupil transportation	434,714
Food services	65,599
Co-curricular/extracurricular	169,846
General administration	1,830
Plant maintenance and operations	62,733
Data processing services	8,236
Community services	<u>40,210</u>
Total depreciation expense - governmental activities	<u>\$ 5,634,261</u>

F. Long-term Liabilities

Changes in Long-term Liabilities

Changes in the District's long-term liabilities for the year ended June 30, 2022 are as follows:

	Beginning Balance	Additions	Reductions	Refundings	Ending Balance	Due Within One Year
Governmental activities:						
Bonds payable:						
General obligation bonds	\$ 124,550,000	\$ 13,965,000	\$(4,840,000)	\$(17,130,000)	\$ 116,545,000	\$ 6,950,000
Accreted interest on CAB's	30,153	188,437	-	-	218,590	-
Premium on CAB's	9,385,323	-	-	-	9,385,323	-
Issuance premium (discount)	<u>5,607,422</u>	<u>541,681</u>	<u>(961,608)</u>	<u>(1,033,230)</u>	<u>4,154,265</u>	<u>-</u>
Total bonds payable, net	139,572,898	14,695,118	(5,801,608)	(18,163,230)	130,303,178	6,950,000
Limited maintenance tax notes:						
Tax notes	16,920,000	-	(575,000)	-	16,345,000	595,000
Issuance premium	<u>385,783</u>	<u>-</u>	<u>(33,673)</u>	<u>-</u>	<u>352,110</u>	<u>-</u>
Total limited maintenance tax notes, net	17,305,783	-	(608,673)	-	16,697,110	595,000
Net pension liability (proportionate share)	18,935,911	(8,226,077)	(1,537,097)	-	9,172,737	-
Net OPEB liability (proportionate share)	16,734,102	842,352	(348,900)	-	17,227,554	-
Compensated absences	<u>405,265</u>	<u>36,825</u>	<u>(106,088)</u>	<u>-</u>	<u>336,002</u>	<u>76,243</u>
Total long-term liabilities	<u>\$ 192,953,959</u>	<u>\$ 7,348,218</u>	<u>\$(8,402,366)</u>	<u>\$(18,163,230)</u>	<u>\$ 173,736,581</u>	<u>\$ 7,621,243</u>

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for tax notes principal and interest expenditures are accounted for in the general fund. Compensated absences 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, 2022:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Refundings	Ending Balance
Bonds:								
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	2028	13,245,000	-	(1,490,000)	(8,035,000)	3,720,000
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	4,165,000	-	(185,000)	-	3,980,000
2015 REF	3.00-4.00%	7,450,000	2024	4,425,000	-	(1,460,000)	-	2,965,000
2018 BLDG	4.00-5.00%	20,010,000	2048	19,665,000	-	(125,000)	-	19,540,000
2020 REF CIBs	1.75-5.00%	65,045,000	2043	62,995,000	-	(1,580,000)	-	61,415,000
2020 REF CABs	1.03-2.02%	1,975,000	2030	1,975,000	-	-	-	1,975,000
2022 REF	2.00-4.00%	13,965,000	2029	-	13,965,000	-	-	13,965,000
Totals				\$ 124,550,000	\$ 13,965,000	\$ (4,840,000)	\$ (17,130,000)	\$ 116,545,000

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

Year Ending June 30,	Principal	Interest	Total Requirements
2023	\$ 6,950,000	\$ 3,407,556	\$ 10,357,556
2024	3,040,000	3,327,656	6,367,656
2025	4,445,000	3,238,556	7,683,556
2026	3,245,000	3,150,756	6,395,756
2027	3,295,000	3,033,006	6,328,006
2028-2032	17,300,000	13,602,758	30,902,758
2033-2037	27,635,000	10,862,102	38,497,102
2038-2042	31,665,000	6,944,780	38,609,780
2043-2047	16,315,000	2,545,796	18,860,796
2048	2,655,000	132,750	2,787,750
Totals	\$ 116,545,000	\$ 50,245,716	\$ 166,790,716

In May 2022, the District issued Unlimited Tax Refunding Bonds, Taxable Series 2022 in the amount of \$13,965,000, for the purpose of refunding a portion of existing bonds at a present value savings. The issuance includes \$13,965,000 of current interest bonds with interest rates ranging from 2% to 4%. The proceeds were used to refund the remaining \$9,095,000 of Unlimited Tax Refunding Bonds, Series 2012 that had an interest rate of 3% and \$8,035,000 of Unlimited Tax Refunding Bonds, Series 2013 that had interest rates of 3-4%. Additionally, as part of the refunding, the District contributed existing cash resources of \$2,900,000 from the Debt Service Fund.

The existing bonds had original scheduled maturities between 2023 and 2026.

The net proceeds of \$17,394,700 (including a \$541,681 total premium before payment of underwriting fees and other issuance costs) from the new debt have been placed in an irrevocable escrow account to pay future debt service until the call dates. Thus, the old bonds are considered defeased and have been removed from the District's financial statements. The net carrying amount of the old debt exceeded the reacquisition price by \$292,322. This amount is reported as a deferred inflow of resources and amortized over the remaining life of the refunded debt, which had a shorter remaining life than the new debt. The advance refunding reduced the District's total debt service payments by \$3,463,197. There was no present value savings, however, because the cash paid equaled the present value of the debt service savings of \$2,900,000.

As of June 30, 2022, the refunded bonds of \$17,130,000 are defeased and still outstanding until the call date in August 2022.

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, 2022:

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	7,520,000	-	(405,000)	7,115,000
2017 Maintenance tax notes	3.00%	2,970,000	2032	2,165,000	-	(170,000)	1,995,000
Totals				\$ 16,920,000	\$ -	\$ (575,000)	\$ 16,345,000

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

Year Ending June 30,	Principal	Interest	Total Requirements
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	645,000	213,431	858,431
2027	665,000	196,381	861,381
2028-2032	3,625,000	691,369	4,316,369
2033-2036	2,340,000	186,382	2,526,382
Totals	\$ 16,345,000	\$ 3,330,455	\$ 19,675,455

In accordance with the 2010 QSCMT tax notes the District has obligated itself to make deposits into a cumulative sinking fund account. On February 15 each year until maturity of the tax notes in fiscal year 2025 the District is required to make a deposit in the amount of \$680,000. The balance of the sinking fund deposit account is reported on the balance sheet as restricted assets with a balance of \$5,196,891 at year-end.

G. 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 2022, 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, 2022, 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>6/30/2021</u>	Year Ended <u>6/30/2022</u>
Unpaid claims, beginning of fiscal year	\$ 235,081	\$ 212,549
Incurred claims	184,871	269,724
Claim payments	(207,403)	(273,123)
Unpaid claims, end of fiscal year	\$ <u>212,549</u>	\$ <u>209,150</u>

H. 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, 2022, 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.

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

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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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 through 2025.

	Contribution Rates	
	2021	2022
Member	7.70%	8.00%
Non-Employer Contributing Entity (State)	7.50%	7.75%
Employers	7.50%	7.75%
Current fiscal year employer contributions		\$ 1,750,250
Current fiscal year member contributions		3,433,717
2021 measurement year NECE on-behalf contributions		2,126,331

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- 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.

Actuarial Assumptions. The total pension liability was based on an actuarial valuation as of August 31, 2020, and rolled forward to August 31, 2021, and determined using the following actuarial assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
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, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

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, 2021 are summarized below:

Asset Class ¹	Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	-0.20%	0.01%
Absolute Return	0.00%	1.10%	0.00%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy and Natural Resources	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
Risk Parity			
Risk Parity	8.00%	2.80%	0.28%
Leverage			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag ⁴			-0.95%
Total	100.00%		6.90%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the FY2021 policy model.

³ Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021).

⁴ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (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	\$ 20,043,887	\$ 9,172,737	\$ 352,935

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the District reported a liability of \$9,172,737 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	\$	9,172,737
State's proportionate share that is associated with the District		<u>12,689,032</u>
Total	\$	<u><u>21,861,769</u></u>

The net pension liability was measured as of August 31, 2021, and the total pension liability used in the measurement was rolled forward from an actuarial valuation as of August 31, 2020. 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, 2020 thru August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.0360188921% which was a decrease of 0.0006629701% from its proportion measured as of August 31, 2020.

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

Changes Since the Prior Actuarial Valuation. There were no changes in assumptions since the prior measurement date.

For the year ended June 30, 2022, the District recognized pension expense of \$876,798 and revenue of \$50,729 for support provided by the State.

At June 30, 2022, 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	\$ 15,350	\$ 645,768
Changes in actuarial assumptions	3,242,383	1,413,401
Differences between projected and actual investment earnings	-	7,691,221
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,205,115	1,168,627
Contributions paid to TRS subsequent to the measurement date	<u>1,492,395</u>	<u>-</u>
Totals	<u><u>\$ 5,955,243</u></u>	<u><u>\$ 10,919,017</u></u>

\$1,492,395 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2023. Other amounts reported as 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
2023	\$ (917,818)
2024	(1,121,791)
2025	(1,977,285)
2026	(2,410,826)
2027	(25,956)
Thereafter	(2,493)

J. Health Care Coverage

During the period ended June 30, 2022, employees of the District were covered by a state-wide health care plan, TRS Active Care. The District's participation in this plan is renewable annually. The District paid into the Plan \$325 per month per employee. Employees, at their option, pay premiums for any coverage above these amounts as well as for dependent coverage.

The Teachers Retirement System (TRS) manages TRS Active Care. The medical plan is administered by Blue Cross and Blue Shield of Texas, FIRSTCARE and Scott and White HMO. Medco Health administers the prescription drug plan. The latest financial information on the statewide plan may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS website, www.trs.state.tx.us.

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 TRS-Care program was established in 1986 by the Texas Legislature

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive 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 health insurance coverage to 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 non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. 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	
	2021	2022
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		\$ 383,112
Current fiscal year member contributions		284,798
2021 measurement year NECE on-behalf contributions		467,448

In addition, the State of Texas contributed \$185,194, \$189,739 and \$174,123 in 2022, 2021, and 2020, 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 \$5.52 million in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

Actuarial Assumptions. The total OPEB liability in the August 31, 2020 actuarial valuation was rolled forward to August 31, 2021. The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

Rates of Mortality	Rates of Disability Incidence
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

Additional Actuarial Methods and Assumptions	
Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	1.95% as of August 31, 2021
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	4.25% to 9.00%
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 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021 using the fixed-income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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 (1.95%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (0.95%)	Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of net OPEB liability	\$ 20,780,399	\$ 17,227,554	\$ 14,431,349

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	\$ 13,953,748	\$ 17,227,554	\$ 21,620,188

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2021, the District reported a liability of \$17,227,554 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	\$ 17,227,554
State's proportionate share that is associated with the District	<u>23,081,083</u>
Total	<u>\$ 40,308,637</u>

The Net OPEB Liability was measured as of August 31, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of August 31, 2020. 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, 2020 thru August 31, 2021.

As of August 31, 2022 the employer's proportion of the collective net OPEB liability was 0.0446605083% which was a decrease of 0.0006402132% from its proportion measured as of August 31, 2021.

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 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the Total OPEB Liability.

There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2022, the District recognized OPEB expense of \$(1,573,750) and revenue of \$(851,868) for support provided by the State.

At June 30, 2022, 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	\$ 741,728	\$ 8,339,341
Changes in actuarial assumptions	1,908,154	3,643,309
Differences between projected and actual investment earnings	18,704	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,974,802	2,751,914
Contributions paid to TRS subsequent to the measurement date	<u>324,194</u>	<u>-</u>
Totals	<u>\$ 4,967,582</u>	<u>\$ 14,734,564</u>

\$324,194 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending June 30, 2023.

Other 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
2023	\$(1,902,767)
2024	(1,903,189)
2025	(1,903,074)
2026	(1,449,604)
2027	(835,674)
Thereafter	(2,096,868)

L. Negative Operating Grants and Contributions – Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in actuarial assumptions within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in a decrease to revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11-Instruction	\$ 5,825,637	\$(552,995)	\$ 5,272,642
12-Instructional resources and media services	97,484	(2,451)	95,033
13-Curriculum and staff development	108,416	(22,961)	85,455
21-Instructional leadership	187,382	(10,168)	177,214
23-School leadership	68,357	(62,525)	5,832
31-Guidance, counseling, and evaluation services	1,446,053	(32,100)	1,413,953
33-Health services	86,060	(11,344)	74,716
34-Student transportation	113,829	(44,708)	69,121
35-Food services	4,437,131	(5,042)	4,432,089
36-Extracurricular activities	8,533	(17,596)	(9,063)
41-General administration	61,941	(35,672)	26,269
51-Facilities maintenance and operations	366,868	(50,863)	316,005
52-Security and monitoring services	78,546	(511)	78,035
53-Data processing	1,216	(1,584)	(368)
61-Community services	64,339	(1,348)	62,991
72-Interest on long-term debt	919,575	-	919,575
93-Payments to shared services arrangements	4,353	-	4,353
	<u>\$ 13,875,720</u>	<u>\$(851,868)</u>	<u>\$ 13,023,852</u>

M. Assignment of Fund Balance

District management has the authority to assign fund balance for planned future projects. The district has assigned fund balance in the General Fund for the following upcoming projects:

<u>Project</u>	<u>Amount Assigned</u>
Stadium turf	\$ 1,000,000
Safety and security upgrades	4,500,000
	<u>\$ 5,500,000</u>

N. Significant Forthcoming Standards

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

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will be implemented in fiscal year 2023 and the impact has not yet been determined.

Statement No. 96, Subscription-Based Information Technology Arrangements – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. GASB 96 will be implemented in fiscal year 2023 and the impact has not yet been determined.

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62 - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, Compensated Absences - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

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REQUIRED SUPPLEMENTARY INFORMATION

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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, 2022

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 22,527,140	\$ 23,297,961	\$ 24,081,878	\$ 783,917
5800	State programs	37,765,001	38,054,570	39,119,151	1,064,581
5900	Federal program	1,798,765	1,828,765	2,031,659	202,894
5020	Total revenues	62,090,906	63,181,296	65,232,688	2,051,392
EXPENDITURES					
Current:					
0011	Instruction	36,121,550	36,117,485	33,657,527	2,459,958
0012	Instructional resources and media sources	137,795	147,795	127,732	20,063
0013	Curriculum and staff development	1,500,750	1,499,450	1,420,716	78,734
0021	Instructional leadership	654,086	671,078	645,314	25,764
0023	School leadership	3,417,320	3,436,720	3,324,220	112,500
0031	Guidance, counseling, and evaluation services	1,901,828	1,932,399	1,860,892	71,507
0033	Health services	693,967	691,667	628,656	63,011
0034	Student transportation	3,541,292	3,330,138	2,656,273	673,865
0036	Extracurricular activities	1,782,134	1,936,018	1,809,322	126,696
0041	General administration	2,365,504	2,425,199	2,404,464	20,735
0051	Facilities maintenance and operations	5,839,518	6,367,809	6,072,034	295,775
0052	Security and monitoring services	512,922	720,044	638,451	81,593
0053	Data processing services	245,611	245,611	234,403	11,208
0061	Community services	9,816	60,070	44,165	15,905
Debt service:					
0071	Principal on long-term debt	575,000	575,000	575,000	-
0072	Interest on long-term debt	716,214	716,214	716,214	-
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	37,500	39,500
	Payments to juvenile justice alternative education programs	19,800	19,800	-	19,800
0099	Other governmental charges	254,575	254,575	246,560	8,015
6030	Total expenditures	60,371,682	61,229,072	57,101,093	4,127,979
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,719,224	1,952,224	8,131,595	6,179,371
OTHER FINANCING SOURCES (USES)					
7912	Proceeds from sale of capital assets	-	-	3,049	3,049
8911	Transfers out	-	(16,000)	(16,000)	-
8949	Other uses	(10,000)	(10,000)	-	10,000
7080	Total other financing sources (uses)	(10,000)	(26,000)	(12,951)	13,049
1200	NET CHANGE IN FUND BALANCES	1,709,224	1,926,224	8,118,644	6,192,420
0100	FUND BALANCES, BEGINNING	22,774,794	22,774,794	22,774,794	-
3000	FUND BALANCES, ENDING	\$ 24,484,018	\$ 24,701,018	\$ 30,893,438	\$ 6,192,420

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CROSBY INDEPENDENT SCHOOL DISTRICT

NOTES TO BUDGETARY INFORMATION

JUNE 30, 2022

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.

Excess of Expenditures over Appropriations

For the year ended June 30 ,2022, expenditures exceeded appropriations in the food service function of the National School Breakfast and Lunch Program Fund, a nonmajor special revenue fund, by \$78,109. This overage was funded by greater than anticipated federal grant revenues.

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, 2022**

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>	<u>2020</u>	<u>2021</u>
0.0335771%	0.0373845%	0.0408791%	0.0360110%	0.0353559%	0.0360189%
\$ 12,688,305	\$ 11,953,552	\$ 22,500,858	\$ 18,719,667	\$ 18,935,911	\$ 9,172,737
<u>21,022,958</u>	<u>19,031,719</u>	<u>32,105,118</u>	<u>25,368,891</u>	<u>26,443,384</u>	<u>12,689,032</u>
\$ <u>33,711,263</u>	\$ <u>30,985,271</u>	\$ <u>54,605,976</u>	\$ <u>44,088,558</u>	\$ <u>45,379,295</u>	\$ <u>21,861,769</u>
\$ 35,355,165	\$ 39,985,219	\$ 42,652,914	\$ 38,155,802	\$ 40,769,939	\$ 42,316,761
35.89%	29.89%	52.75%	49.06%	46.45%	21.68%
78.00%	82.17%	73.74%	75.24%	75.54%	88.79%

CROSBY INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM**

FOR THE YEAR ENDED JUNE 30, 2022

	Fiscal Year Ended August 31,		
	2015	2016	2017 ⁽¹⁾
Contractually required contribution	\$ 957,378	\$ 1,065,900	\$ 994,987
Contributions in relation to the contractually required contribution	(957,378)	(1,065,900)	(994,987)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 32,541,661	\$ 35,355,165	\$ 33,078,371
Contribution as a percentage of covered payroll	2.94%	3.01%	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 the District changing its fiscal year-end to June 30 from August 31.

Fiscal Year Ended June 30,				
2018	2019	2020	2021	2022
\$ 1,368,942	\$ 1,294,013	\$ 1,425,866	\$ 1,512,668	\$ 1,750,250
(1,368,942)	(1,294,013)	(1,425,866)	(1,512,668)	(1,750,250)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 42,528,472	\$ 39,010,561	\$ 40,138,908	\$ 41,977,425	\$ 43,814,623
3.22%	3.32%	3.55%	3.60%	3.99%

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

FOR THE YEAR ENDED JUNE 30, 2022

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

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

<u>2019</u>	<u>2020</u>	<u>2021</u>
0.0444327%	0.0440203%	0.0446605%
\$ 21,012,756	\$ 16,734,102	\$ 17,227,554
<u>27,921,253</u>	<u>22,486,622</u>	<u>23,081,083</u>
\$ <u>48,934,009</u>	\$ <u>39,220,724</u>	\$ <u>40,308,637</u>
\$ 38,155,802	\$ 40,769,939	\$ 42,316,761
55.07%	41.05%	40.71%
2.66%	4.99%	6.18%

CROSBY INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM****FOR THE YEAR ENDED JUNE 30, 2022**

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	(<u>324,330</u>)	(<u>322,924</u>)	(<u>330,887</u>)
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.

<u>2021</u>	<u>2022</u>
\$ 344,845	\$ 383,112
(344,845)	(383,112)
\$ -	\$ -
\$ 41,977,425	\$ 43,814,623
0.82%	0.87%

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COMBINING STATEMENTS

CROSBY INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2022

	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	139	262,535	245,376	6,880
Due from other funds	-	-	-	-
Other receivables	-	-	-	-
Inventories	-	-	-	-
Prepaid items	-	-	1,050	-
Total assets	<u>139</u>	<u>262,535</u>	<u>246,426</u>	<u>6,880</u>
LIABILITIES				
Accounts payable	-	647	-	-
Payroll deductions and withholdings	13	12,311	12,386	205
Accrued wages	-	102,687	85,384	2,015
Due to other funds	126	146,890	148,371	4,660
Due to other governments	-	-	285	-
Unearned revenue	-	-	-	-
Total liabilities	<u>139</u>	<u>262,535</u>	<u>246,426</u>	<u>6,880</u>
FUND BALANCES				
Nonspendable - inventories	-	-	-	-
Nonspendable - prepaid items	-	-	-	-
Restricted - grant funds	-	-	-	-
Restricted - capital projects	-	-	-	-
Committed - campus activity funds	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	\$ <u>139</u>	\$ <u>262,535</u>	\$ <u>246,426</u>	\$ <u>6,880</u>

Special Revenue Funds						
240	244	255	263	279	281	282
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	TSLAC ESSER III	ESSER II	ESSER III
\$ 178,296	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,980,849	-	-	-	-	-	-
49,808	14,321	45,796	28,210	32,711	422,476	575,462
837	-	-	1,035	1,424	-	-
-	-	-	-	-	-	-
63,380	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,273,170</u>	<u>14,321</u>	<u>45,796</u>	<u>29,245</u>	<u>34,135</u>	<u>422,476</u>	<u>575,462</u>
19,885	-	-	-	-	-	63
17,565	466	2,103	1,476	36	5,602	28,009
113,300	-	17,701	11,352	418	42,445	258,771
50,078	13,855	25,992	16,417	33,681	374,429	288,619
-	-	-	-	-	-	-
42,790	-	-	-	-	-	-
<u>243,618</u>	<u>14,321</u>	<u>45,796</u>	<u>29,245</u>	<u>34,135</u>	<u>422,476</u>	<u>575,462</u>
63,380	-	-	-	-	-	-
-	-	-	-	-	-	-
1,966,172	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,029,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>2,273,170</u>	\$ <u>14,321</u>	\$ <u>45,796</u>	\$ <u>29,245</u>	\$ <u>34,135</u>	\$ <u>422,476</u>	\$ <u>575,462</u>

CROSBY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2022

	Special Revenue Funds			
	284	289	410	425
	IDEA B	Title IV, Part A,	State	School
	Formula ARP	Subpart I	Textbook Fund	Safety and
				Security
				Grant
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 69	\$ -
Current investments	-	-	-	-
Due from other governments	153,251	6,197	-	-
Due from other funds	-	-	-	-
Other receivables	-	-	-	-
Inventories	-	-	-	-
Prepaid items	-	6,197	-	-
Total assets	<u>153,251</u>	<u>12,394</u>	<u>69</u>	<u>-</u>
LIABILITIES				
Accounts payable	107,531	-	-	-
Payroll deductions and withholdings	-	-	-	-
Accrued wages	-	-	-	-
Due to other funds	45,720	7,703	-	-
Due to other governments	-	267	-	-
Unearned revenue	-	4,424	69	-
Total liabilities	<u>153,251</u>	<u>12,394</u>	<u>69</u>	<u>-</u>
FUND BALANCES				
Nonspendable - inventories	-	-	-	-
Nonspendable - prepaid items	-	-	-	-
Restricted - grant funds	-	-	-	-
Restricted - capital projects	-	-	-	-
Committed - campus activity funds	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 153,251</u>	 <u>\$ 12,394</u>	 <u>\$ 69</u>	 <u>\$ -</u>

Special Revenue Funds						
428 Read to Succeed License Plate Program	429 Other State Revenues	461 Campus Activity Funds	493 Career Ready Graduates	494 Target Grant	498 Crosby Education Foundation	499 Region IV School Support Grant
\$ 28	\$ -	\$ 628,258	\$ -	\$ -	\$ -	\$ 259
-	-	-	-	-	-	-
-	9,082	-	-	-	-	-
-	-	-	-	-	7	-
-	-	-	-	-	10,898	-
-	-	-	-	-	-	-
-	-	7,123	-	-	-	-
<u>28</u>	<u>9,082</u>	<u>635,381</u>	<u>-</u>	<u>-</u>	<u>10,905</u>	<u>259</u>
-	-	19,801	-	-	-	-
-	558	-	-	-	88	-
-	6,385	-	-	-	-	-
-	2,139	389	-	-	10,817	-
-	-	33	-	-	-	-
<u>28</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259</u>
<u>28</u>	<u>9,082</u>	<u>20,223</u>	<u>-</u>	<u>-</u>	<u>10,905</u>	<u>259</u>
-	-	-	-	-	-	-
-	-	7,123	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	608,035	-	-	-	-
<u>-</u>	<u>-</u>	<u>615,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 28</u>	<u>\$ 9,082</u>	<u>\$ 635,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,905</u>	<u>\$ 259</u>

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CROSBY INDEPENDENT SCHOOL DISTRICT**EXHIBIT H-1****COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2022

	699	
	Capital Projects	Total Nonmajor Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 4,012	\$ 810,922
Current investments	3,082,649	5,063,498
Due from other governments	-	1,852,244
Due from other funds	-	3,303
Other receivables	-	10,898
Inventories	-	63,380
Prepaid items	-	14,370
Total assets	<u>3,086,661</u>	<u>7,818,615</u>
LIABILITIES		
Accounts payable	-	147,927
Payroll deductions and withholdings	-	80,818
Accrued wages	-	640,458
Due to other funds	-	1,169,886
Due to other governments	-	585
Unearned revenue	-	47,570
Total liabilities	<u>-</u>	<u>2,087,244</u>
FUND BALANCES		
Nonspendable - inventories	-	63,380
Nonspendable - prepaid items	-	7,123
Restricted - grant funds	-	1,966,172
Restricted - capital projects	3,086,661	3,086,661
Committed - campus activity funds	-	608,035
Total fund balances	<u>3,086,661</u>	<u>5,731,371</u>
Total liabilities and fund balances	<u>\$ 3,086,661</u>	<u>\$ 7,818,615</u>

CROSBY INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2022

	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	<u>139</u>	<u>956,383</u>	<u>1,060,987</u>	<u>25,057</u>
Total revenues	<u>139</u>	<u>956,383</u>	<u>1,060,987</u>	<u>25,057</u>
EXPENDITURES				
Current:				
Instruction	139	943,682	253,850	25,057
Instructional resources and media services	-	-	-	-
Curriculum and instructional staff development	-	435	7,187	-
Instructional leadership	-	-	-	-
School leadership	-	-	2,999	-
Guidance, counseling, and evaluating services	-	-	796,951	-
Health services	-	-	-	-
Student transportation	-	-	-	-
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
General administration	-	-	-	-
Facility maintenance and operations	-	-	-	-
Security and monitoring services	-	-	-	-
Data processing services	-	-	-	-
Community services	-	<u>12,266</u>	-	-
Total expenditures	<u>139</u>	<u>956,383</u>	<u>1,060,987</u>	<u>25,057</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Special Revenue Funds						
240	244	255	263	279	281	282
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	TSLAC ESSER III	ESSER II	ESSER III
\$ 307,526	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22,493	-	-	-	-	-	1,046
<u>4,385,992</u>	<u>59,526</u>	<u>162,989</u>	<u>103,637</u>	<u>47,650</u>	<u>1,526,197</u>	<u>1,865,291</u>
<u>4,716,011</u>	<u>59,526</u>	<u>162,989</u>	<u>103,637</u>	<u>47,650</u>	<u>1,526,197</u>	<u>1,866,337</u>
-	-	162,989	97,840	47,650	1,167,529	1,272,893
-	-	-	-	-	96,894	-
-	-	-	-	-	13,278	61,732
-	59,526	-	-	-	6,412	96,060
-	-	-	-	-	43,072	7,656
-	-	-	-	-	31,343	278,092
-	-	-	-	-	8,207	39,768
-	-	-	-	-	45,894	-
3,398,883	-	-	-	-	44,098	-
-	-	-	-	-	4,521	-
-	-	-	-	-	13,332	40,729
50,078	-	-	-	-	50,506	69,407
-	-	-	-	-	256	-
-	-	-	-	-	855	-
-	-	-	5,797	-	-	-
<u>3,448,961</u>	<u>59,526</u>	<u>162,989</u>	<u>103,637</u>	<u>47,650</u>	<u>1,526,197</u>	<u>1,866,337</u>
1,267,050	-	-	-	-	-	-
3,820	-	-	-	-	-	-
<u>16,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>19,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,286,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>742,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,029,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CROSBY INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Funds			
	284	289	410	425
	IDEA B Formula ARP	Title IV, Part A, Subpart I	State Textbook Fund	School Safety and Security Grant
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State programs	-	-	173,794	7,024
Federal programs	166,286	518,599	-	-
Total revenues	<u>166,286</u>	<u>518,599</u>	<u>173,794</u>	<u>7,024</u>
EXPENDITURES				
Current:				
Instruction	-	217,888	173,794	-
Instructional resources and media services	-	-	-	-
Curriculum and instructional staff development	-	-	-	-
Instructional leadership	-	-	-	-
School leadership	-	-	-	-
Guidance, counseling, and evaluating services	166,286	-	-	-
Health services	-	-	-	-
Student transportation	-	-	-	-
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
General administration	-	-	-	-
Facility maintenance and operations	-	235,358	-	-
Security and monitoring services	-	65,353	-	7,024
Data processing services	-	-	-	-
Community services	-	-	-	-
Total expenditures	<u>166,286</u>	<u>518,599</u>	<u>173,794</u>	<u>7,024</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Special Revenue Funds						
428 Read to Succeed License Plate Program	429 Other State Revenues	461 Campus Activity Funds	493 Career Ready Graduates	494 Target Grant	498 Crosby Education Foundation	499 Region IV School Support Grant
\$ - 31 -	\$ - 9,782 -	\$ 441,903 - -	\$ 5,000 - -	\$ 16 - -	\$ 51,766 4,437 -	\$ 6,310 - -
<u>31</u>	<u>9,782</u>	<u>441,903</u>	<u>5,000</u>	<u>16</u>	<u>56,203</u>	<u>6,310</u>
- 31	700 -	63,205 22,416	5,000 -	16 -	- -	- -
-	-	1,290	-	-	-	5,825
-	-	-	-	-	-	135
-	-	59,883	-	-	-	70
-	-	2,654	-	-	-	280
-	-	1,767	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	129,685	-	-	-	-
-	6,494	-	-	-	-	-
-	2,588	-	-	-	-	-
-	-	304	-	-	-	-
-	-	-	-	-	-	-
-	-	214	-	-	56,203	-
<u>31</u>	<u>9,782</u>	<u>281,418</u>	<u>5,000</u>	<u>16</u>	<u>56,203</u>	<u>6,310</u>
-	-	160,485	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	160,485	-	-	-	-
-	-	454,673	-	-	-	-
\$ -	\$ -	\$ 615,158	\$ -	\$ -	\$ -	\$ -

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CROSBY INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-2

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

FOR THE YEAR ENDED JUNE 30, 2022

	699	
	Capital Projects	Total Nonmajor Governmental
REVENUES		
Local and intermediate sources	\$ 8,582	\$ 821,103
State programs	-	218,607
Federal programs	-	10,878,733
Total revenues	<u>8,582</u>	<u>11,918,443</u>
EXPENDITURES		
Current:		
Instruction	-	4,432,232
Instructional resources and media services	-	119,341
Curriculum and instructional staff development	-	89,747
Instructional leadership	-	162,133
School leadership	-	113,680
Guidance, counseling, and evaluating services	-	1,275,606
Health services	-	49,742
Student transportation	-	45,894
Food services	-	3,442,981
Extracurricular activities	-	134,206
General administration	-	60,555
Facility maintenance and operations	-	407,937
Security and monitoring services	-	72,937
Data processing services	-	855
Community services	-	74,480
Total expenditures	<u>-</u>	<u>10,482,326</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,582	1,436,117
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of capital assets	-	3,820
Transfers in	-	16,000
Total other financing sources (uses)	<u>-</u>	<u>19,820</u>
NET CHANGE IN FUND BALANCES	<u>8,582</u>	<u>1,455,937</u>
FUND BALANCES, BEGINNING	<u>3,078,079</u>	<u>4,275,434</u>
FUND BALANCES, ENDING	<u>\$ 3,086,661</u>	<u>\$ 5,731,371</u>

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REQUIRED TEA SCHEDULES

CROSBY INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**

FOR THE YEAR ENDED JUNE 30, 2022

Last Ten Years Ended June 30,	1	2	3
	Tax Rates		Net Assessed/ Appraised Value for School Tax Purpose
	Maintenance	Debt Service	
2013 and prior years	various	various	various
2014	1.170000	0.500000	1,287,574,028
2015	1.170000	0.500000	1,323,928,443
2016	1.170000	0.500000	1,510,967,066
2017	1.170000	0.500000	1,606,094,132
2018	1.170000	0.500000	1,671,335,749
2019	1.170000	0.480000	1,760,500,180
2020	1.068350	0.480000	1,843,055,758
2021	0.998300	0.480000	2,029,405,109
2022 (School year under audit)	0.960300	0.480000	2,377,720,475
1000 Totals			

EXHIBIT J-1

10	20	31	32	40	50
Beginning Balance 07/01/21	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 06/30/22
\$ 707,157	\$ -	\$ 37,393	\$ 8,629	\$ (53,126)	\$ 608,009
82,871	-	7,759	3,316	-	71,796
87,933	-	9,001	3,847	-	75,085
86,203	-	10,771	4,603	-	70,829
105,972	-	13,105	5,601	637	87,903
147,860	-	19,199	8,205	27,045	147,501
198,556	-	38,953	15,980	2,088	145,711
395,233	-	122,026	54,823	1,679	220,063
1,325,512		613,030	294,759	(25,883)	391,840
<u>-</u>	<u>34,246,308</u>	<u>21,976,058</u>	<u>10,984,596</u>	<u>-</u>	<u>1,285,654</u>
\$ <u>3,137,297</u>	\$ <u>34,246,308</u>	\$ <u>22,847,295</u>	\$ <u>11,384,359</u>	\$ <u>(47,560)</u>	\$ <u>3,104,391</u>

CROSBY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

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

FOR THE YEAR ENDED JUNE 30, 2022

		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts	Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 260,832	\$ 300,832	\$ 307,526	\$ 6,694
5800	State programs	82,000	82,000	22,493	(59,507)
5900	Federal programs	<u>2,837,942</u>	<u>2,997,942</u>	<u>4,385,992</u>	<u>1,388,050</u>
5020	Total revenues	<u>3,180,774</u>	<u>3,380,774</u>	<u>4,716,011</u>	<u>1,335,237</u>
EXPENDITURES					
Current:					
0035	Food service	3,120,774	3,320,774	3,398,883	(78,109)
0051	Facilities maintenance and operations	<u>60,000</u>	<u>60,000</u>	<u>50,078</u>	<u>9,922</u>
6030	Total expenditures	<u>3,180,774</u>	<u>3,380,774</u>	<u>3,448,961</u>	<u>(68,187)</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>1,267,050</u>	<u>1,403,424</u>
OTHER FINANCING SOURCES (USES)					
7912	Proceeds from sale of capital assets	-	-	3,820	3,820
7915	Transfers in	<u>-</u>	<u>16,000</u>	<u>16,000</u>	<u>-</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>16,000</u>	<u>19,820</u>	<u>3,820</u>
1200	NET CHANGE IN FUND BALANCES	-	16,000	1,286,870	1,407,244
0100	FUND BALANCES, BEGINNING	<u>742,682</u>	<u>742,682</u>	<u>742,682</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 742,682</u>	<u>\$ 758,682</u>	<u>\$ 2,029,552</u>	<u>\$ 1,270,870</u>

CROSBY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

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

FOR THE YEAR ENDED JUNE 30, 2022

		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts	Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 10,978,179	\$ 11,478,179	\$ 11,585,070	\$ 106,891
5800	State programs	<u>251,756</u>	<u>251,756</u>	<u>526,257</u>	<u>274,501</u>
5020	Total revenues	<u>11,229,935</u>	<u>11,729,935</u>	<u>12,111,327</u>	<u>381,392</u>
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	7,989,302	4,864,302	4,840,000	24,302
0072	Interest on long-term debt	3,803,608	3,803,608	3,803,608	-
0073	Bond issuance costs and fees	<u>24,500</u>	<u>24,500</u>	<u>20,787</u>	<u>3,713</u>
6030	Total expenditures	<u>11,817,410</u>	<u>8,692,410</u>	<u>8,664,395</u>	<u>28,015</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(587,475)</u>	<u>3,037,525</u>	<u>3,446,932</u>	<u>(409,407)</u>
OTHER FINANCING SOURCES (USES)					
7911	Issuance of bonds	-	13,965,000	13,965,000	-
7916	Premium on issuance of bonds	-	541,681	541,681	-
8940	Payments to escrow agent	<u>-</u>	<u>(17,394,700)</u>	<u>(17,394,700)</u>	<u>-</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>(2,888,019)</u>	<u>(2,888,019)</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	<u>(587,475)</u>	<u>149,506</u>	<u>558,913</u>	<u>409,407</u>
0100	FUND BALANCES, BEGINNING	<u>6,814,156</u>	<u>6,814,156</u>	<u>6,814,156</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 6,226,681</u>	<u>\$ 6,963,662</u>	<u>\$ 7,373,069</u>	<u>\$ 409,407</u>

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2022

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 5,241,852
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 2,953,221

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 735,273
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 325,299

FEDERAL AWARDS SECTION

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

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, 2022, and the related notes to the financial statements, which collectively comprise Crosby Independent School District's basic financial statements, and have issued our report thereon dated November 14, 2022.

Report on 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

OFFICE LOCATIONS

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

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
November 14, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Trustees of
Crosby Independent School District
Crosby, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Crosby Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Crosby Independent School District's ("the District") major federal programs for the year ended June 30, 2022. Crosby Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal Programs.

OFFICE LOCATIONS

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NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Waco, Texas
November 14, 2022

CROSBY INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass-through Grantor/ Program Title	(1) Assistance Listing Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE			
Passed through the Texas Education Agency:			
School Breakfast Program (SBP)	10.553	71402101	\$ 135,576
School Breakfast Program (SBP)	10.553	71402201	<u>689,881</u>
Total Assistance Listing Number 10.553			<u>825,457</u>
National School Lunch Program (NSLP)	10.555	71302101	532,862
National School Lunch Program (NSLP)	10.555	71302201	<u>2,579,624</u>
Total Assistance Listing Number 10.555			<u>3,112,486</u>
Total Passed through the Texas Education Agency			<u>3,937,943</u>
Passed through the Texas Department of Agriculture:			
COVID-19 - Supply Chain Assistance Grant	10.555	00516	135,955
NSLP - Commodities - Noncash Assistance	10.555	00516	<u>312,094</u>
Total Passed through the Texas Department of Agriculture			<u>448,049</u>
Total Assistance Listing Number 10.555			<u>3,560,535</u>
Total Child Nutrition Cluster			<u>4,385,992</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>4,385,992</u>
FEDERAL COMMUNICATIONS COMMISSION			
Direct program:			
COVID-19 - Emergency Connectivity Fund Program	32.009		<u>216,400</u>
Total Direct program			<u>216,400</u>
TOTAL FEDERAL COMMUNICATIONS COMMISSION			<u>216,400</u>
U. S. DEPARTMENT OF EDUCATION			
Passed through the Texas Education Agency:			
Title I, Part A-Improving Basic Programs	84.010A	21610101101906	11,830
Title I, Part A-Improving Basic Programs	84.010A	22610101101906	<u>979,967</u>
Total Assistance Listing Number 84.010A			<u>991,797</u>
IDEA B Formula	84.027A	216600011019066000	27,404
IDEA B Formula	84.027A	226600011019066000	1,072,870
COVID-19 - ARP IDEA B Formula	84.027A	225350011019065000	13,517
COVID-19 - ARP IDEA B Formula	84.027X	225350011019065000	158,926
IDEA B Preschool	84.173A	216610011019066000	294
IDEA B Preschool	84.173A	226610011019066000	<u>25,690</u>
Total Special Education Cluster (IDEA)			<u>1,298,701</u>
Career and Technical-Basic Grant	84.048A	22420006101906	61,730
Texas Education For Homeless Children and Youth	84.196A	224600057110017	144
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	21671001101906	19,419
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	22671001101906	<u>88,055</u>
Total Assistance Listing Number 84.365A			<u>107,474</u>

CROSBY INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass-through Grantor/ Program Title	(1) Assistance Listing Number	(2A) Pass-through Entity Identifying Pass-through	(3) Federal Expenditures
U. S. DEPARTMENT OF EDUCATION (continued)			
Passed through the Texas Education Agency (continued):			
Title II, Part A-Teacher and Principal Training and Recruiting	84.367A	21694501101906	\$ 1,782
Title II, Part A-Teacher and Principal Training and Recruiting	84.367A	22694501101906	<u>167,241</u>
Total Assistance Listing Number 84.367A			<u>169,023</u>
 Title IV, Part A, Subpart 1	 84.424A	 22680101101906	 66,841
COVID-19 - ESSER II Elementary and Secondary School Emergency Relief	84.425D	21521001101906	1,751,982
COVID-19 - ESSER III Elementary and Secondary School Emergency Relief	84.425U	21528001101906	2,141,242
COVID-19 - TCLASS ESSER III Elementary and Secondary School Emergency Relief	84.425U	21528042101906	<u>54,699</u>
Total Assistance Listing Number 84.425			<u>3,947,923</u>
 Total Passed through the Texas Education Agency			 <u>6,643,633</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>6,643,633</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Texas Education Agency:			
COVID-19 School Health Support Grant	93.323	6 NU50CK000501-02-06	<u>244,073</u>
Total Passed through the Texas Education Agency			<u>244,073</u>
 Passed through the Texas Department of Health and Human Services:			
Medicaid Administrative Claiming Program	93.778	HHS000537900160	<u>35,744</u>
Total Medicaid Cluster			<u>35,744</u>
 Total Passed through the Texas Department of Health & Human Services			 <u>35,744</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>279,817</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 11,525,842</u>

CROSBY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal award programs of Crosby Independent School District. The District's reporting entity is defined in Note I of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The District's significant account policies, including the modified accrual basis of accounting, are presented in Note 1 of the basic financial statements. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. PASS-THROUGH EXPENDITURES

None of the federal programs expended by the District were provided to subrecipients.

4. INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

5. RECONCILIATION OF FEDERAL REVENUES

The following is the reconciliation of federal revenues and the Schedule of Expenditures of Federal Awards for the year ended June 30, 2022:

Total expenditures of federal awards per Exhibit K-1	\$ 11,525,842
Additional federal revenues reported in general fund:	
SHARS	929,802
Interest subsidy on qualified school construction bonds	393,318
ROTC	<u>61,430</u>
Total federal revenues per exhibit C-3	\$ <u>12,910,392</u>

CROSBY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

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 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:	
Assistance Listing Numbers:	Name of Federal/State Programs or Cluster:
84.425D and 84.425U	COVID-19 Elementary and Secondary School Emergency Relief (ESSER)
84.027A and 84.173A	Special Education Cluster (IDEA)
Dollar threshold used to distinguish between Type A and Type B federal programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

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 Awards

None

CROSBY INDEPENDENT SCHOOL DISTRICT

14670 FM 2100 - P.O. Box 2009

Crosby, TX 77532

Phone: (281)328-9200 Fax: (281)328-9226

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2022

None noted.

OTHER INFORMATION

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

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
(UNAUDITED)

JUNE 30, 2022

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.)	Yes
	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.	
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	\$ 218,590