

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE TEN MONTHS ENDED JUNE 30, 2017*

## *Introductory Section*

Castleberry Independent School District  
Annual Financial Report  
For The Ten Months Ended June 30, 2017

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CERTIFICATE OF BOARD

Castleberry Independent School District  
Name of School District

Tarrant  
County

220-917  
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 ten months ended June 30, 2017, at a meeting of the board of trustees of such school district on the 6 day of November, 2017.

  
Signature of Board Secretary

  
Signature of Board President

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

## *Financial Section*



## SNOW GARRETT WILLIAMS

CERTIFIED PUBLIC ACCOUNTANTS

### Independent Auditor's Report

To the Board of Trustees  
Castleberry Independent School District  
5228 Ohio Garden  
Fort Worth, Texas 76114

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Castleberry Independent School District ("the District") as of and for the ten months ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### **Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Castleberry Independent School District as of June 30, 2017, and the respective changes in financial position, for the ten month period then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Castleberry Independent School District's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information, except for Exhibit J-2, and the schedule of expenditures of federal awards are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and Exhibit J-2 of the other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2017 on our consideration of Castleberry Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Castleberry Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Snow Garrett Williams". The signature is written in a cursive, flowing style.

Snow Garrett Williams

November 3, 2017

## Management's Discussion and Analysis (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the ten months ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the ten-month period by \$59,278,699 (*net position*). Of this amount, \$26,206,892 (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$37,865,094. Approximately 33 percent of this total amount, \$12,289,505 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$12,289,505, or 40 percent of the total general fund expenditures.

### Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two 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 for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 12-13 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

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 government'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 government'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 adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 14-17 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position that can be found on page 18.
- **Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-39 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 40-44 of this report.





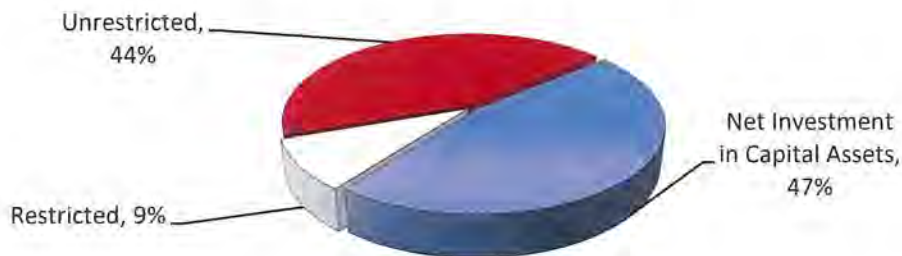
## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$59,278,699 as of the ten-month period ended June 20, 2017.

### The District's Net Position

	June 30, 2017	August 31, 2016
Current assets	\$ 42,744,337	\$ 34,109,895
Capital assets	72,916,347	73,829,074
Total assets	<u>115,660,684</u>	<u>107,938,969</u>
Deferred outflows of resources		
Deferred loss on refunding	28,018	32,021
Deferred outflows related to pensions	4,402,820	5,161,377
Total deferred outflows of resources	<u>4,430,838</u>	<u>5,193,398</u>
Current liabilities	4,981,496	4,005,080
Long-term liabilities outstanding	54,346,130	54,325,641
Total liabilities	<u>59,327,626</u>	<u>58,330,721</u>
Deferred inflows of resources		
Deferred inflows related to pensions	1,485,197	1,642,647
Total deferred inflows of resources	<u>1,485,197</u>	<u>1,642,647</u>
Net position:		
Net investment in capital assets	27,562,200	28,291,319
Restricted	5,509,607	2,979,186
Unrestricted	26,206,892	21,888,494
Total net position	<u>\$ 59,278,699</u>	<u>\$ 53,158,999</u>

### Net Position as of 6/30/17



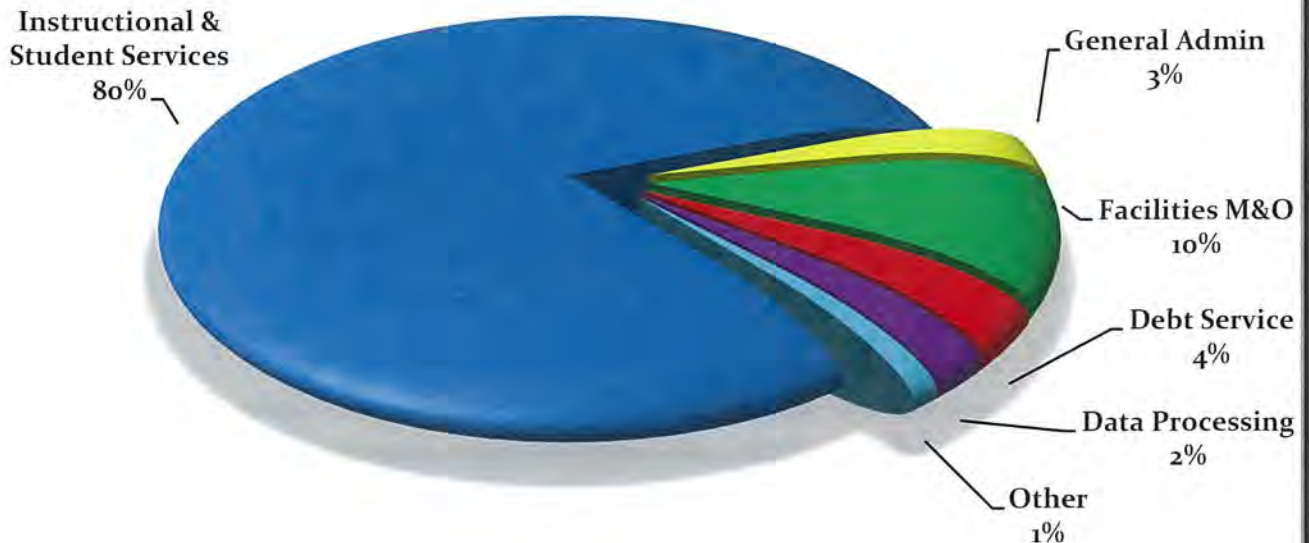
Net investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment) is \$27,562,200. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (\$5,509,607) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$26,206,892) may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

**Governmental activities.** The District's total net position increased \$6,119,700. The total cost of all *governmental activities* this year was \$40,669,587. The amount that our taxpayers paid for these activities through property taxes was \$7,355,647, or 18%.

**Changes in the District's Net Position**

	Ten-Months Ended June 30, 2017	Fiscal Year August 31, 2016
Revenues:		
Program revenues		
Charges for services	\$ 538,108	\$ 558,838
Operating grants and contributions	8,596,887	9,202,845
General revenues		
Property taxes	7,355,647	6,968,606
State grants	28,463,843	27,982,440
Other	1,834,802	2,010,813
Total revenues	<u>46,789,287</u>	<u>46,723,542</u>
Expenses:		
Instruction	22,894,430	24,592,272
Instruction resources and media services	558,384	672,940
Curriculum and staff development	281,855	390,443
Instructional leadership	1,615,668	981,965
School leadership	2,006,951	2,417,079
Guidance, counseling & evaluation services	916,051	981,610
Health services	300,446	309,000
Student transportation	441,014	499,727
Food service	2,258,686	2,683,411
Cocurricular/extracurricular activities	1,464,537	1,290,103
General administration	1,087,924	1,361,071
Facilities maintenance and operations	3,918,457	4,299,288
Security and monitoring services	239,991	225,462
Data processing services	1,010,647	775,004
Community Services	32,831	29,116
Interest on long-term debt	1,418,845	1,759,062
Bond issuance costs and fees	10,546	9,728
Capital Outlay	111,697	-
Payments related to shared service arrangements	26,078	35,334
Payments to juvenile justice alternative ed. Programs	10,320	-
Other intergovernmental charges	64,229	66,155
Total expenses	<u>40,669,587</u>	<u>43,378,770</u>
Increase (decrease) in net position	6,119,700	3,344,772
Net position - beginning	53,158,999	49,814,227
Ending net position	<u>\$ 59,278,699</u>	<u>\$ 53,158,999</u>

## Expenditures by Function



### Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

**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 the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$37,865,094, an increase of \$8,177,363. Approximately 33 percent of this total amount (\$12,289,505) constitutes *unassigned fund balance*. The remainder of fund balance is *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is not available for new spending because it is:

- Nonspendable:
  - (1) inventories (\$92,236).
- Restricted:
  - (1) for federal/state grant restrictions (\$1,265,114),
  - (2) to pay debt service (\$4,013,932),
  - (3) other fund balance restrictions (\$137,582).
- Committed:
  - (1) construction (\$13,700,000),
  - (2) other commitments (\$166,725),
- Assigned:
  - (1) capital expenditures for equipment (\$3,425,000),
  - (2) and for other miscellaneous assignments (\$2,775,000).



The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$12,289,505 out of a total fund balance of \$37,865,094. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total general fund expenditures. Unassigned fund balance represents 40% of the total general fund expenditures, while total fund balance represents 103% percent of that same amount.



The fund balance of the District's general fund increased \$5,651,888 during the current fiscal year. Key factors in this increase are:

- Conservative budgeting and spending.

The Debt service fund has a total fund balance of \$4,013,932, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$2,311,192.

### General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved revisions to the budget at the function level due to spending patterns.

- IMMS Cafeteria revisions project.

The following are significant variations between the final budget and actual amounts for the general fund:

- Actual revenues were less than budgeted by \$300,613 primarily related to a decrease in state program revenues: and
- Actual expenditures were lower than budgeted by \$6,486,023 primarily due to instruction, school leadership, general administration, plant maintenance and operations and capital outlay.

### Capital Asset and Debt Administration

**Capital assets.** The District's investment in capital assets for its governmental activities for the ten-month period ended June 30, 2017, amounts to \$72,916,347 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress.

Major capital asset events during the year included the addition of four portable buildings at the High School, a 77-passenger bus, new HVAC system at the High School, new playground improvements at Joy James Elementary, and construction in progress of the cafeteria at the Middle School.

#### Districts Capital Assets (net of depreciation)

	June 30, 2017	August 31, 2016
Land	\$ 2,908,775	\$ 2,908,775
Buildings and improvements	66,048,310	67,834,909
Furniture and equipment	2,955,367	3,085,390
Construction in progress	1,003,895	-
Total at historical cost	<u>\$ 72,916,347</u>	<u>\$ 73,829,074</u>

Additional information on the District's capital assets can be found in note C on page 28 of this report.

**Long-term debt.** For the ten-month period ended June 30, 2017, the District had total general obligation bonded debt outstanding of \$44,530,000, a decrease of \$110,000 from the prior year. Bond premiums decreased \$77,611, in the fiscal year, resulting in an ending balance of \$852,165. The net pension liability for fiscal year 2017 had an ending balance of \$8,963,965, derived from GASB 68 & 71 and an increase of \$208,100 from the prior year.

Additional information on the District's long-term debt can be found in note E on pages 29-30 of this report.

The District's bonds are rated "AAA" by virtue of the guarantee of the Permanent School Fund of the State of Texas. Without the guarantee Castleberry ISD's underlying rating from Fitch is A+.

## **Economic Factors and Next Year's Budgets and Rates**

- The District's student attendance rate remains consistent at 96 percent with a total student body count of 3,930.
- The District's enrollment has experienced a 1.33 percent decrease.
- The District's taxable valuation has increased by 18 percent. Voters approved a Maintenance and Operating Tax Rate of \$ 1.17 thereby generating an additional \$ 375,501 in tax revenue in the general fund. (The District is currently at \$1.17 per \$100 in assessed property value, the maximum tax rate allowable by state law for maintenance and operations.) State funding increased by \$ 690,516.
- The District has appropriated revenues and expenditures in the 2017-18 budget of \$36,931,345 and \$36,931,345 respectively.

## **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Office, Castleberry I.S.D., 5228 Ohio Garden, Fort Worth, Texas, 76114.





## *Basic Financial Statements*

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF NET POSITION**

JUNE 30, 2017

Data Control Codes		1	Governmental Activities
	<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$	1,002,802
1120	Current Investments		37,557,198
1225	Property Taxes Receivable (Net)		570,116
1240	Due from Other Governments		3,365,041
1250	Accrued Interest		62,279
1290	Other Receivables (Net)		94,665
1300	Inventories		92,236
	Capital Assets:		
1510	Land		2,908,775
1520	Buildings and Improvements, Net		66,048,310
1530	Furniture and Equipment, Net		2,955,367
1580	Construction in Progress		1,003,895
1000	Total Assets		<u>115,660,684</u>
	<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
	Deferred Outflow of Resources		28,018
1705	Deferred Outflow Related to Pensions		4,402,820
1700	Total Deferred Outflows of Resources		<u>4,430,838</u>
	<b>LIABILITIES:</b>		
2110	Accounts Payable		250,811
2140	Interest Payable		672,369
2165	Accrued Liabilities		3,120,953
2180	Due to Other Governments		937,363
	Noncurrent Liabilities:		
2501	Due Within One Year		1,400,000
2502	Due in More Than One Year		43,982,165
2540	Net Pension Liability		8,963,965
2000	Total Liabilities		<u>59,327,626</u>
	<b>DEFERRED INFLOWS OF RESOURCES:</b>		
2605	Deferred Inflow Related to Pensions		1,485,197
2600	Total Deferred Inflows of Resources		<u>1,485,197</u>
	<b>NET POSITION:</b>		
3200	Net Investment in Capital Assets		27,562,200
	Restricted For:		
3820	State and Federal Programs		1,265,114
3850	Debt Service		4,106,911
3880	Scholarships		110,896
3890	Other Purposes		26,686
3900	Unrestricted		26,206,892
3000	Total Net Position	\$	<u><u>59,278,699</u></u>

The accompanying notes are an integral part of this statement.

## CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE TEN MONTHS ENDED JUNE 30, 2017

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 22,894,430	\$ 140	\$ 2,929,155	\$ (19,965,135)
12	Instructional Resources and Media Services	558,384	4	7,889	(550,491)
13	Curriculum and Staff Development	281,855	--	295,682	13,827
21	Instructional Leadership	1,615,668	9	198,201	(1,417,458)
23	School Leadership	2,006,951	13	27,895	(1,979,043)
31	Guidance, Counseling, & Evaluation Services	916,051	4	703,255	(212,792)
33	Health Services	300,446	2	4,228	(296,216)
34	Student Transportation	441,014	4	9,384	(431,626)
35	Food Service	2,258,686	251,903	2,065,644	58,861
36	Cocurricular/Extracurricular Activities	1,464,537	285,973	17,995	(1,160,569)
41	General Administration	1,087,924	7	15,572	(1,072,345)
51	Facilities Maintenance and Operations	3,918,457	27	57,028	(3,861,402)
52	Security and Monitoring Services	239,991	2	3,455	(236,534)
53	Data Processing Services	1,010,647	7	15,572	(995,068)
61	Community Services	32,831	--	5,490	(27,341)
72	Interest on Long-term Debt	1,418,845	--	2,212,289	793,444
73	Bond Issuance Costs and Fees	10,546	--	--	(10,546)
81	Capital Outlay	111,697	13	27,998	(83,686)
93	Payments Related to Shared Services Arrangements	26,078	--	--	(26,078)
95	Payments to Juvenile Justice Alternative Ed. Programs	10,320	--	155	(10,165)
99	Other Intergovernmental Charges	64,229	--	--	(64,229)
TG	Total Governmental Activities	<u>40,669,587</u>	<u>538,108</u>	<u>8,596,887</u>	<u>(31,534,592)</u>
TP	Total Primary Government	<u>\$ 40,669,587</u>	<u>\$ 538,108</u>	<u>\$ 8,596,887</u>	<u>(31,534,592)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				6,248,864
DT	Property Taxes, Levied for Debt Service				1,106,783
IE	Investment Earnings				210,664
GC	Grants and Contributions Not Restricted to Specific Programs				28,463,843
MI	Miscellaneous				1,624,138
TR	Total General Revenues				<u>37,654,292</u>
CN	Change in Net Position				6,119,700
NB	Net Position - Beginning				53,158,999
NE	Net Position - Ending				<u>\$ 59,278,699</u>

The accompanying notes are an integral part of this statement.

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT****BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ 373,825	\$ 494,058	\$ 134,919	\$ 1,002,802
1120 Current Investments	31,648,918	5,474,816	433,464	37,557,198
1225 Taxes Receivable	985,402	180,224	--	1,165,626
1,230 Allowance for Uncollectible Taxes (credit)	(508,265)	(87,245)	--	(595,510)
1240 Due from Other Governments	2,945,573	--	419,468	3,365,041
1250 Accrued Interest	52,297	9,982	--	62,279
1260 Due from Other Funds	1,923,112	--	859,204	2,782,316
1290 Other Receivables	91,171	--	3,494	94,665
1300 Inventories	92,236	--	--	92,236
1000 Total Assets	<u>37,604,269</u>	<u>6,071,835</u>	<u>1,850,549</u>	<u>45,526,653</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 227,082	\$ --	\$ 23,729	\$ 250,811
2150 Payroll Deductions & Withholdings	116,748	--	25,818	142,566
2160 Accrued Wages Payable	2,746,809	--	231,578	2,978,387
2170 Due to Other Funds	859,204	1,923,109	3	2,782,316
2180 Due to Other Governments	895,548	41,815	--	937,363
2000 Total Liabilities	<u>4,845,391</u>	<u>1,964,924</u>	<u>281,128</u>	<u>7,091,443</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred Revenue - Property Taxes	477,137	92,979	--	570,116
2600 Total Deferred Inflows of Resources	<u>477,137</u>	<u>92,979</u>	<u>--</u>	<u>570,116</u>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3410 Inventories	92,236	--	--	92,236
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	1,265,114	1,265,114
3480 Retirement of Long-Term Debt	--	4,013,932	--	4,013,932
3490 Other Restrictions of Fund Balance	--	--	137,582	137,582
Committed Fund Balances:				
3510 Construction	13,700,000	--	--	13,700,000
3545 Other Committed Fund Balance	--	--	166,725	166,725
Assigned Fund Balances:				
3570 Capital Expenditures for Equipment	3,425,000	--	--	3,425,000
3590 Other Assigned Fund Balance	2,775,000	--	--	2,775,000
3600 Unassigned	12,289,505	--	--	12,289,505
3000 Total Fund Balances	<u>32,281,741</u>	<u>4,013,932</u>	<u>1,569,421</u>	<u>37,865,094</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 37,604,269</u>	<u>\$ 6,071,835</u>	<u>\$ 1,850,549</u>	<u>\$ 45,526,653</u>

The accompanying notes are an integral part of this statement.

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

Total fund balances - governmental funds balance sheet	\$ 37,865,094
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	72,916,347
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	570,116
Payables for bond principal which are not due in the current period are not reported in the funds.	(44,530,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(672,369)
Premiums on bonds which are not due and payable in the current period are not reported in the funds.	(852,165)
Deferred loss on refunding bonds is not reported in the funds.	28,018
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(8,963,965)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,485,197)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	4,402,820
Net position of governmental activities - Statement of Net Position	<u>\$ 59,278,699</u>

The accompanying notes are an integral part of this statement.

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES - GOVERNMENTAL FUNDS****FOR THE TEN MONTHS ENDED JUNE 30, 2017**

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ 6,565,846	\$ 1,118,017	\$ 568,379	\$ 8,252,242
5800 <i>State Program Revenues</i>	29,823,603	2,212,289	334,749	32,370,641
5900 <i>Federal Program Revenues</i>	503,791	--	4,186,298	4,690,089
5020 <i>Total Revenues</i>	<u>36,893,240</u>	<u>3,330,306</u>	<u>5,089,426</u>	<u>45,312,972</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	18,156,281	--	1,666,296	19,822,577
0012 <i>Instructional Resources and Media Services</i>	479,849	--	--	479,849
0013 <i>Curriculum and Staff Development</i>	548	--	243,982	244,530
0021 <i>Instructional Leadership</i>	1,190,177	--	243,181	1,433,358
0023 <i>School Leadership</i>	1,693,747	--	2,757	1,696,504
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	511,487	--	273,696	785,183
0033 <i>Health Services</i>	258,126	--	--	258,126
0034 <i>Student Transportation</i>	569,118	--	--	569,118
0035 <i>Food Service</i>	--	--	2,138,843	2,138,843
0036 <i>Cocurricular/Extracurricular Activities</i>	1,094,564	--	199,114	1,293,678
0041 <i>General Administration</i>	944,617	--	--	944,617
0051 <i>Facilities Maintenance and Operations</i>	3,464,283	--	--	3,464,283
0052 <i>Security and Monitoring Services</i>	211,202	--	--	211,202
0053 <i>Data Processing Services</i>	946,037	--	--	946,037
0061 <i>Community Services</i>	24,292	--	5,113	29,405
0071 <i>Principal on Long-term Debt</i>	--	110,000	--	110,000
0072 <i>Interest on Long-term Debt</i>	--	902,571	--	902,571
0073 <i>Bond Issuance Costs and Fees</i>	--	6,543	--	6,543
0081 <i>Capital Outlay</i>	1,702,158	--	--	1,702,158
0093 <i>Payments to Shared Service Arrangements</i>	--	--	26,078	26,078
0095 <i>Payments to Juvenile Justice Alternative</i>				
0095 <i>Education Programs</i>	10,320	--	--	10,320
0099 <i>Other Intergovernmental Charges</i>	64,229	--	--	64,229
6030 <i>Total Expenditures</i>	<u>31,321,035</u>	<u>1,019,114</u>	<u>4,799,060</u>	<u>37,139,209</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	<u>5,572,205</u>	<u>2,311,192</u>	<u>290,366</u>	<u>8,173,763</u>
Other Financing Sources and (Uses):				
7912 <i>Sale of Real or Personal Property</i>	3,600	--	--	3,600
7915 <i>Transfers In</i>	76,083	--	--	76,083
8911 <i>Transfers Out</i>	--	--	(76,083)	(76,083)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>79,683</u>	<u>--</u>	<u>(76,083)</u>	<u>3,600</u>
1200 <i>Net Change in Fund Balances</i>	<u>5,651,888</u>	<u>2,311,192</u>	<u>214,283</u>	<u>8,177,363</u>
0100 <i>Fund Balances - Beginning</i>	26,629,853	1,702,740	1,355,138	29,687,731
3000 <i>Fund Balances - Ending</i>	<u>\$ 32,281,741</u>	<u>\$ 4,013,932</u>	<u>\$ 1,569,421</u>	<u>\$ 37,865,094</u>

The accompanying notes are an integral part of this statement.

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE TEN MONTHS ENDED JUNE 30, 2017*

Net change in fund balances - total governmental funds	\$ 8,177,363
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,978,232
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,890,959)
The gain or loss on the sale of capital assets is not reported in the funds.	3,600
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(3,600)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	74,548
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	110,000
Deferred loss on refunding is amortized in the SOA but not in the funds.	(4,003)
(Increase) decrease in accrued interest from beginning of period to end of period.	(593,885)
Bond premiums are amortized in the SOA but not in the funds.	77,611
Pension expense related to GASB 68 is recorded in the SOA but not in the funds.	(1,420,870)
Pension contributions made after the measurement date but in current FY were de-expended and reduced NPL.	611,663
Change in net position of governmental activities - Statement of Activities	<u>\$ 6,119,700</u>

The accompanying notes are an integral part of this statement.

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT***STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**JUNE 30, 2017*

<u>Data Control Codes</u>		<u>Agency Funds</u>
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 16,985
1000	Total Assets	<u>16,985</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ 16,985
2000	Total Liabilities	<u>16,985</u>
<b>NET POSITION:</b>		
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.



**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE TEN MONTHS ENDED JUNE 30, 2017*

**A. Summary of Significant Accounting Policies**

The basic financial statements of Castleberry Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1. Reporting Entity**

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. 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:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: This is a major fund used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE TEN MONTHS ENDED JUNE 30, 2017*

In addition, the District reports the following fund types:

**Agency Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. **Measurement Focus, Basis of Accounting**

**Government-wide and Fiduciary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. **Financial Statement Amounts**

a. **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 personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on 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 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon 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.

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE TEN MONTHS ENDED JUNE 30, 2017*

b. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at cost. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions including plant maintenance and operation supplies as well as instruction.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings & Improvements	10-50
Equipment	5-15

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE TEN MONTHS ENDED JUNE 30, 2017*

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

The District has a minimum unassigned general fund balance target of 25% of the subsequent year's expenditures and transfers.

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE TEN MONTHS ENDED JUNE 30, 2017*

j. 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 and proprietary 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 net position to have been depleted before unrestricted net position is applied.

k. Fund Balance Flow Assumptions

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

4. Pensions

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' 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.

B. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At June 30, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,019,787 and the bank balance was \$1,759,743. The District's cash deposits at June 30, 2017 and during the ten month period ended June 30, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

# CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE TEN MONTHS ENDED JUNE 30, 2017

### 2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at June 30, 2017 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Bank of Oklahoma		
Certificates of Deposit	<1 year	\$ 1,398,368
Commercial Paper	<1 year	9,048,650
Municipal/State Bonds	<2 years	1,568,691
Federal Agency Bonds	<1 year	996,581
TexPool- LGIP	38 days	3,778,834
Logic- LGIP	32 days	1,163,787
TexStar - LGIP	36 days	19,602,287
Total Investments		<u>\$ 37,557,198</u>

### 3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

#### a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At June 30, 2017, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

Bank of Oklahoma	
Certificates of Deposit	Not Rated
Commercial Paper	A-1
Municipal/State Bonds	AA
Federal Agency Bonds	N/A
TexPool- LGIP	AAAm
Logic- LGIP	AAAm
TexStar - LGIP	AAAm

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE TEN MONTHS ENDED JUNE 30, 2017*

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At June 30, 2017, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2017, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At June 30, 2017, the District was exposed to interest rate risk for the investments in municipal/state bonds and federal agency bonds described in Note B-2. Due to the short maturity of all of the bonds (less than 2 years) the interest rate risk would be minimal and the affect on the investment values would be insignificant.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2017, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts. The District reports investments in local government investment pools following GASB 79 at amortized cost.

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.

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
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**LOGIC**

The Local Government Investment Cooperative ("LOGIC") is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "PFIA"). These two acts provide for the creation of public funds investment pools (including LOGIC) and authorize eligible governmental entities ("Participants") to invest their public funds and funds under their control through the investment pools.

LOGIC reports its financial statements in accordance with Financial Accounting Standards Boards (FASB), follows ASC 820 "Fair Value Measurement and Disclosure Requirements" in reporting its investments and should be classified on government entities financials at Level 2. For pricing and redeeming shares, LOGIC maintains a stable net asset value (NAV) of \$1 per share using the fair value method.

Under the fair value method, fixed income securities are valued each day by independent or affiliated commercial pricing services or third party broker-dealers. The pricing services or broker-dealers use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the broker-dealers or pricing services also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon-rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair values.

**TexSTAR**

TexSTAR is a local government investment pool organized under the Interlocal Cooperation Act Texas Short Term Asset Reserve Program ("TexSTAR") has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "PFIA"). These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities ("Participants") to invest their public funds and funds under their control through the investment pools.

TexSTAR reports its financial statements in accordance with Financial Accounting Standards Boards (FASB), follows ASC 820 "Fair Value Measurement and Disclosure Requirements" in reporting its investments and should be classified on government entities financials at Level 2. For pricing and redeeming shares, TexSTAR maintains a stable net asset value (NAV) of \$1 per share using the fair value method.

Under the fair value method, fixed income securities are valued each day by independent or affiliated commercial pricing services or third party broker-dealers. The pricing services or broker-dealers use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the broker-dealers or pricing services also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon-rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair values.



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**TexPool**

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. TexPool uses amortized cost to value portfolio assets and follows the criteria established by GASB 79 for use of amortized cost. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at [www.ttstc.org](http://www.ttstc.org). There are no limitations or restrictions on withdrawals.

**Bank of Oklahoma**

The District's investments held by the Bank of Oklahoma consists of certificates of deposit, commercial paper, municipal/state bonds and federal agency bonds, all of which are categorized as Level 2 for the fair value hierarchy. The fair value is obtained via a pricing method used by Bloomberg Professional Services whereby bonds with similar credit qualities, coupons, maturities, state locations, etc are used to obtain a value for the portfolio bonds, as many of the bonds do not trade on a regular basis.

**Fair Value Measurements**

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

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

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

In accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice period of maximum transaction amounts. These pool do not impose any liquidity fees or redemption gates.

Investments' fair value measurements are as follows at June 30, 2017:

Investments	Fair Value Measurement Using			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Logic- LGIP	\$ 1,163,787	\$ --	\$ 1,163,787	\$ --
TexStar - LGIP	19,602,287	--	19,602,287	--
Bank of Oklahoma	13,012,290	--	13,012,290	--
Total	\$ 33,778,364	\$ --	\$ 33,778,364	\$ --

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

**C. Capital Assets**

Capital asset activity for the ten month period ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,908,775	\$ --	\$ --	\$ 2,908,775
Construction in progress	--	1,003,895	--	1,003,895
Total capital assets not being depreciated	<u>2,908,775</u>	<u>1,003,895</u>	<u>--</u>	<u>3,912,670</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	107,384,392	583,436	--	107,967,828
Equipment	8,820,912	390,901	8,000	9,203,813
Total capital assets being depreciated	<u>116,205,304</u>	<u>974,337</u>	<u>8,000</u>	<u>117,171,641</u>
Less accumulated depreciation for:				
Buildings and improvements	(39,549,483)	(2,370,035)	--	(41,919,518)
Equipment	(5,735,522)	(520,924)	(8,000)	(6,248,446)
Total accumulated depreciation	<u>(45,285,005)</u>	<u>(2,890,959)</u>	<u>(8,000)</u>	<u>(48,167,964)</u>
Total capital assets being depreciated, net	<u>70,920,299</u>	<u>(1,916,622)</u>	<u>--</u>	<u>69,003,677</u>
Governmental activities capital assets, net	<u>\$ 73,829,074</u>	<u>\$ (912,727)</u>	<u>\$ --</u>	<u>\$ 72,916,347</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,646,025
Instructional Resources and Media Services	40,045
Curriculum and Staff Development	20,407
Instructional Leadership	119,619
School Leadership	141,580
Guidance, Counseling, & Evaluation Services	65,527
Health Services	21,542
Student Transportation	47,495
Food Services	178,495
Extracurricular Activities	136,028
General Administration	78,832
Plant Maintenance and Operations	296,334
Security and Monitoring Services	17,626
Data Processing Services	78,950
Community Services	2,454
	<u>\$ 2,890,959</u>

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
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**D. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at June 30, 2017, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 1,923,109	Short-term loans
General Fund	Capital Projects Fund	3	Short-term loans
Special Revenue Funds	General Fund	859,204	For transfer of federal, state & local funds
	Total	<u>\$ 2,782,316</u>	

All amounts due are scheduled to be repaid within one year.

**2. Transfers To and From Other Funds**

Transfers to and from other funds at June 30, 2017, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Special Revenue Funds	General Fund	\$ 76,083	To transfer local receipts
	Total	<u>\$ 76,083</u>	

**E. Long-Term Obligations**

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the ten month period ended June 30, 2017, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b><u>Governmental activities:</u></b>					
General obligation bonds	\$ 44,640,000	\$ --	\$ 110,000	\$ 44,530,000	\$ 1,400,000
Amortization of premiums	929,776	--	77,611	852,165	--
Net Pension Liability *	8,755,865	208,100	--	8,963,965	--
Total governmental activities	<u>\$ 54,325,641</u>	<u>\$ 208,100</u>	<u>\$ 187,611</u>	<u>\$ 54,346,130</u>	<u>\$ 1,400,000</u>

\* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Net Pension Liability*	Governmental	General Fund

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2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	Governmental Activities		
	Principal	Interest	Total
2018	\$ 1,400,000	\$ 1,785,541	\$ 3,185,541
2019	1,470,000	1,745,097	3,215,097
2020	1,550,000	1,700,563	3,250,563
2021	1,610,000	1,649,803	3,259,803
2022	1,650,000	1,590,286	3,240,286
2023-2027	11,625,000	6,799,041	18,424,041
2028-2032	12,870,000	4,132,950	17,002,950
2033-2037	12,355,000	1,260,200	13,615,200
Totals	<u>\$ 44,530,000</u>	<u>\$ 20,663,481</u>	<u>\$ 65,193,481</u>

The interest rates on the Unlimited Tax School Refunding Bonds Series 2006 range from 4.00% to 4.20% and matures on August 15, 2025.

The interest rates on the Unlimited Tax School Refunding Bonds Series 2010 range from 2.25% to 3.70% and matures on August 15, 2025.

The interest rates on the Unlimited Tax School Building Bonds Series 2010 range from 2.00% to 5.00% and matures on August 15, 2036.

The interest rates on the Unlimited Tax School Refunding Bonds Series 2011 range from 3.00% to 4.00% and matures on August 15, 2022.

F. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of June 30, 2017, as follows:

<u>Year Ending June 30,</u>	
2018	\$ 36,739
2019	4,244
2020	3,114
2021	3,114
2022	2,595
Total Minimum Rentals	<u>\$ 49,806</u>
Rental Expenditures in 2017	<u>\$ 42,147</u>

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
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G. Risk Management

Property Casualty Program

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During ten month period ended June 30, 2017, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, Privacy & Information Security, Property, and Legal Liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating the Fund execute Interlocal Agreements that define the responsibilities of the parties. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the ten month period ended June 30, 2017, the Fund anticipates Castleberry ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

During the ten month period ended June 30, 2017, Castleberry ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

Castleberry ISD participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2016, the Fund carries a discounted reserve of \$51,843,324 for future development on reported claims and claims that have been incurred but not yet reported. For the ten month period ended June 30, 2017, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
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H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detail 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 Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2016.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

3. 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 in (1.) above.

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
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4. Contributions

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

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

	<b><u>Contribution Rates</u></b>	
	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2017 Employer Contributions	\$ 611,663	
District's 2017 Member Contributions	\$ 1,585,261	
NECE 2016 On-Behalf Contributions to District	\$ 1,135,053	

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.

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In addition to the employer contributions listed on the prior page, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

5. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



# CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE TEN MONTHS ENDED JUNE 30, 2017

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

<b>Teacher Retirement System of Texas</b> <b>Asset Allocation and Long-Term Expected Real Rate of Return</b> <b>As of August 31, 2016</b>			
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-term Portfolio Returns *</b>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

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

### 7. 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 (8%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 13,873,198	\$ 8,963,965	\$ 4,799,943

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
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8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$8,963,965 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	\$ 8,963,965
State's proportionate share that is associated with District	<u>13,472,909</u>
Total	<u>\$ 22,436,874</u>

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

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0237214% which was an increase (decrease) of 0.0010486% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions of other inputs that affected measurement of the total pension liability since the prior measurement period:

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

For the ten months ended June 30, 2017, the District recognized pension expense of \$1,398,167 and revenue of \$1,398,167 for support provided by the State.

# CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE TEN MONTHS ENDED JUNE 30, 2017

At June 30, 2017, the District reported its proportionate share of the TRS' 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	\$ 140,553	\$ 267,659
Changes in actuarial assumptions	273,206	248,469
Difference between projected and actual investment earnings	1,727,368	968,318
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,650,031	751
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	<u>611,662</u>	<u>                    </u>
Total	<u>\$ 4,402,820</u>	<u>\$ 1,485,197</u>

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

Year Ended June 30	Pension Expense Amount
2018	\$ 406,073
2019	\$ 406,073
2020	\$ 890,232
2021	\$ 368,875
2022	\$ 221,667
Thereafter	\$ 13,041

# CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE TEN MONTHS ENDED JUNE 30, 2017

### I. Retiree Health Care Plans

#### 1. TRS-Care

##### a. Plan Description

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

##### b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2017, 2016 and 2015. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. For the years ended June 30, 2017, August 31, 2016, and 2015, the State's contributions to TRS-Care were \$205,878, \$233,687, and \$220,348, respectively, the active member contributions were \$133,821, \$151,897, and \$143,226, respectively, and the District's contributions were \$113,233, \$128,528, and \$121,192, respectively, which equaled the required contributions each year.

#### 2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2017, August 31, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$112,797, \$68,155, and \$65,232, respectively.

### J. Employee Health Care Coverage

During the ten month period ended June 30, 2017, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$293 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable annually, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Company are available for their year end and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

**K. Commitments and Contingencies**

**1. Contingencies**

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**2. Litigation**

No reportable litigation was pending against the District at June 30, 2017.

**L. Shared Services Arrangements**

**Shared Services Arrangement - Membership**

The District participates in a shared services arrangement ("SSA") for visual impairments with the following school districts:

**Member Districts**

Palo Pinto Co-Op	Castleberry ISD	Weatherford ISD
Parker County Co-Op	Decatur ISD	White Settlement ISD
Wise County Co-Op	Lake Worth ISD	
Aledo ISD	Northwest ISD	
Azle ISD	Springtown ISD	

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Peaster ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

**M. Other Restricted Fund Balance**

**Fund**

Special Revenue Fund	\$ 110,896	Scholarships
Special Revenue Fund	7,647	Castleberry Community Drug Free Awareness Coalition
Special Revenue Fund	19,039	Foundation
Total	<u>\$ 137,582</u>	

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

# CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE TEN MONTHS ENDED JUNE 30, 2017

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 6,648,914	\$ 6,648,914	\$ 6,565,846	\$ (83,068)
5800	State Program Revenues	29,385,353	29,443,713	29,823,603	379,890
5900	Federal Program Revenues	500,000	500,000	503,791	3,791
5020	Total Revenues	36,534,267	36,592,627	36,893,240	300,613
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	21,196,149	20,707,254	18,156,281	2,550,973
0012	Instructional Resources and Media Services	630,378	670,378	479,849	190,529
0013	Curriculum and Staff Development	2,787	3,787	548	3,239
	Total Instruction & Instr. Related Services	21,829,314	21,381,419	18,636,678	2,744,741
Instructional and School Leadership:					
0021	Instructional Leadership	1,083,645	1,533,645	1,190,177	343,468
0023	School Leadership	2,177,546	2,277,546	1,693,747	583,799
	Total Instructional & School Leadership	3,261,191	3,811,191	2,883,924	927,267
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	522,536	672,536	511,487	161,049
0033	Health Services	315,278	340,278	258,126	82,152
0034	Student (Pupil) Transportation	915,333	820,333	569,118	251,215
0036	Cocurricular/Extracurricular Activities	1,320,051	1,370,051	1,094,564	275,487
	Total Support Services - Student (Pupil)	3,073,198	3,203,198	2,433,295	769,903
Administrative Support Services:					
0041	General Administration	1,439,208	1,454,208	944,617	509,591
	Total Administrative Support Services	1,439,208	1,454,208	944,617	509,591
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	4,456,890	4,323,890	3,464,283	859,607
0052	Security and Monitoring Services	293,149	293,149	211,202	81,947
0053	Data Processing Services	775,307	1,080,307	946,037	134,270
	Total Support Services - Nonstudent Based	5,525,346	5,697,346	4,621,522	1,075,824
Ancillary Services:					
0061	Community Services	46,174	51,174	24,292	26,882
	Total Ancillary Services	46,174	51,174	24,292	26,882
Capital Outlay:					
0081	Capital Outlay	1,215,836	2,064,522	1,702,158	362,364
	Total Capital Outlay	1,215,836	2,064,522	1,702,158	362,364
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	14,000	14,000	--	14,000
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	50,000	50,000	10,320	39,680
0099	Other Intergovernmental Charges	80,000	80,000	64,229	15,771
	Total Intergovernmental Charges	144,000	144,000	74,549	69,451
6030	Total Expenditures	36,534,267	37,807,058	31,321,035	6,486,023

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE TEN MONTHS ENDED JUNE 30, 2017

**EXHIBIT G-1**

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(1,214,431)	5,572,205	6,786,636
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	--	3,600	3,600
7915	Transfers In	--	--	76,083	76,083
7080	Total Other Financing Sources and (Uses)	--	--	79,683	79,683
1200	Net Change in Fund Balance	--	(1,214,431)	5,651,888	6,866,319
0100	Fund Balance - Beginning	26,629,853	26,629,853	26,629,853	--
3000	Fund Balance - Ending	<u>\$ 26,629,853</u>	<u>\$ 25,415,422</u>	<u>\$ 32,281,741</u>	<u>\$ 6,866,319</u>



**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT***SCHEDULE OF THE DISTRICT'S PROPORTIONATE**SHARE OF THE NET PENSION LIABILITY**TEACHER RETIREMENT SYSTEM OF TEXAS**LAST TEN FISCAL YEARS \**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net collective pension liability (asset)	0.024%	0.025%	0.016%	--	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 8,963,965	\$ 8,755,865	\$ 4,323,398	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the collective net pension liability (asset) associated with the District	13,472,909	12,256,864	10,645,315	--	--	--	--	--	--	--
Total	<u>\$ 22,436,874</u>	<u>\$ 21,012,729</u>	<u>\$ 14,968,713</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 23,368,708	\$ 22,034,841	\$ 20,713,370	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the collective net pension liability (asset) as a percentage of its covered payroll	38.36%	39.74%	20.87%	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%	--	--	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
LAST TEN FISCAL YEARS \**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required employer contribution	\$ 611,663	\$ 753,689	\$ 733,450	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required employer contribution	611,663	753,689	733,450	--	--	--	--	--	--	--
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 20,587,803	\$ 23,368,708	\$ 22,034,841	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	2.97%	3.23%	3.33%	--	--	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

The contribution numbers for the 2017 column are based on calculations from the District. The previous years are based on numbers provided by TRS schedules.

## **CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE TEN MONTHS ENDED JUNE 30, 2017*

#### Budget

The official budget was prepared for adoption for all Governmental Fund Types legally required to adopt a budget (General Funds, Food Service Funds and Debt Service Funds). The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to June 19 of the preceeding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. 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.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

#### Defined Benefit Pension Plan

##### *Changes of benefit terms*

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

##### *Changes of assumptions*

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

# CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE TEN MONTHS ENDED JUNE 30, 2017

Year Ended August 31 *	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2008 and Prior Years	\$ Various	\$	Various	\$	Various	
2009	1.04		.1598		480,400,447	
2010	1.04		.1733		487,196,406	
2011	1.17		.2833		433,610,472	
2012	1.17		.2833		438,336,338	
2013	1.17		.2833		456,101,409	
2014	1.17		.2455		458,343,059	
2015	1.17		.2297		480,851,611	
2016	1.17		.2455		484,799,224	
2017 (School Year Under Audit)	1.17		.2066		534,649,136	
1000 Totals						
July and August 2017 Collections and Adjustments*						
Totals as of August 31, 2017						

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

\* Although the District's fiscal year ended June 30, 2017, the information provided in this schedule for 2017 is for the twelve month period ended August 31, 2017, as required by the Texas Education Agency.

Column 20, the current year's levy is the ending levy due provided by Tarrant County Tax Office.

Column 3, Assessed/Appraised Value for School Tax Purposes is calculated based on current year total levy divided by current year total tax rate. This amount includes adjustments for frozen values.

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 400,285	\$ --	\$ 5,266	\$ 883	\$ (40,878)	\$ 353,258
44,793	--	723	111	(3,539)	40,420
46,165	--	1,719	286	(3,626)	40,534
49,963	--	3,991	1,002	(2,203)	42,767
48,324	--	4,775	1,156	(1,793)	40,600
63,860	--	6,668	1,615	(1,537)	54,040
92,638	--	11,495	2,412	(1,605)	77,126
101,912	--	34,982	6,868	(851)	59,211
241,660	--	64,694	13,575	(53,840)	109,551
--	7,359,980	5,959,522	1,052,339	--	348,119
<u>\$ 1,089,600</u>	<u>\$ 7,359,980</u>	<u>\$ 6,093,835</u>	<u>\$ 1,080,247</u>	<u>\$ (109,872)</u>	<u>\$ 1,165,626</u>
		131,823	23,912	--	155,735
<u>\$ 1,089,600</u>	<u>\$ 7,359,980</u>	<u>\$ 6,225,658</u>	<u>\$ 1,104,159</u>	<u>\$ (109,872)</u>	<u>\$ 1,321,361</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT****EXHIBIT J-2****FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)****GENERAL FUND****AS OF JUNE 30, 2017**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of June 30, 2017 (Exhibit C-1 object 3000 for the General Fund only)	\$ 32,281,741
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	92,236
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	13,700,000
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	6,200,000
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	3,132,104
7	Estimate of two months' average cash disbursements during the fiscal year	6,264,208
8	Estimate of delayed payments from state sources (58XX)	2,877,976
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	--
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	32,266,524
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 15,217

The District will use excess fund balance amounts for future operating costs incurred by the District.

# CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

## NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

### BUDGETARY COMPARISON SCHEDULE

FOR THE TEN MONTHS ENDED JUNE 30, 2017

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	<b>REVENUES:</b>			
5700	<i>Local and Intermediate Sources</i>	\$ 493,000	\$ 281,650	\$ (211,350)
5800	<i>State Program Revenues</i>	5,500	25,766	20,266
5900	<i>Federal Program Revenues</i>	1,902,000	2,039,878	137,878
5020	Total Revenues	<u>2,400,500</u>	<u>2,347,294</u>	<u>(53,206)</u>
	<b>EXPENDITURES:</b>			
	Current:			
	Support Services - Student (Pupil):			
0035	<i>Food Services</i>	2,344,200	2,138,843	205,357
	Total Support Services - Student (Pupil)	<u>2,344,200</u>	<u>2,138,843</u>	<u>205,357</u>
	Support Services - Nonstudent Based:			
0051	<i>Plant Maintenance and Operations</i>	49,300	--	49,300
0052	<i>Security and Monitoring Services</i>	7,000	--	7,000
	Total Support Services - Nonstudent Based	<u>56,300</u>	<u>--</u>	<u>56,300</u>
6030	Total Expenditures	<u>2,400,500</u>	<u>2,138,843</u>	<u>261,657</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	208,451	208,451
1200	Net Change in Fund Balance	--	208,451	208,451
0100	Fund Balance - Beginning	1,056,663	1,056,663	--
3000	Fund Balance - Ending	<u>\$ 1,056,663</u>	<u>\$ 1,265,114</u>	<u>\$ 208,451</u>



# CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

## DEBT SERVICE FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE TEN MONTHS ENDED JUNE 30, 2017

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 1,110,261	\$ 1,118,017	\$ 7,756
5800	State Program Revenues	2,103,781	2,212,289	108,508
5020	Total Revenues	3,214,042	3,330,306	116,264
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	1,395,000	110,000	1,285,000
0072	Interest on Long-Term Debt	1,804,042	902,571	901,471
0073	Bond Issuance Costs and Fees	15,000	6,543	8,457
	Total Debt Service	3,214,042	1,019,114	2,194,928
6030	Total Expenditures	3,214,042	1,019,114	2,194,928
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	2,311,192	2,311,192
1200	Net Change in Fund Balance	--	2,311,192	2,311,192
0100	Fund Balance - Beginning	1,702,740	1,702,740	--
3000	Fund Balance - Ending	\$ 1,702,740	\$ 4,013,932	\$ 2,311,192



**SNOW GARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

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  
Castleberry Independent School District  
5228 Ohio Garden  
Fort Worth, Texas 76114

Members of the Board of Trustees:

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 Castleberry Independent School District, as of and for the ten months ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Castleberry Independent School District's basic financial statements, and have issued our report thereon dated November 3, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Castleberry 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Castleberry Independent School District in a separate letter dated November 3, 2017.

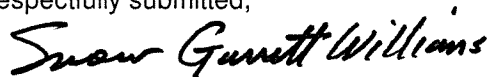
## **Response to Findings**

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

## **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.

Respectfully submitted,

A handwritten signature in black ink that reads "Snow Garrett Williams". The signature is written in a cursive, flowing style.

Snow Garrett Williams

November 3, 2017



**SNOW GARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Program and on Internal  
Control Over Compliance Required by the Uniform Guidance

Board of Trustees  
Castleberry Independent School District  
5228 Ohio Garden  
Fort Worth, Texas 76114

Members of the Board of Trustees:

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

We have audited the Castleberry Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Castleberry Independent School District's major federal programs for the ten months ended June 30, 2017. Castleberry 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.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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



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

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

### **Report on Internal Control Over Compliance**

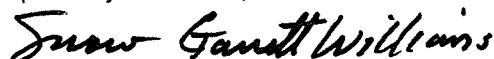
Management of the Castleberry Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Castleberry Independent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

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

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

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

Respectfully submitted,



Snow Garrett Williams  
November 3, 2017

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?   X   Yes        No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027A / 84.173A	Special Education (IDEA) Cluster
84.010A	Title I, Part A

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?        Yes   X   No

## **CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**

### ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE TEN MONTHS ENDED JUNE 30, 2017***

#### **B. Financial Statement Findings**

##### **Finding 2017-001 - Internal Controls Over Financial Reporting - Material Weakness**

**Criteria:** Timely and accurate financial reports are essential to perform analysis of financial condition review data for accuracy and completeness, monitor compliance with budget appropriations, prepare long-range financial plans, and to safeguard assets.

**Condition:** Material adjusting journal entries were necessary to correct and adjust the balance and transactions reported in the general ledger in order to prepare accurate financial statements.

**Cause:** The District did not accurately record financial activity that occurred in the District's campus activity fund. The primary reason is due to the District transitioning to centralized record keeping by recording journal entries for beginning balances and fiscal year 2017 activity. These entries did not accurately reflect the correct balances and therefore material audit entries were required.

**Effect:** The financial statements were materially misstated prior to the District's preparation of adjusting entries to record the activity which did not occur until identified by the independent auditors during the financial audit for the ten months ended June 30, 2017.

#### **Auditors Recommendation:**

The District should continue to improve the development and implementation of policies and procedures to include strong internal controls for financial reporting, monitoring and recording financial transactions to produce more useful and accurate financial reports.

#### **C. Federal Award Findings and Questioned Costs**

NONE

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**

***CORRECTIVE ACTION PLAN***

***FOR THE TEN MONTHS ENDED JUNE 30, 2017***

2017-001 Internal Controls Over Financial Reporting - Material Weakness

Responsible Parties: Accountant and Executive Director of Financial Services

Corrective Action Plan: The campus activity funds have been moved and all activity will be recorded and accounted for centrally by the finance department as would be with any other funds of the District.

Planned Completion Date: The District has implemented the above plan as of the report date.



**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2017**

**EXHIBIT K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71401701	\$ 557,920
National School Lunch Program	10.555	71301701	1,309,216
Total Passed Through State Department of Education			<u>1,867,136</u>
Passed Through Texas Department of Agriculture:			
National School Lunch Program (Non-cash)	10.555	220917A	172,742
Total U. S. Department of Agriculture			<u>2,039,878</u>
Total Child Nutrition Cluster			<u>2,039,878</u>
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
IDEA-B Formula	84.027A	176600012209176600	562,586
IDEA-B Preschool	84.173A	176610012209176610	1,954
Total Passed Through State Department of Education			<u>564,540</u>
Total U. S. Department of Education			<u>564,540</u>
Total Special Education (IDEA) Cluster			<u>564,540</u>
<b>OTHER PROGRAMS:</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010A	17610101220917	1,301,803
Career and Technical - Basic Grant	84.048A	17420006220917	43,420
Title III Part A English Language Acquisition and Language Enhancement	84.365A	17671001220917	84,577
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	17694501220917	149,750
Summer School LEP	84.369A	69551602	2,330
Total Passed Through State Department of Education			<u>1,581,880</u>
Total U. S. Department of Education			<u>1,581,880</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,186,298</u>

The accompanying notes are an integral part of this schedule.

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
*FOR THE TEN MONTHS ENDED JUNE 30, 2017*

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Castleberry Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT***SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF JUNE 30, 2017*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	Yes
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 8,963,965
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 809,207

