

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

Introductory Section

Castleberry Independent School District
Annual Financial Report
For The Year Ended June 30, 2018

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CERTIFICATE OF BOARD

Castleberry Independent School District
Name of School District

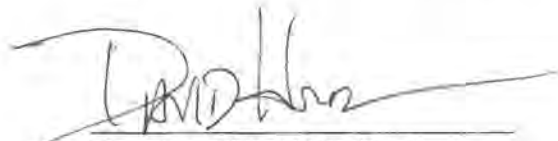
Tarrant
County

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 year ended June 30, 2018, at a meeting of the board of trustees of such school district on the 5 day of November, 2018



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 year ended June 30, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Castleberry Independent School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions, schedule of the District's proportionate share of the net OPEB Liability and the schedule of District OPEB 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.

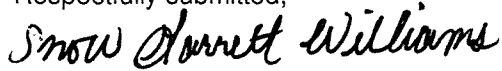
The other supplementary information, except for Exhibit J-2, and the schedule of expenditures of federal awards are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 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 *Governmental Auditing Standards*, we have also issued our report dated October 30, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Castleberry Independent School District's internal control over 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

October 30, 2018

Basic Financial Statements

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, 2018. 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 most recent period by \$41,840,193 (*net position*). Of this amount, \$9,894,289 (*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 \$39,647,012. Approximately 29 percent of this total amount, \$11,553,478 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 \$11,553,478, or 33 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 three categories: governmental funds, proprietary 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.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the government-wide definition, the District has no *business-type activities* or *enterprise funds*. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its workers compensation insurance plan. The basic proprietary fund financial statements can be found on pages 18-20 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 21.
- **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 22-48 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 49-55 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 \$41,840,193 as of June 30, 2018.

The District's Net Position

	June 30, 2018	June 30, 2017
Current assets	\$ 44,889,857	\$ 42,744,337
Capital assets	71,698,412	72,916,347
Total assets	<u>116,588,269</u>	<u>115,660,684</u>
Deferred outflows of resources		
Deferred loss on refunding	-	28,018
Deferred outflows related to pensions	2,377,114	4,402,820
Deferred outflows related to OPEB	150,203	-
Total deferred outflows of resources	<u>2,527,317</u>	<u>4,430,838</u>
Current liabilities	5,417,404	4,981,496
Long-term liabilities outstanding	64,377,665	54,346,130
Total liabilities	<u>69,795,069</u>	<u>59,327,626</u>
Deferred inflows of resources		
Deferred Gain on Refunding	532,170	-
Deferred inflows related to pensions	1,526,110	1,485,197
Deferred inflows related to OPEB	5,422,044	-
Total deferred inflows of resources	<u>7,480,324</u>	<u>1,485,197</u>
Net position:		
Net investment in capital assets	26,870,016	27,562,200
Restricted	5,075,888	5,509,607
Unrestricted	9,894,289	26,206,892
Total net position	<u>\$ 41,840,193</u>	<u>\$ 59,278,699</u>

Net Position as of 6/30/18

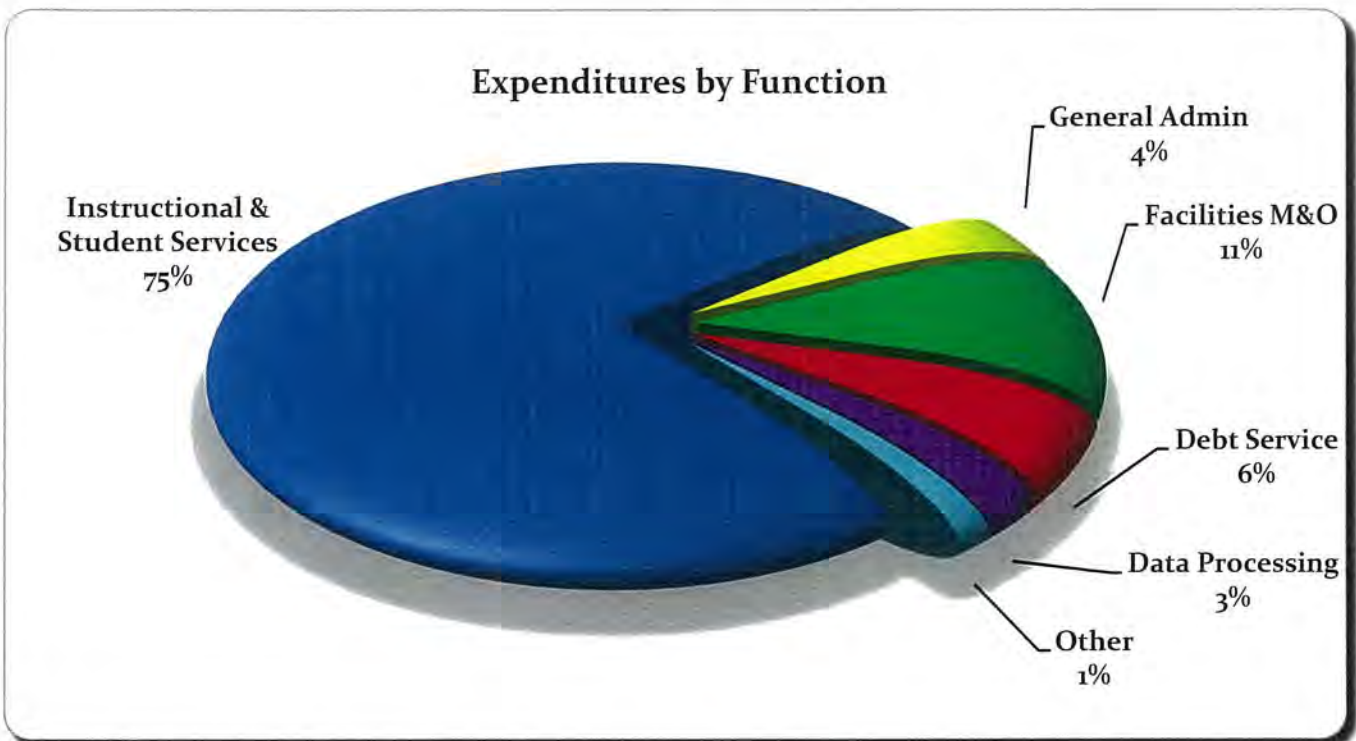


Net investment in capital assets (e.g., land, buildings and improvements, construction in progress and furniture and equipment) is \$26,870,016. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's 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 (\$5,075,888) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$9,894,289) 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 \$5,315,819. The total cost of all *governmental activities* this year was \$32,948,470. The amount that our taxpayers paid for these activities through property taxes was \$8,647,917, or 26%.

Changes in the District's Net Position

	Fiscal Year June 30, 2018	Fiscal Year June 30, 2017
Revenues:		
Program revenues		
Charges for services	\$ 666,286	\$ 538,108
Operating grants and contributions	8,277,839	8,596,887
General revenues		
Property taxes	8,647,917	7,355,647
State grants	19,914,094	28,463,843
Other	758,153	1,834,802
Total revenues	<u>38,264,289</u>	<u>46,789,287</u>
Expenses:		
Instruction	17,139,881	22,894,430
Instruction resources and media services	402,734	558,384
Curriculum and staff development	187,737	281,855
Instructional leadership	1,449,154	1,615,668
School leadership	1,255,590	2,006,951
Guidance, counseling & evaluation services	413,876	916,051
Health services	218,539	300,446
Student transportation	464,239	441,014
Food service	2,119,155	2,258,686
Cocurricular/extracurricular activities	1,151,332	1,464,537
General administration	1,186,216	1,087,924
Facilities maintenance and operations	3,684,999	3,918,457
Security and monitoring services	239,884	239,991
Data processing services	845,765	1,010,647
Community Services	36,804	32,831
Interest on long-term debt	1,535,575	1,418,845
Bond issuance costs and fees	403,969	10,546
Capital Outlay	32,412	111,697
Payments related to shared service arrangements	48,758	26,078
Payments to juvenile justice alternative ed. Programs	61,275	10,320
Other intergovernmental charges	70,576	64,229
Total expenses	<u>32,948,470</u>	<u>40,669,587</u>
Increase (decrease) in net position	5,315,819	6,119,700
Net position - beginning	59,278,699	53,158,999
Prior period adjustment	(22,754,325)	-
Net position - beginning, as restated	36,524,374	53,158,999
Ending net position	<u>\$ 41,840,193</u>	<u>\$ 59,278,699</u>



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 \$39,647,012, an increase of \$1,781,918. Approximately 29 percent of this total amount (\$11,553,478) 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 (\$67,056).
- **Restricted:**
 - (1) for federal/state grant restrictions (\$756,291),
 - (2) to pay debt service (\$4,102,134),
 - (3) other fund balance restrictions (\$127,801).
- **Committed:**
 - (1) construction (\$16,700,000),
 - (2) other commitments (\$140,252),
- **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 \$11,553,478 out of a total fund balance of \$34,520,534. 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 33% of the total general fund expenditures, while total fund balance represents 98% percent of that same amount.

The fund balance of the District's general fund increased \$2,238,793 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 \$4,102,134, 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 \$88,202.

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.

- Turf project at WO Barnes Stadium.

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

- Actual revenues were more than budgeted by \$465,365 primarily related to an increase in local and intermediate source revenue and state program revenues: and
- Actual expenditures were lower than budgeted by \$2,375,428 primarily due to instructional and school leadership, cocurricular/extracurricular activities and capital outlay.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities for the period ending June 30, 2018, amounts to \$71,698,412 (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 a Communications tower, 2 Chevrolet Suburban's, and construction in progress for renovations at Irma Marsh Middle School and Field renovations at W.O. Barnes stadium.

Districts Capital Assets (net of depreciation)

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Land	\$ 2,908,775	\$ 2,908,775
Buildings and improvements	64,761,107	66,048,310
Furniture and equipment	3,044,183	2,955,367
Construction in progress	984,347	1,003,895
Total at historical cost	<u>\$ 71,698,412</u>	<u>\$ 72,916,347</u>

Additional information on the District's capital assets can be found in Note C on page 32 of this report.

Long-term debt. For the period ending June 30, 2018, the District had total general obligation bonded debt outstanding of \$40,750,000, a decrease of \$3,780,000 from the prior year. The District refunded certain maturities from the Series 2006 Building Bonds (\$1,295,000) and Series 2010 Building Bonds (\$33,320,000) with the issuance of the Series 2018 Refunding Bonds (\$32,235,000 par and \$3,543,968 premium).

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+.

Bond premiums increased \$2,694,061, in the fiscal year, resulting in an ending balance of \$3,546,226. The net pension liability for fiscal year 2018 had an ending balance of \$7,119,403 derived from GASB 68 a decrease of \$1,844,562 from the prior year. And finally, the net OPEB liability for fiscal year 2018 had an ending balance of \$12,962,036, due to the implementation of GASB 75.

Additional information on the District's long-term debt can be found in note E on pages 33-34 of this report

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 377.
- The District's enrollment has experienced a 3.66 percent decrease.
- The District's taxable valuation has increased by 17.98 percent. Voters approved a Maintenance and Operating Tax Rate of \$1.17 thereby generating an additional \$135,476 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 \$208,633.
- The District has appropriated revenues and expenditures in the 2018-19 budget of \$37,861,655 and \$37,861,655 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.



CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 1,020,710
1120	<i>Current Investments</i>	40,235,629
1225	<i>Property Taxes Receivable (Net)</i>	549,710
1240	<i>Due from Other Governments</i>	2,804,671
1250	<i>Accrued Interest</i>	116,409
1290	<i>Other Receivables (Net)</i>	95,672
1300	<i>Inventories</i>	67,056
Capital Assets:		
1510	<i>Land</i>	2,908,775
1520	<i>Buildings and Improvements, Net</i>	64,761,107
1530	<i>Furniture and Equipment, Net</i>	3,044,183
1580	<i>Construction in Progress</i>	984,347
1000	Total Assets	<u>116,588,269</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	<i>Deferred Outflow Related to Pensions</i>	2,377,114
	<i>Deferred Outflow Related to OPEB</i>	150,203
1700	Total Deferred Outflows of Resources	<u>2,527,317</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	302,653
2140	<i>Interest Payable</i>	687,007
2165	<i>Accrued Liabilities</i>	3,433,689
2180	<i>Due to Other Governments</i>	994,055
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	2,115,000
2502	<i>Due in More Than One Year</i>	42,181,226
2540	<i>Net Pension Liability</i>	7,119,403
2545	<i>Net OPEB Liability</i>	12,962,036
2000	Total Liabilities	<u>69,795,069</u>
DEFERRED INFLOWS OF RESOURCES:		
	<i>Deferred Gain on Refunding</i>	532,170
	<i>Deferred Inflow Related to Pensions</i>	1,526,110
	<i>Deferred Inflow Related to OPEB</i>	5,422,044
2600	Total Deferred Inflows of Resources	<u>7,480,324</u>
NET POSITION:		
3200	Net Investment in Capital Assets	26,870,016
Restricted For:		
3820	State and Federal Programs	756,291
3850	Debt Service	4,191,796
3880	Scholarships	108,008
3890	Other Purposes	19,793
3900	Unrestricted	9,894,289
3000	Total Net Position	<u>\$ 41,840,193</u>

The accompanying notes are an integral part of this statement.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 17,139,881	\$ 171	\$ 2,935,875	\$ (14,203,835)	
12	Instructional Resources and Media Services	402,734	4	40,308	(362,422)	
13	Curriculum and Staff Development	187,737	--	359,085	171,348	
21	Instructional Leadership	1,449,154	14	156,954	(1,292,186)	
23	School Leadership	1,255,590	15	166,550	(1,089,025)	
31	Guidance, Counseling, & Evaluation Services	413,876	3	976,518	562,645	
33	Health Services	218,539	2	24,452	(194,085)	
34	Student Transportation	464,239	5	39,299	(424,935)	
35	Food Service	2,119,155	284,206	1,901,799	66,850	
36	Cocurricular/Extracurricular Activities	1,151,332	381,798	62,687	(706,847)	
41	General Administration	1,186,216	11	89,871	(1,096,334)	
51	Facilities Maintenance and Operations	3,684,999	34	255,109	(3,429,856)	
52	Security and Monitoring Services	239,884	2	16,683	(223,199)	
53	Data Processing Services	845,765	8	79,257	(766,500)	
61	Community Services	36,804	--	8,829	(27,975)	
72	Interest on Long-term Debt	1,535,575	--	1,123,502	(412,073)	
73	Bond Issuance Costs and Fees	403,969	--	--	(403,969)	
81	Capital Outlay	32,412	13	39,610	7,211	
93	Payments Related to Shared Services Arrangements	48,758	--	--	(48,758)	
95	Payments to Juvenile Justice Alternative Ed. Programs	61,275	--	1,451	(59,824)	
99	Other Intergovernmental Charges	70,576	--	--	(70,576)	
TG	Total Governmental Activities	<u>32,948,470</u>	<u>666,286</u>	<u>8,277,839</u>	<u>(24,004,345)</u>	
TP	Total Primary Government	<u>\$ 32,948,470</u>	<u>\$ 666,286</u>	<u>\$ 8,277,839</u>	<u>(24,004,345)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				7,272,478	
DT	Property Taxes, Levied for Debt Service				1,375,439	
IE	Investment Earnings				587,248	
GC	Grants and Contributions Not Restricted to Specific Programs				19,914,094	
MI	Miscellaneous				170,905	
TR	Total General Revenues				<u>29,320,164</u>	
CN	Change in Net Position				5,315,819	
NB	Net Position - Beginning				59,278,699	
PA	Prior Period Adjustment				(22,754,325)	
	Net Position - Beginning, as Restated				36,524,374	
NE	Net Position - Ending				<u>\$ 41,840,193</u>	

The accompanying notes are an integral part of this statement.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110	\$ 248,056	\$ 576,672	\$ 189,425	\$ 1,014,153
1120	33,818,339	5,978,153	439,137	40,235,629
1225	460,048	89,662	--	549,710
1240	2,645,303	3,328	156,040	2,804,671
1250	103,548	12,861	--	116,409
1260	2,074,594	--	557,086	2,631,680
1290	92,178	--	3,494	95,672
1300	67,056	--	--	67,056
1000	<u>\$ 39,509,122</u>	<u>\$ 6,660,676</u>	<u>\$ 1,345,182</u>	<u>\$ 47,514,980</u>
LIABILITIES:				
Current Liabilities:				
2110	\$ 255,773	\$ --	\$ 46,880	\$ 302,653
2150	240,130	--	23,002	263,132
2160	2,919,604	--	250,953	3,170,557
2170	557,086	2,030,772	3	2,587,861
2180	555,947	438,108	--	994,055
2000	<u>4,528,540</u>	<u>2,468,880</u>	<u>320,838</u>	<u>7,318,258</u>
DEFERRED INFLOWS OF RESOURCES:				
	460,048	89,662	--	549,710
2600	<u>460,048</u>	<u>89,662</u>	<u>--</u>	<u>549,710</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410	67,056	--	--	67,056
Restricted Fund Balances:				
3450	--	--	756,291	756,291
3480	--	4,102,134	--	4,102,134
3490	--	--	127,801	127,801
Committed Fund Balances:				
3510	16,700,000	--	--	16,700,000
3545	--	--	140,252	140,252
Assigned Fund Balances:				
3570	3,425,000	--	--	3,425,000
3590	2,775,000	--	--	2,775,000
3600	11,553,478	--	--	11,553,478
3000	<u>34,520,534</u>	<u>4,102,134</u>	<u>1,024,344</u>	<u>39,647,012</u>
4000	<u>\$ 39,509,122</u>	<u>\$ 6,660,676</u>	<u>\$ 1,345,182</u>	<u>\$ 47,514,980</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, 2018*

Total fund balances - governmental funds balance sheet	\$ 39,647,012
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.	71,698,412
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	549,710
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	(37,262)
Payables for bond principal which are not due in the current period are not reported in the funds.	(40,750,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(687,007)
Premiums on bonds which are not due and payable in the current period are not reported in the funds.	(3,546,226)
Deferred gain on refunding bonds is not reported in the funds.	(532,170)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(12,962,036)
Deferred Resource Inflows related to OPEB are not reported in the funds.	(5,422,044)
Deferred Resource Outflows related to the OPEB are not reported in the funds.	150,203
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(7,119,403)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,526,110)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>2,377,114</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 41,840,193</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 YEAR ENDED JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 8,034,083	\$ 1,415,357	\$ 643,322	\$ 10,092,762
5800 State Program Revenues	28,608,967	1,123,502	473,413	30,205,882
5900 Federal Program Revenues	853,660	--	4,134,922	4,988,582
5020 Total Revenues	<u>37,496,710</u>	<u>2,538,859</u>	<u>5,251,657</u>	<u>45,287,226</u>
EXPENDITURES:				
Current:				
0011 Instruction	20,535,864	--	2,014,838	22,550,702
0012 Instructional Resources and Media Services	521,391	--	--	521,391
0013 Curriculum and Staff Development	8,405	--	246,318	254,723
0021 Instructional Leadership	1,653,866	--	65,476	1,719,342
0023 School Leadership	1,791,342	--	--	1,791,342
0031 Guidance, Counseling, & Evaluation Services	342,612	--	331,170	673,782
0033 Health Services	290,821	--	--	290,821
0034 Student Transportation	627,436	--	--	627,436
0035 Food Service	--	--	2,722,617	2,722,617
0036 Cocurricular/Extracurricular Activities	927,630	--	351,080	1,278,710
0041 General Administration	1,342,660	--	--	1,342,660
0051 Facilities Maintenance and Operations	4,125,471	--	--	4,125,471
0052 Security and Monitoring Services	268,875	--	--	268,875
0053 Data Processing Services	1,015,748	--	--	1,015,748
0061 Community Services	37,074	--	6,567	43,641
0071 Principal on Long-term Debt	--	1,400,000	--	1,400,000
0072 Interest on Long-term Debt	--	1,051,464	--	1,051,464
0073 Bond Issuance Costs and Fees	--	429,531	--	429,531
0081 Capital Outlay	1,636,871	--	9,910	1,646,781
0093 Payments to Shared Service Arrangements	--	--	48,758	48,758
0095 Payments to Juvenile Justice Alternative Education Programs	61,275	--	--	61,275
0099 Other Intergovernmental Charges	70,576	--	--	70,576
6030 Total Expenditures	<u>35,257,917</u>	<u>2,880,995</u>	<u>5,796,734</u>	<u>43,935,646</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,238,793</u>	<u>(342,136)</u>	<u>(545,077)</u>	<u>1,351,580</u>
Other Financing Sources and (Uses):				
7911 Debt Issued- Refunding Bonds	--	32,235,000	--	32,235,000
7916 Premium or Discount on Issuance of Bonds	--	3,543,968	--	3,543,968
8949 Other Uses-Payment to Refunded Bond Escrow Agent	--	(35,348,630)	--	(35,348,630)
7080 Total Other Financing Sources and (Uses)	--	430,338	--	430,338
1200 Net Change in Fund Balances	<u>2,238,793</u>	<u>88,202</u>	<u>(545,077)</u>	<u>1,781,918</u>
0100 Fund Balances - Beginning	32,281,741	4,013,932	1,569,421	37,865,094
3000 Fund Balances - Ending	<u>\$ 34,520,534</u>	<u>\$ 4,102,134</u>	<u>\$ 1,024,344</u>	<u>\$ 39,647,012</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 YEAR ENDED JUNE 30, 2018*

Net change in fund balances - total governmental funds	\$ 1,781,918
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,310,872
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,528,807)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(20,406)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,400,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(14,638)
The net revenue (expense) of internal service funds is reported with governmental activities.	(37,262)
Payment to escrow agent for refunding bonds is reported in the funds but not in the SOA.	35,348,630
Deferred gain on refunding is amortized in the SOA but not in the funds.	29,565
Interest paid in defeasance of bonds payable is reported in the SOA but not in the funds.	(733,608)
Deferred loss on refunding is amortized in the SOA but not in the funds.	(4,003)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(32,235,000)
Bond premiums are reported in the funds but not in the SOA.	(3,543,968)
Bond premiums are amortized in the SOA but not in the funds.	264,135
Contributions made before the measurement date and during the previous fiscal year were expensed and recorded as a reduction to NPL.	(611,662)
GASB 68 required that certain plan expenditures be de-expensed and recorded as deferred resource outflows.	
These contributions made after the measurement date of the plan increased ending net position by:	634,494
The proportionate share of the TRS pension expense on the plan as a whole had to be recorded.	
The net pension expense decreased net position by:	(244,889)
Contributions made before the measurement date and during the previous fiscal year were expensed and recorded as a reduction in the net OPEB liability.	(129,495)
GASB 75 required that certain plan expenditures be de-expensed and recorded as deferred resource outflows.	
These contributions made after the measurement date of the plan increased ending net position by:	148,174
The proportionate share of the TRS Care expense on the plan as a whole had to be recorded.	
The net OPEB expense decreased net position by:	<u>4,501,769</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 5,315,819</u>

The accompanying notes are an integral part of this statement.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT*STATEMENT OF NET POSITION**INTERNAL SERVICE FUND**JUNE 30, 2018*

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	ASSETS:	
	Current Assets:	
1110	<i>Cash and Cash Equivalents</i>	\$ 6,557
	Total Current Assets	<u>6,557</u>
1000	Total Assets	<u>6,557</u>
	LIABILITIES:	
	Current Liabilities:	
2170	<i>Due to Other Funds</i>	\$ 43,819
	Total Current Liabilities	<u>43,819</u>
2000	Total Liabilities	<u>43,819</u>
	NET POSITION:	
3900	<i>Unrestricted</i>	<u>(37,262)</u>
3000	Total Net Position	<u><u>\$ (37,262)</u></u>

The accompanying notes are an integral part of this statement.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN FUND NET POSITION - INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 150,009
5020	Total Revenues	<u>150,009</u>
	OPERATING EXPENSES:	
6200	<i>Professional and Contracted Services</i>	43,819
6400	<i>Other Operating Costs</i>	143,452
6030	Total Expenses	<u>187,271</u>
1300	Change in Net Position	(37,262)
0100	Total Net Position - Beginning	--
3300	Total Net Position - Ending	<u>\$ (37,262)</u>

The accompanying notes are an integral part of this statement.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2018

	Internal Service Fund
Cash Flows from Operating Activities:	
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	\$ 150,009
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(143,452)
Net Cash Provided (Used) by Operating Activities	<u>6,557</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,557
Cash and Cash Equivalents at Beginning of Year	--
Cash and Cash Equivalents at End of Year	<u>\$ 6,557</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (37,262)
Adjustments to Reconcile Operating INcome to Net Cash	
Change in Assets and Liabilities:	
Increase (Decrease) in Interfund Payables	43,819
Total Adjustments	<u>43,819</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,557</u>

The accompanying notes are an integral part of this statement.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT*STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**JUNE 30, 2018*

Data Control Codes	Agency Funds
ASSETS:	
1110 <i>Cash and Cash Equivalents</i>	\$ 9,706
1000 Total Assets	<u>9,706</u>
LIABILITIES:	
Current Liabilities:	
2190 <i>Due to Student Groups</i>	\$ 9,706
2000 Total Liabilities	<u>9,706</u>
NET POSITION:	
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 YEAR ENDED JUNE 30, 2018

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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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 YEAR ENDED JUNE 30, 2018

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

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, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements 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. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business 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.

c. 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 function including plant maintenance and operations as well as instruction.

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

d. 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	7-50
Equipment	5-15

e. 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.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

f. 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.

g. 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.

h. Use of Estimates

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

i. 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.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

j. 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 in 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 budgeted expenditures and transfers.

k. 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.

l. 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.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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.

5. Other Post-Employment Benefits

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

6. New Accounting Standards Adopted

In fiscal year 2018, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

-- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB measurements by Agent Employers and Agent Multiple-Employer plans*.

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 75.

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, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,030,416 and the bank balance was \$1,670,784. The District's cash deposits at June 30, 2018 and during the year ended June 30, 2018, 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 YEAR ENDED JUNE 30, 2018

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, 2018 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Bank of Oklahoma		
Certificates of Deposit	<1 year	\$ 2,136,800
Commercial Paper	<1 year	12,431,396
Municipal/State Bonds	<1 year	818,849
Federal Agency Bonds	<1 year	1,244,258
TexPool- LGIP	27 Days	3,828,201
Logic- LGIP	31 Days	7,263,773
TexStar - LGIP	29 Days	12,512,352
Total Investments		<u>\$ 40,235,629</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, 2018, 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	AAA
TexStar - LGIP	AAAm

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2018

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 year end, 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 year end, 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, 2018, 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 1 year) 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 year end, 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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FOR THE YEAR ENDED JUNE 30, 2018

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.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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. 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, 2018

Investments	Fair Value	Fair Value Measurement Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Logic- LGIP	\$ 7,263,773	\$ --	\$ 7,263,773	\$ --
TexStar - LGIP	12,512,352	--	12,512,352	--
Bank of Oklahoma	16,631,303	--	16,631,303	--
	<u>\$ 36,407,428</u>	<u>\$ --</u>	<u>\$ 36,407,428</u>	<u>\$ --</u>

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

C. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

<u>Governmental activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,908,775	\$ --	\$ --	\$ 2,908,775
Construction in progress	1,003,895	984,347	1,003,895	984,347
Total capital assets not being depreciated	<u>3,912,670</u>	<u>984,347</u>	<u>1,003,895</u>	<u>3,893,122</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	107,967,828	1,643,826	--	109,611,654
Equipment	9,203,813	686,594	--	9,890,407
Total capital assets being depreciated	<u>117,171,641</u>	<u>2,330,420</u>	<u>--</u>	<u>119,502,061</u>
Less accumulated depreciation for:				
Buildings and improvements	(41,919,518)	(2,931,029)	--	(44,850,547)
Equipment	(6,248,446)	(597,778)	--	(6,846,224)
Total accumulated depreciation	<u>(48,167,964)</u>	<u>(3,528,807)</u>	<u>--</u>	<u>(51,696,771)</u>
Total capital assets being depreciated, net	<u>69,003,677</u>	<u>(1,198,387)</u>	<u>--</u>	<u>67,805,290</u>
Governmental activities capital assets, net	<u>\$ 72,916,347</u>	<u>\$ (214,040)</u>	<u>\$ 1,003,895</u>	<u>\$ 71,698,412</u>

Depreciation was charged to functions as follows:

Instruction	\$ 2,025,118
Instructional Resources and Media Services	46,950
Curriculum and Staff Development	22,983
Instructional Leadership	154,762
School Leadership	161,228
Guidance, Counseling, & Evaluation Services	60,718
Health Services	26,179
Student Transportation	56,530
Food Services	248,561
Extracurricular Activities	114,203
General Administration	120,927
Plant Maintenance and Operations	371,009
Security and Monitoring Services	24,228
Data Processing Services	91,479
Community Services	3,932
	<u>\$ 3,528,807</u>

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2018, 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	\$ 2,030,772	Short-term loans
General Fund	Capital Projects Fund	3	Short-term loans
General Fund	Internal Service Fund	43,819	Short-term loans
Special Revenue Funds	General Fund	557,086	For transfer of federal state & local funds
	Total	<u>\$ 2,631,680</u>	

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

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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 year ended June 30, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 44,530,000	\$ 32,235,000	\$ 36,015,000	\$ 40,750,000	\$ 2,115,000
Premium on Bonds	852,165	3,543,968	849,907	3,546,226	--
Net Pension Liability*	8,963,965	--	1,844,562	7,119,403	--
Net OPEB Liability*	22,883,820	--	9,921,784	12,962,036	--
Total governmental activities	<u>\$ 77,229,950</u>	<u>\$ 35,778,968</u>	<u>\$ 48,631,253</u>	<u>\$ 64,377,665</u>	<u>\$ 2,115,000</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
Net OPEB Liability*	Governmental	General Fund

2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,115,000	\$ 1,693,791	\$ 3,808,791
2020	1,465,000	1,523,287	2,988,287
2021	2,260,000	1,477,963	3,737,963
2022	790,000	1,424,595	2,214,595
2023	2,305,000	1,378,901	3,683,901
2024-2028	10,660,000	5,825,565	16,485,565
2029-2033	12,420,000	3,300,600	15,720,600
2034-2038	8,735,000	708,200	9,443,200
Totals	<u>\$ 40,750,000</u>	<u>\$ 17,332,902</u>	<u>\$ 58,082,902</u>

The interest rates on the Unlimited Tax School Refunding Bonds Series 2010 range from 2.50% to 4.00% and matures on August 15, 2025.

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.

The interest rates on the Unlimited Tax School Refunding Bonds Series 2018 range from 2.00% to 5.00% and matures on February 15, 2036.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
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3. Current Refunding of Debt

As a result of the current refunding of principal maturities from the Unlimited Tax Refunding Bonds, Series 2006 and the Unlimited Tax School Building Bonds, Series 2010 by the issuance of the Unlimited Tax Refunding Bonds, Series 2018, the District decreased its total debt service requirements by \$4,659,115, which resulted in a net economic gain (difference between the present value of the debt service payments on the old and new debt) of \$3,499,244.

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, 2018, as follows:

<u>Year Ending June 30,</u>		
2019	\$	4,244
2020		3,114
2021		3,114
2022		2,595
Total Minimum Rentals	\$	<u>13,067</u>
 Rental Expenditures in 2018	 \$	 <u>36,739</u>

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 fiscal year 2018, 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 School 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 year ended June 30, 2018 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, 2017 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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Workers' Compensation

The District has established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association. The Association is a public entity risk pool currently operating as a common risk management and insurance program for member colleges and school districts. The main purpose of the Association is to partially self-insure certain workers compensation risks up to an agreed upon retention limit. The plan for worker's compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plan includes \$146,847 incurred but not reported claims. Costs are allocated to other funds and the retained earnings are fully reserved for self-funded insurance. Estimates of claims payable and of claims incurred, but not reported at June 30, 2018, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the fund as they become due. The District enrolled in the plan during FY 18 therefore there were no outstanding amounts from prior periods.

Changes in the balances of claim liabilities during the past year are as follows:

	Year Ended 06/30/2018
Unpaid claims, beginning of year	\$ --
Incurred claims	124,661
Claim payments	(124,849)
Unpaid claims, end of fiscal year	\$ (188)

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.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
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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.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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.

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 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Employer Contributions	\$ 746,149	
District's 2018 Member Contributions	\$ 1,920,543	
NECE 2017 On-Behalf Contributions to District	\$ 1,255,491	

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).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
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.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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.

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, 2017 are summarized below:

Teacher Retirement System of Texas			
Asset Allocation and Long-Term Expected Real Rate of Return			
As of August 31, 2017			
Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns **
Global Equity			
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%
Stable Value			
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%
Real Return			
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%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long term expected geometric real rate of return or expected contribution to long-term portfolio returns.

** The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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	\$ 12,001,908	\$ 7,119,403	\$ 3,053,926

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

At June 30, 2018, the District reported a liability of \$7,119,403 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	\$ 7,119,403
State's proportionate share that is associated with District	12,274,371
Total	\$ 19,393,774

The net pension liability was measured as of August 31, 2017 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, 2016 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0222658%. which was an decrease of .0014556% from its proportion measured as of August 31, 2016.

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 year ended June 30, 2018, the District recognized pension expense of \$936,240 and revenue of \$936,240 for support provided by the State.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

At June 30, 2018, 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: (The amounts below will be the cumulative layers from the current and prior years combined)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 104,160	\$ 383,940
Changes in actuarial assumptions	324,300	185,654
Difference between projected and actual investment earnings	--	518,846
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,314,160	437,670
Contributions paid to TRS subsequent to the measurement date	634,494	--
Total	\$ 2,377,114	\$ 1,526,110

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
2019	\$ 27,037
2020	\$ 481,486
2021	\$ (7,878)
2022	\$ (148,020)
2023	\$ (72,479)
Thereafter	\$ (63,636)

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 43,885,784,621
Less: plan fiduciary net position	(399,535,986)
Net OPEB liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

3. Benefits Provided

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans:

Monthly TRS-Care Plan Premium Rates			
Effective September 1, 2016 - December 31, 2017			
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ --	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

* or surviving spouse

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
Current fiscal year District contributions	\$ 173,685	
Current fiscal year Member contributions	\$ 183,034	
2017 measurement year NECE contributions	\$ 226,814	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether they participate in the TRS-Care OPEB program. When employers hire a TRS retiree, they are required to pay to TRS-Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the NECE in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate *	3.42% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50% **
Healthcare Trend Rates ***	4.50% to 12.00% ***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc Post-Employment Benefit Changes	None

*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

**Includes inflation at 2.50%

***Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact on the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 15,298,420	\$ 12,962,036	\$ 11,084,110

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 10,792,190	\$ 12,962,036	\$ 15,809,147

9. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District reported a liability of \$12,962,036 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 12,962,036
State's proportionate share that is associated with the District	<u>18,971,514</u>
Total	<u>\$ 31,933,550</u>

The net OPEB liability was measured as of August 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to their OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0298072 which was the same proportion measured as of August 31, 2016.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

10. Changes Since the Prior Actuarial Valuation

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

- a. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
- b. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- c. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered total OPEB liability.

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- a. 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- b. Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- c. There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provision or applicable law.

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

For the year ended June 30, 2018, the District recognized OPEB expense of (\$6,348,373) and revenue of (\$6,348,373) for support provided by the State.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual economic experience	\$ --	\$ 270,592
Changes in actuarial assumptions	--	5,151,452
Differences between projected and actual investment earnings	1,969	--
Changes in proportion and difference between the District's District's contributions and the proportionate share of contributions	60	--
Contributions paid to TRS subsequent to the measurement date	<u>148,174</u>	<u>--</u>
	<u>\$ 150,203</u>	<u>5,422,044</u>

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

<u>Year Ended June 30</u>		<u>Pension Expense Amount</u>
2019	\$	(715,177)
2020	\$	(715,177)
2021	\$	(715,177)
2022	\$	(715,177)
2023	\$	(715,669)
Thereafter	\$	(1,843,637)

J. Employee Health Care Coverage

During the year ended June 30, 2018, 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 YEAR ENDED JUNE 30, 2018

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 collectability 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, 2018.

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:

<u>Member Districts</u>		
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. Net Position Restricted For Other Purposes

Fund		
Special Revenue Fund	\$ 755	Castleberry Community Drug Free Awareness Coalition
Special Revenue Fund	19,038	Foundation
	<u>\$ 19,793</u>	

N. Other Restricted Fund Balance

Fund		
Special Revenue Fund	\$ 108,008	Scholarships
Special Revenue Fund	755	Castleberry Community Drug Free Awareness Coalition
Special Revenue Fund	19,038	Foundation
	<u>\$ 127,801</u>	

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

O. Prior Period Adjustment

During fiscal year 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment decreased beginning net position by \$22,754,325 which resulted in a restated beginning net position of \$36,524,374.

P. Subsequent Events

The District has evaluated subsequent events through October 30, 2018, the date the financial statements were available to be issued, and nothing significant requiring disclosure was noted.

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 YEAR ENDED JUNE 30, 2018

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	\$ 7,840,901	\$ 7,840,901	\$ 8,034,083	\$ 193,182		
5800	State Program Revenues	28,590,444	28,440,444	28,608,967	168,523		
5900	Federal Program Revenues	500,000	750,000	853,660	103,660		
5020	Total Revenues	<u>36,931,345</u>	<u>37,031,345</u>	<u>37,496,710</u>	<u>465,365</u>		
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	21,479,248	20,239,248	20,535,864	(296,616)		
0012	Instructional Resources and Media Services	700,275	700,275	521,391	178,884		
0013	Curriculum and Staff Development	5,047	5,047	8,405	(3,358)		
	Total Instruction & Instr. Related Services	<u>22,184,570</u>	<u>20,944,570</u>	<u>21,065,660</u>	<u>(121,090)</u>		
Instructional and School Leadership:							
0021	Instructional Leadership	1,507,701	1,857,701	1,653,866	203,835		
0023	School Leadership	2,109,440	2,109,440	1,791,342	318,098		
	Total Instructional & School Leadership	<u>3,617,141</u>	<u>3,967,141</u>	<u>3,445,208</u>	<u>521,933</u>		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	514,324	514,324	342,612	171,712		
0033	Health Services	307,102	307,102	290,821	16,281		
0034	Student (Pupil) Transportation	686,322	686,322	627,436	58,886		
0036	Cocurricular/Extracurricular Activities	1,219,432	1,219,432	927,630	291,802		
	Total Support Services - Student (Pupil)	<u>2,727,180</u>	<u>2,727,180</u>	<u>2,188,499</u>	<u>538,681</u>		
Administrative Support Services:							
0041	General Administration	1,432,756	1,432,756	1,342,660	90,096		
	Total Administrative Support Services	<u>1,432,756</u>	<u>1,432,756</u>	<u>1,342,660</u>	<u>90,096</u>		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	4,241,104	4,241,104	4,125,471	115,633		
0052	Security and Monitoring Services	288,416	288,416	268,875	19,541		
0053	Data Processing Services	1,053,732	1,053,732	1,015,748	37,984		
	Total Support Services - Nonstudent Based	<u>5,583,252</u>	<u>5,583,252</u>	<u>5,410,094</u>	<u>173,158</u>		
Ancillary Services:							
0061	Community Services	39,946	39,946	37,074	2,872		
	Total Ancillary Services	<u>39,946</u>	<u>39,946</u>	<u>37,074</u>	<u>2,872</u>		
Capital Outlay:							
0081	Capital Outlay	1,176,000	2,768,000	1,636,871	1,131,129		
	Total Capital Outlay	<u>1,176,000</u>	<u>2,768,000</u>	<u>1,636,871</u>	<u>1,131,129</u>		
Intergovernmental Charges:							
0093	Payments to Fiscal Agent/Member Dist.-SSA	25,500	10,500	--	10,500		
0095	Payments to Juvenile Justice Alternative Education Programs	55,000	70,000	61,275	8,725		
0099	Other Intergovernmental Charges	90,000	90,000	70,576	19,424		
	Total Intergovernmental Charges	<u>170,500</u>	<u>170,500</u>	<u>131,851</u>	<u>38,649</u>		
6030	Total Expenditures	<u>36,931,345</u>	<u>37,633,345</u>	<u>35,257,917</u>	<u>2,375,428</u>		

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2018

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	--	(602,000)	2,238,793	2,840,793
1200	Net Change in Fund Balance	--	(602,000)	2,238,793	2,840,793
0100	Fund Balance - Beginning	32,281,741	32,281,741	32,281,741	--
3000	Fund Balance - Ending	<u>\$ 32,281,741</u>	<u>\$ 31,679,741</u>	<u>\$ 34,520,534</u>	<u>\$ 2,840,793</u>

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net collective pension liability (asset)	0.022%	0.024%	0.025%	0.016%	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 7,119,403	\$ 8,963,965	\$ 8,755,865	\$ 4,323,398	--	--	--	--	--	--
State's proportionate share of the collective net pension liability (asset) associated with the District	12,274,371	13,472,909	12,256,864	10,645,315	--	--	--	--	--	--
Total	\$ 19,393,774	\$ 22,436,874	\$ 21,012,729	\$ 14,968,713	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 24,679,445	\$ 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	28.85%	38.36%	39.74%	20.87%	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	82.17%	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.

** This schedule displays amounts for the measurement year (i.e. - Fiscal Year 2018 displays amounts for Measurement Year 2017).

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 746,149	\$ 611,663	\$ 753,869	\$ 733,450	--	--	--	--	--	--
Contributions in relation to the contractually required contribution	(746,149)	(611,663)	(753,869)	(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-employee payroll	\$ 25,060,253	\$ 20,587,803	\$ 23,368,708	\$ 22,034,841	--	--	--	--	--	--
Contributions as a percentage of covered-employee payroll	2.98%	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.

** This schedule displays fiscal year amounts (i.e.- Fiscal Year 2018 amounts are for the current fiscal year, not the measurement year).

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET OPEB LIABILITY
 TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM (TRS-CARE)
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective net OPEB liability	0.030%	--	--	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 12,962,036	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	18,971,514	--	--	--	--	--	--	--	--	--
Total	\$ 31,933,550	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 24,679,445	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	52.52%	--	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	--	--	--	--	--	--	--	--	--

* 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.

** This schedule displays amounts for the measurement year (i.e. - Fiscal Year 2018 displays amounts for Measurement Year 2017).

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
 TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM (TRS-CARE)
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily or contractually required District contribution	\$ 173,685	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(173,685)	--	--	--	--	--	--	--	--	--
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-employee payroll	\$ 25,060,253	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	0.69%	--	--	--	--	--	--	--	--	--

* 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.

** This schedule displays fiscal year amounts (i.e. Fiscal Year 2018 amounts are for the current fiscal year, not the measurement year).

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

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 preceding 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.

Defined Benefit OPEB Plan

Changes of benefit terms

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

Changes of assumptions

The changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period are listed in the Note I to the financial statements.

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 YEAR ENDED JUNE 30, 2018*

Year Ended June 30	1 Tax Rates		2	3 Assessed/Appraised Value For School Tax Purposes	
	Maintenance	Debt Service			
2009 and Prior Years	\$ Various	\$ Various		\$	Various
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	1.17	.2066			534,649,136
2018 (School Year Under Audit)	1.17	.2222			611,561,909

1000 Totals

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

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 7/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/18
\$ 393,678	\$ --	\$ 8,848	\$ 1,184	\$ (7,114)	\$ 376,532
40,534	--	1,121	187	(1,631)	37,595
42,767	--	1,513	366	(1,099)	39,789
40,600	--	1,699	411	(5,789)	32,701
54,040	--	2,851	690	(13,512)	36,987
77,126	--	7,050	1,480	(110)	68,486
59,211	--	15,317	3,007	5,885	46,772
109,551	--	55,191	11,581	8,023	50,802
348,119	--	209,799	37,046	6,435	107,709
--	8,514,165	6,856,772	1,302,199	--	355,194
<u>\$ 1,165,626</u>	<u>\$ 8,514,165</u>	<u>\$ 7,160,161</u>	<u>\$ 1,358,151</u>	<u>\$ (8,912)</u>	<u>\$ 1,152,567</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
GENERAL FUND
AS OF JUNE 30, 2018

EXHIBIT J-2

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of June 30, 2018 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>34,520,534</u>
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	<u>67,056</u>
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	<u>--</u>
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	<u>16,700,000</u>
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	<u>6,200,000</u>
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	<u>2,938,160</u>
7	Estimate of two months' average cash disbursements during the fiscal year	<u>5,876,320</u>
8	Estimate of delayed payments from state sources (58XX)	<u>2,587,881</u>
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	<u>--</u>
10	Estimate of delayed payments from federal sources (59XX)	<u>--</u>
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)	<u>--</u>
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	<u>34,369,417</u>
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	<u>\$ <u>151,117</u></u>

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 YEAR ENDED JUNE 30, 2018

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 341,000	\$ 321,905	\$ (19,095)
5800 <i>State Program Revenues</i>	49,000	21,400	(27,600)
5900 <i>Federal Program Revenues</i>	2,245,000	1,880,399	(364,601)
5020 <i>Total Revenues</i>	<u>2,635,000</u>	<u>2,223,704</u>	<u>(411,296)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	3,258,000	2,722,617	535,383
<i>Total Support Services - Student (Pupil)</i>	<u>3,258,000</u>	<u>2,722,617</u>	<u>535,383</u>
Capital Outlay:			
0081 <i>Capital Outlay</i>	--	9,910	(9,910)
<i>Total Capital Outlay</i>	<u>--</u>	<u>9,910</u>	<u>(9,910)</u>
6030 <i>Total Expenditures</i>	<u>3,258,000</u>	<u>2,732,527</u>	<u>525,473</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	(623,000)	(508,823)	114,177
1200 <i>Net Change in Fund Balance</i>	<u>(623,000)</u>	<u>(508,823)</u>	<u>114,177</u>
0100 <i>Fund Balance - Beginning</i>	1,265,114	1,265,114	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 642,114</u>	<u>\$ 756,291</u>	<u>\$ 114,177</u>

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 1,462,667	\$ 1,415,357	\$ (47,310)
5800 <i>State Program Revenues</i>	1,727,875	1,123,502	(604,373)
5020 <i>Total Revenues</i>	<u>3,190,542</u>	<u>2,538,859</u>	<u>(651,683)</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	1,400,000	1,400,000	--
0072 <i>Interest on Long-Term Debt</i>	1,785,542	1,051,464	734,078
0073 <i>Bond Issuance Costs and Fees</i>	5,000	429,531	(424,531)
<i>Total Debt Service</i>	<u>3,190,542</u>	<u>2,880,995</u>	<u>309,547</u>
6030 <i>Total Expenditures</i>	<u>3,190,542</u>	<u>2,880,995</u>	<u>309,547</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	--	(342,136)	(342,136)
Other Financing Sources (Uses):			
7911 <i>Debt Issued- Refunding Bonds</i>	32,235,000	32,235,000	--
7916 <i>Premium or Discount on Issuance of Bonds</i>	3,543,968	3,543,968	--
8949 <i>Other Uses- Payment to Refunded Bond Escrow Agent</i>	(35,778,968)	(35,348,630)	430,338
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>--</u>	<u>430,338</u>	<u>430,338</u>
1200 <i>Net Change in Fund Balance</i>	--	88,202	88,202
0100 <i>Fund Balance - Beginning</i>	4,013,932	4,013,932	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 4,013,932</u>	<u>\$ 4,102,134</u>	<u>\$ 88,202</u>



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 year ended June 30, 2018, 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 October 30, 2018.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 to be significant deficiencies.

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 October 30, 2018.

Response to Findings

The District's response to the findings 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,



Snow Garrett Williams
October 30, 2018



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 Castleberry Independent School District's major federal program for the year ended June 30, 2018. Castleberry Independent School District's major federal program is 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 its major federal program for the year ended June 30, 2018.

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 a 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

October 30, 2018

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? X Yes 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>
10.553/10.555/10.559	Child Nutrition Cluster

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 YEAR ENDED JUNE 30, 2018

B. Financial Statement Findings

Finding 2018-001- Financial Accounting and Reporting Process- Significant Deficiency

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

Condition: Numerous audit adjustments were necessary to correct and adjust various balances and transactions reported in the general ledger in order to prepare accurate financial statements.

Cause: It appears that these conditions are the result of a weakness in internal controls regarding monitoring financial information, reconciliation of financial reports to related documentation, and recording transactions in the general ledger in a timely manner.

Effect: Due to audit adjustments to numerous accounts, financial reports prepared throughout the fiscal year could have been relied upon in error.

Auditor's Recommendation:

The District should follow internal control procedures in place related to financial reporting, monitoring and recording financial transactions to produce more useful and accurate financial reports.

Finding 2018-002- State and Federal Grant Fund Reporting- Significant Deficiency

Criteria: Grant revenues and expenditures recorded in the general ledger should be reconciled monthly to grant expenditure reports to ensure accuracy of reporting.

Condition: Grant revenues, expenditures, and receivables recorded in the general ledger were not properly reconciled throughout the year to grant expenditure reports filed with the Texas Education Agency resulting in various audit adjustments to correct grant revenues, expenditures and receivables.

Cause: The audit adjustments required to correct grant revenues, expenditures and receivables appear to be the result of weakness in internal controls regarding financial reporting for grants.

Effect: Due to audit adjustments to numerous accounts, financial reports prepared throughout the fiscal year could have been relied upon in error. This also resulted in grant receivables being recorded in the previous fiscal year that were never requested for reimbursement.

Auditor's Recommendation:

The District should monitor the grant funds monthly to ensure the general ledger agrees to the expenditure reports filed with the Texas Education Agency. The District should also review grant awards monthly and compare to the general ledger to ensure any eligible expended funds have been requested for reimbursement.

C. Federal Award Findings and Questioned Costs

NONE

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2018

Finding/Recommendation

2017-001 Internal Controls Over Financial Reporting

Current Status

The District has corrected this finding.



Castleberry Independent School District

5228 Ohio Garden • Fort Worth, Texas 76114 • (817) 252-2000
DeAnne Page, Executive Director of Financial Services



CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2018

2018-001- Financial Accounting and Reporting Process - Significant Deficiency

Responsible Parties: Accountant and Executive Director of Financial Services

Corrective Action Plan: The District has reviewed the audit adjustments to gain an understanding of areas that need to be reviewed prior to closing the books at year end. The District will also monitor the general ledger on a monthly basis to ensure it is complete and accurate.

Planned Completion Date: The District will implement the above plan as of the report date.

2018-002 - State and Federal Grant Reporting - Significant Deficiency

Responsible Parties: Executive Director of Financial Services

Corrective Action Plan: The District will create and complete a spreadsheet monthly to track grant funds by comparing it with the general ledger and E-Grant system.

Planned Completion Date: The District will implement the above plan as of the report date.

“Every child, Every opportunity, Every time”

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71401801	\$ 573,579
National School Lunch Program	10.555	71301801	1,414,005
Total Passed Through State Department of Education			<u>1,987,584</u>
Passed Through Texas Department of Agriculture:			
National School Lunch Program (Non-cash)	10.555	220917A	166,890
Total U. S. Department of Agriculture			<u>2,154,474</u>
Total Child Nutrition Cluster			<u>2,154,474</u>
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
<i>IDEA-B Formula</i>	84.027	186600012209176600	717,269
<i>IDEA-B Preschool</i>	84.173	186610012209176610	33,710
Total Passed Through State Department of Education			<u>750,979</u>
Total U. S. Department of Education			<u>750,979</u>
Total Special Education (IDEA) Cluster			<u>750,979</u>
OTHER PROGRAMS:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010	17610101220917	1,402
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010	18610101220917	1,235,564
Total CFDA Number 84.010			<u>1,236,966</u>
<i>Career and Technical - Basic Grant</i>	84.048	17420006220917	2,807
<i>Career and Technical - Basic Grant</i>	84.048	18420006220917	33,323
Total CFDA Number 84.048			<u>36,130</u>
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	18671001220917	59,115
Total CFDA Number 84.365			<u>59,115</u>
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	17694501220917	54,551
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	18694501220917	113,221
Total CFDA Number 84.367			<u>167,772</u>
<i>Summer School LEP</i>	84.369	69551702	3,561
Total CFDA Number 84.369			<u>3,561</u>
Total Passed Through State Department of Education			<u>1,503,544</u>
Total U. S. Department of Education			<u>1,503,544</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>4,408,997</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 YEAR ENDED JUNE 30, 2018

A. 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.

B. 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, 2018*

<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?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other 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.	\$ 7,119,403
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ N/A

