

**CASTLEBERRY INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED JUNE 30, 2019**

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019

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CERTIFICATE OF BOARD

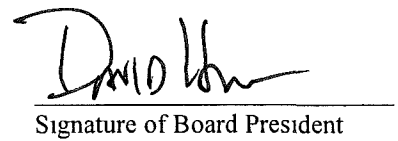
Castleberry Independent School District  
Name of School District

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, 2019, at a meeting of the Board of Trustees of such school district on the 4th day of November, 2019

  
Signature of Board Secretary

  
Signature of Board President

Members:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION  

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CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST  
P.O. BOX 977  
DENTON, TX 76202-0977  
TEL. (940) 387-8563  
FAX (940) 383-4746

Independent Auditor's Report

To the Board of Trustees  
Castleberry Independent School District  
Fort Worth, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Castleberry Independent School District (the District), as of and for the year ended June 30, 2019, 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 Standard* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 11 and the schedules of Teacher Retirement System pension and OPEB information on pages 54 through 61 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 Castleberry Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019 on our consideration of Castleberry Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Castleberry Independent School District's internal control over financial reporting and compliance.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

October 25, 2019

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

As management of Castleberry Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2019. Please read this narrative in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements that begin on page 14.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$44,055,808 (*net position*).
- The District's total net position increased by \$2,215,615 during the current fiscal year from the result of current year operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$36,034,247. Approximately 31.8% of this total amount, \$11,457,456, is unassigned and available for use within the District's fund balance policies.
- At the end of the current fiscal period, unassigned fund balance of the general fund was \$11,457,456 or 27.8% of the total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 14 and 15). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 26) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

## **Reporting the District as a Whole**

### **The Statement of Net Position and the Statement of Activities**

The analysis of the District's overall financial condition and operations begins on page 14. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets and deferred inflows of resources are reported whether they serve the current year or future years. Liabilities and deferred outflows of resources are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in net position. The District's net position provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance, its property tax base, and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- **Governmental activities**—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- **Business-type activities**—The District does not have any programs in which it charges a fee to “customers” to help it cover all or most of the cost of services it provides. Thus, the District had no business-type activities during the current fiscal year.

## **Reporting the District's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds – governmental and proprietary – use different accounting approaches.

· Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

· Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service fund reports the District's self-insurance workers compensation program that provides services for the District's other programs and activities.

## **The District as Trustee**

### **Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for money raised by student activities. The District's fiduciary activity is reported in a separate Statement of Fiduciary Assets and Liabilities on page 25. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The analysis below presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$41,840,193 to \$44,055,808. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$6,344,804 at June 30, 2019.



**Table I**  
**NET POSITION**

	Governmental Activities 2019	Governmental Activities 2018
Current and other assets	\$ 43,596,314	\$ 44,889,857
Capital assets, net	<u>76,259,227</u>	<u>71,698,412</u>
Total assets	119,855,541	116,588,269
Deferred outflows of resources	<u>10,097,087</u>	<u>2,527,317</u>
Total assets and deferred outflows of resources	<u>129,952,628</u>	<u>119,115,586</u>
Long-term liabilities	71,105,465	64,377,665
Other liabilities	<u>7,500,688</u>	<u>5,417,404</u>
Total liabilities	78,606,153	69,795,069
Deferred inflows of resources	<u>7,290,667</u>	<u>7,480,324</u>
Total liabilities and deferred inflows of resources	<u>85,896,820</u>	<u>77,275,393</u>
Net Position:		
Net investments in capital assets	33,799,105	26,870,016
Restricted	3,911,899	5,075,888
Unrestricted	<u>6,344,804</u>	<u>9,894,289</u>
Total Net Position	<u>\$ 44,055,808</u>	<u>\$ 41,840,193</u>

**Table II**  
**CHANGES IN NET POSITION**

	Governmental Activities 2019	Governmental Activities 2018
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for services	\$ 2,035,555	\$ 666,286
Operating grants and contributions	8,902,073	8,277,839
<b>General Revenues:</b>		
Maintenance and operations taxes	8,561,098	7,272,478
Debt service taxes	1,615,699	1,375,439
State aid	25,596,401	19,914,094
Investment earnings	928,216	587,248
Miscellaneous	226,270	170,905
Total Revenue	47,865,312	38,264,289
<b>Expenses:</b>		
Instruction, curriculum and media services	26,672,695	17,730,352
Instructional and school leadership	4,580,744	2,704,744
Student support services	1,630,886	1,096,654
Child nutrition	2,535,979	2,119,155
Extracurricular activities	1,504,379	1,151,332
General administration	1,565,000	1,186,216
Plant maintenance, security and data processing	5,681,301	4,770,648
Community services	12,656	36,804
Debt services	1,327,483	1,939,544
Facilities acquisition & construction	8,797	32,412
Payments to Shared Service Arrangements	40,477	48,758
Payments to JJAEF	8,127	61,275
Other intergovernmental charges	81,173	70,576
Total Expenses	45,649,697	32,948,470
Increase (decrease) in net position	2,215,615	5,315,819
Net position at beginning of year	41,840,193	59,278,699
Prior period adjustment	-	(22,754,325)
Net position at end of year	\$ 44,055,808	\$ 41,840,193

At the end of the current fiscal year, the District reports positive balances in net investment in capital assets, unrestricted net position, and restricted net position. The District's net position increased by \$2,215,615 during the current fiscal year.

The District showed an increase in revenue of 25.1%. Local tax revenues increased because of a 25.5% increase in taxable values. State Foundation revenue decreased due to higher local tax collections but decreased due to negative on-behalf support provided by the state for the OPEB plan in the prior fiscal year. Other items that affected the District's 2018-2019 activities were:

- Average daily attendance decreased by 3.2%.
- The District's General Fund expenditures increased \$6.0 million. Much of this increase was due to higher increased capital outlay for construction.
- The District's maintenance and operations (M&O) tax rate remained \$1.17 per \$100 valuation. The District's debt service tax rate remained \$0.2222 per \$100 valuation.

The cost of all governmental activities for the current fiscal year was \$45,649,697. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$10,176,797 because some of the costs were paid by those who directly benefited from the programs (\$2,035,555) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8,902,073) or by State equalization funding (\$25,596,401).

## **THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$36,034,247, which is \$3,612,765 less than last year's total of \$39,647,012. Included in this year's total change in fund balance is a decrease of \$3,105,115 in the District's General Fund, and a decrease of \$466,208 in the District's Debt Service Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June 2018). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendments in this case were amendments to reflect additional revenues and personnel and other costs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$31,415,419 reported on page 18 differs from the General Fund's budgetary fund balance of \$26,523,525 reported in the budgetary comparison schedule on page 21. This is principally due to cost savings achieved during the year based on the final amended budget and capital outlay less than budgeted because the project was still in process at June 30, 2019.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2019, the District had \$76,259,277 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$4,560,865, or 6.36 percent, more than last year.

Major capital asset additions during the year included construction in progress for renovations to the middle school and other construction projects.

More detailed information about the District's capital assets is presented in Note 4 to the basic financial statements.

#### Debt Administration

At year-end, the District had \$71,105,465 in long-term debt outstanding compared to \$64,337,665 last year—an increase of \$6,727,800. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund) according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 5 to the basic financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Total General Fund revenues are expected to be \$1.9 million higher due to significant changes to the State funding formula passed during the 2019 State legislative session. The new formula provides a significant increase in State revenue and requires a reduction in local property taxes.
- The District's General Fund expenditures exclusive of capital outlay for construction are budgeted to increase approximately \$2.3 million. The largest increase is higher salaries due to salary increases required under the new State funding formula.
- The maintenance and operations tax rate decreased from \$1.17 per \$100 valuation to \$1.06835 per \$100 valuation due to rate compression required by the new State funding formula. The debt service tax rate remained \$0.2222 per \$100 valuation.
- The 2019-2020 General Fund budget is balanced with both revenues and expenditures of \$40.3 million.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Castleberry Independent School District, 5228 Ohio Garden, Fort Worth, Texas 76114.

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**BASIC FINANCIAL STATEMENTS**

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2019

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 19,638,538
1120 Current Investments	19,784,983
1220 Property Taxes - Delinquent	1,238,850
1230 Allowance for Uncollectible Taxes	(607,123)
1240 Due from Other Governments	3,289,217
1250 Accrued Interest	189,689
1290 Other Receivables, Net	4,147
1300 Inventories	57,963
Capital Assets:	
1510 Land	2,908,775
1520 Buildings, Net	63,348,702
1530 Furniture and Equipment, Net	2,571,574
1580 Construction in Progress	7,430,226
1000 Total Assets	119,855,541
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Resource Outflows Related to TRS Pension	7,791,554
1706 Deferred Resource Outflows Related to TRS OPEB	2,305,533
1700 Total Deferred Outflows of Resources	10,097,087
<b>LIABILITIES</b>	
2110 Accounts Payable	2,243,989
2140 Accrued Interest Payable	570,398
2150 Payroll Deductions and Withholdings	242,496
2160 Accrued Wages Payable	3,141,517
2180 Due to Other Governments	1,297,580
2300 Unearned Revenue	4,708
Noncurrent Liabilities:	
2501 Due Within One Year	1,688,659
2502 Due in More Than One Year	40,268,908
2540 Net Pension Liability (District's Share)	13,322,019
2545 Net OPEB Liability (District's Share)	15,825,879
2000 Total Liabilities	78,606,153
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2602 Deferred Gain on Bond Refundings	502,605
2605 Deferred Resource Inflows Related to TRS Pension	1,783,537
2606 Deferred Resource Inflows Related to TRS OPEB	5,004,525
2600 Total Deferred Inflows of Resources	7,290,667
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	33,799,105
3820 Restricted for Federal and State Programs	749,361
3850 Restricted for Debt Service	3,162,538
3900 Unrestricted	6,344,804
3000 Total Net Position	\$ 44,055,808

The notes to the financial statements are an integral part of this statement.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 25,958,716	\$ 1,183,268	\$ 3,816,813	\$ (20,958,635)
12 Instructional Resources and Media Services	567,030	-	23,741	(543,289)
13 Curriculum and Instructional Staff Development	146,949	-	137,276	(9,673)
21 Instructional Leadership	2,351,584	-	170,823	(2,180,761)
23 School Leadership	2,229,160	-	110,261	(2,118,899)
31 Guidance, Counseling and Evaluation Services	654,866	-	194,323	(460,543)
33 Health Services	346,532	-	15,960	(330,572)
34 Student (Pupil) Transportation	629,488	-	103,303	(526,185)
35 Food Services	2,535,979	326,423	2,093,560	(115,996)
36 Extracurricular Activities	1,504,379	422,583	29,080	(1,052,716)
41 General Administration	1,565,000	-	245,558	(1,319,442)
51 Facilities Maintenance and Operations	4,037,318	103,281	139,012	(3,795,025)
52 Security and Monitoring Services	422,617	-	15,471	(407,146)
53 Data Processing Services	1,221,366	-	56,586	(1,164,780)
61 Community Services	12,656	-	11,948	(708)
72 Debt Service - Interest on Long-Term Debt	1,323,960	-	1,697,881	373,921
73 Debt Service - Bond Issuance Cost and Fees	3,523	-	-	(3,523)
81 Capital Outlay	8,797	-	-	(8,797)
93 Payments Related to Shared Services Arrangements	40,477	-	40,477	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	8,127	-	-	(8,127)
99 Other Intergovernmental Charges	81,173	-	-	(81,173)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 45,649,697</b>	<b>\$ 2,035,555</b>	<b>\$ 8,902,073</b>	<b>(34,712,069)</b>

Data Control Codes		
	<b>General Revenues:</b>	
	<b>Taxes:</b>	
MT	Property Taxes, Levied for General Purposes	8,561,098
DT	Property Taxes, Levied for Debt Service	1,615,699
SF	State Aid - Formula Grants	25,596,401
IE	Investment Earnings	928,216
MI	Miscellaneous Local and Intermediate Revenue	226,270
TR	<b>Total General Revenues</b>	<b>36,927,684</b>
CN	Change in Net Position	2,215,615
NB	Net Position - Beginning	41,840,193
NE	Net Position--Ending	<b>\$ 44,055,808</b>

The notes to the financial statements are an integral part of this statement.



CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

EXHIBIT C-1

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 16,862,550	\$ 1,595,915	\$ 1,117,990	\$ 19,576,455
1120 Investments - Current	17,585,624	2,199,359	-	19,784,983
1220 Property Taxes - Delinquent	1,051,837	187,013	-	1,238,850
1230 Allowance for Uncollectible Taxes	(517,120)	(90,003)	-	(607,123)
1240 Due from Other Governments	2,523,009	-	766,208	3,289,217
1250 Accrued Interest	167,674	22,015	-	189,689
1260 Due from Other Funds	491,898	-	-	491,898
1290 Other Receivables	323	-	3,824	4,147
1300 Inventories	57,963	-	-	57,963
1000 Total Assets	<u>\$ 38,223,758</u>	<u>\$ 3,914,299</u>	<u>\$ 1,888,022</u>	<u>\$ 44,026,079</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 2,112,753	\$ -	\$ 69,153	\$ 2,181,906
2150 Payroll Deductions and Withholdings Payable	213,313	-	29,183	242,496
2160 Accrued Wages Payable	2,831,339	-	310,178	3,141,517
2170 Due to Other Funds	-	-	491,898	491,898
2180 Due to Other Governments	1,116,217	181,363	-	1,297,580
2300 Unearned Revenue	-	-	4,708	4,708
2000 Total Liabilities	<u>6,273,622</u>	<u>181,363</u>	<u>905,120</u>	<u>7,360,105</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	534,717	97,010	-	631,727
2600 Total Deferred Inflows of Resources	<u>534,717</u>	<u>97,010</u>	<u>-</u>	<u>631,727</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	57,963	-	-	57,963
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	749,361	749,361
3480 Retirement of Long-Term Debt	-	3,635,926	-	3,635,926
3490 Other Restricted Fund Balance	-	-	127,801	127,801
Committed Fund Balance:				
3510 Construction	13,700,000	-	-	13,700,000
3545 Other Committed Fund Balance	-	-	105,740	105,740
Assigned Fund Balance:				
3570 Capital Expenditures for Equipment	3,425,000	-	-	3,425,000
3590 Other Assigned Fund Balance	2,775,000	-	-	2,775,000
3600 Unassigned Fund Balance	11,457,456	-	-	11,457,456
3000 Total Fund Balances	<u>31,415,419</u>	<u>3,635,926</u>	<u>982,902</u>	<u>36,034,247</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 38,223,758</u>	<u>\$ 3,914,299</u>	<u>\$ 1,888,022</u>	<u>\$ 44,026,079</u>

The notes to the financial statements 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, 2019

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	36,034,247
1 The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		-
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in fund financial statements.		131,645,293
3 Accumulated depreciation is not reported in the fund financial statements.		(55,386,016)
4 Bonds payable are not reported in the fund financial statements.		(38,635,000)
5 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.		631,727
6 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.		(570,398)
7 Bond premiums are not recognized in the fund financial statements.		(3,322,567)
8 Deferred gain on bond refundings is not recognized in the fund financial statements.		(502,605)
9 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$13,322,019, Deferred Inflows of Resources related to TRS in the amount of \$1,783,537, and Deferred Outflows of Resources related to TRS in the amount of \$1,783,537. This results in a net decrease in Net Position in the amount of \$7,314,002.		(7,314,002)
10 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$15,825,879, a Deferred Resource Inflow related to TRS OPEB in the amount of \$5,004,525, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$2,305,533. This amounted to a net decrease in Net Position in the amount of \$18,524,871.		(18,524,871)
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>44,055,808</b>

The notes to the financial statements 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, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 9,778,353	\$ 1,648,227	\$ 712,006	\$ 12,138,586
5800 State Program Revenues	27,279,691	1,697,881	395,187	29,372,759
5900 Federal Program Revenues	1,324,517	-	5,071,000	6,395,517
5020 Total Revenues	38,382,561	3,346,108	6,178,193	47,906,862
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	19,825,808	-	2,948,194	22,774,002
0012 Instructional Resources and Media Services	498,995	-	-	498,995
0013 Curriculum and Instructional Staff Development	659	-	137,206	137,865
0021 Instructional Leadership	1,978,668	-	52,872	2,031,540
0023 School Leadership	1,920,741	-	-	1,920,741
0031 Guidance, Counseling and Evaluation Services	398,551	-	174,429	572,980
0033 Health Services	288,786	-	-	288,786
0034 Student (Pupil) Transportation	680,080	-	-	680,080
0035 Food Services	-	-	2,444,728	2,444,728
0036 Extracurricular Activities	1,018,337	-	399,606	1,417,943
0041 General Administration	1,392,900	-	-	1,392,900
0051 Facilities Maintenance and Operations	3,624,608	-	11,633	3,636,241
0052 Security and Monitoring Services	379,231	-	-	379,231
0053 Data Processing Services	1,072,829	-	-	1,072,829
0061 Community Services	985	-	10,490	11,475
Debt Service:				
0071 Principal on Long-Term Debt	-	2,115,000	-	2,115,000
0072 Interest on Long-Term Debt	-	1,693,793	-	1,693,793
0073 Bond Issuance Cost and Fees	-	3,523	-	3,523
Capital Outlay:				
0081 Facilities Acquisition and Construction	8,116,230	-	-	8,116,230
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	40,477	40,477
0095 Payments to Juvenile Justice Alternative Ed. Prg.	8,127	-	-	8,127
0099 Other Intergovernmental Charges	81,173	-	-	81,173
6030 Total Expenditures	41,286,708	3,812,316	6,219,635	51,318,659
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,904,147)	(466,208)	(41,442)	(3,411,797)
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	1,718	-	-	1,718
8911 Transfers Out (Use)	(106,965)	-	-	(106,965)
8949 Other (Uses)	(95,721)	-	-	(95,721)
7080 Total Other Financing Sources (Uses)	(200,968)	-	-	(200,968)
1200 Net Change in Fund Balances	(3,105,115)	(466,208)	(41,442)	(3,612,765)
0100 Fund Balance - July 1 (Beginning)	34,520,534	4,102,134	1,024,344	39,647,012
3000 Fund Balance - June 30 (Ending)	\$ 31,415,419	\$ 3,635,926	\$ 982,902	\$ 36,034,247

The notes to the financial statements are an integral part of this statement.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (3,612,765)</b>
The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of the internal service fund is reported with governmental activities in the government-wide financial statements. The net effect of this consolidation is to increase net position.	37,262
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.	8,250,110
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(3,689,245)
Current year long-term debt principal payments on bonds payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	2,115,000
Current year amortization of the premium on bonds payable is not recorded in the fund financial statements, but is shown as a decrease in long-term debt in the government-wide financial statements.	223,659
Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.	82,017
Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	116,609
Current year amortization of the deferred gain on bond refundings is not recognized in the fund financial statements, but is shown as a reduction of the deferred gain in the government-wide financial statements.	29,565
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/18 caused the change in the ending net position to increase by \$28,736. These contributions were replaced with the District's pension expense for the year of \$1,074,339, which caused a decrease in the change in net position. The net effect of these is to decrease the change in net position by \$1,045,603.	(1,045,603)

The notes to the financial statements are an integral part of this statement.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

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EXHIBIT C-4

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/18 but during the current fiscal year caused the ending net position to increase in the amount of \$15,441. These contributions were replaced with the District's OPEB expense for the year of \$306,435, which caused a decrease in net position. The net effect of these is to decrease the change in net position by \$290,994.

(290,994)

**Change in Net Position of Governmental Activities**

\$ 2,215,615

The notes to the financial statements are an integral part of this statement.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 9,287,671	\$ 9,817,162	\$ 9,778,353	\$ (38,809)
5800 State Program Revenues	27,704,484	27,716,484	27,279,691	(436,793)
5900 Federal Program Revenues	875,000	1,400,000	1,324,517	(75,483)
5020 Total Revenues	37,867,155	38,933,646	38,382,561	(551,085)
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	20,744,347	20,801,347	19,825,808	975,539
0012 Instructional Resources and Media Services	564,770	574,770	498,995	75,775
0013 Curriculum and Instructional Staff Development	9,887	9,887	659	9,228
0021 Instructional Leadership	1,820,781	2,085,781	1,978,668	107,113
0023 School Leadership	1,807,450	2,002,450	1,920,741	81,709
0031 Guidance, Counseling and Evaluation Services	437,994	497,994	398,551	99,443
0033 Health Services	283,684	334,184	288,786	45,398
0034 Student (Pupil) Transportation	512,427	747,427	680,080	67,347
0036 Extracurricular Activities	1,239,671	1,274,671	1,018,337	256,334
0041 General Administration	1,415,176	1,505,176	1,392,900	112,276
0051 Facilities Maintenance and Operations	3,821,779	3,876,779	3,624,608	252,171
0052 Security and Monitoring Services	426,123	461,123	379,231	81,892
0053 Data Processing Services	1,196,748	1,157,248	1,072,829	84,419
0061 Community Services	39,588	15,588	985	14,603
Capital Outlay:				
0081 Facilities Acquisition and Construction	3,376,230	11,461,230	8,116,230	3,345,000
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	25,500	6,000	-	6,000
0095 Payments to Juvenile Justice Alternative Ed. Prg.	55,000	29,000	8,127	20,873
0099 Other Intergovernmental Charges	90,000	90,000	81,173	8,827
6030 Total Expenditures	37,867,155	46,930,655	41,286,708	5,643,947
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(7,997,009)	(2,904,147)	5,092,862
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	-	-	1,718	1,718
8911 Transfers Out (Use)	-	-	(106,965)	(106,965)
8949 Other (Uses)	-	-	(95,721)	(95,721)
7080 Total Other Financing Sources (Uses)	-	-	(200,968)	(200,968)
1200 Net Change in Fund Balances	-	(7,997,009)	(3,105,115)	4,891,894
0100 Fund Balance - July 1 (Beginning)	34,250,534	34,520,534	34,520,534	-
3000 Fund Balance - June 30 (Ending)	\$ 34,250,534	\$ 26,523,525	\$ 31,415,419	\$ 4,891,894

The notes to the financial statements are an integral part of this statement.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2019

EXHIBIT D-1

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 62,083
Total Assets	<u>62,083</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>62,083</u>
Total Liabilities	<u>62,083</u>

The notes to the financial statements are an integral part of this statement.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT D-2

	Governmental Activities -
	Internal Service Fund
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OPERATING REVENUES:	
Local and Intermediate Sources	\$ 100,346
Total Operating Revenues	100,346
OPERATING EXPENSES:	
Other Operating Costs	170,049
Total Operating Expenses	170,049
Income Before Transfers	(69,703)
Transfer In	106,965
Change in Net Position	37,262
Total Net Position - July 1 (Beginning)	(37,262)
 Total Net Position - June 30 (Ending)	 \$ -

The notes to the financial statements are an integral part of this statement.



CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from District	\$ 100,346
Cash Payments for Insurance Claims	(107,966)
Net Cash Used for Operating Activities	(7,620)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfers In	106,965
Repayment of Due to Other Funds	(43,819)
Net Cash Provided by Non-Capital Financing Activities	63,146
Net Increase in Cash and Cash Equivalents	55,526
Cash and Cash Equivalents at Beginning of Year	6,557
Cash and Cash Equivalents at End of Year	\$ 62,083
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (69,703)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	62,083
Net Cash Used for Operating Activities	\$ (7,620)

The notes to the financial statements are an integral part of this statement.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2019

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	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 11,608
Total Assets	<u>\$ 11,608</u>
LIABILITIES	
Due to Student Groups	\$ 11,608
Total Liabilities	<u>\$ 11,608</u>

The notes to the financial statements are an integral part of this statement.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Castleberry Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

**A. REPORTING ENTITY**

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees is elected by the public. The trustees as a body corporate have 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 (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Castleberry Independent School District has no component units.

**B. BASIS OF PRESENTATION**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The District had no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.
3. **Internal Service Fund** - The District utilizes an Internal Service Fund to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. This fund facilitates distribution of support costs to the users of support services. The District has an internal service fund for its workers compensation plan.
4. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and deferred outflows of resources; and liabilities (whether current or non-current) and deferred inflows of resources are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

The revenues susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2019

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

**D. BUDGETARY CONTROL**

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Fund. The other special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

June 30, 2019	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$749,361
Nonappropriated Budget Funds	<u>233,541</u>
All Special Revenue Funds	<u>\$982,902</u>

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**E. ENCUMBRANCE ACCOUNTING**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at June 30, 2019.

**F. PREPAYMENTS**

Prepayments represent payments made by the District in the current year to provide services occurring in the subsequent fiscal year.

**G. INVENTORIES**

The consumption method is used to account for inventories of paper and other supplies. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed.

**H. INTERFUND RECEIVABLES AND PAYABLES**

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account.

**I. CAPITAL ASSETS**

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	7-50 Years
Furniture and Equipment	5-15 Years

**J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

*A deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

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**Deferred outflows of resources for pension** - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 6.7 years.

A deferred outflow for pension expense also results from payments made to the TRS pension plan by the District after the plan's measurement date. The total amount of deferred outflows reported in the governmental activities for deferred pension expenses at June 30, 2019 was \$7,791,554.

**Deferred outflows of resources for OPEB**- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 8.6 years. The amount of deferred outflows reported in the governmental activities for deferred OPEB expenses at June 30, 2019 was \$2,305,533.

*A deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has four items that qualify for reporting in this category:

**Deferred inflows of resources for unavailable revenues** - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2019 was \$631,727.

**Deferred inflows of resources for refunding** - Reported in the government-wide statement of net position, the deferred gain on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred inflows reported in the governmental activities for the deferred gain on bond refundings at June 30, 2019 was \$502,605.

**Deferred inflows of resources for pension** - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. In fiscal year 2019, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$1,783,537.

**Deferred inflows of resources for OPEB** - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (8.6 years for the 2018 measurement year). In fiscal year 2019, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$5,004,525.



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**K. COMPENSATED ABSENCES**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**L. CASH EQUIVALENTS**

Investments are considered to be cash equivalents if they are highly liquid and have a maturity of three months or less when purchased.

**M. NET POSITION**

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

When both restricted and unrestricted net position is available, restricted net position is expended before unrestricted net position if such use is consistent with the restricted purpose.

**N. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**O. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2019, the District purchased commercial insurance to cover general liabilities. 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 fiscal years.

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**P. ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2. FUND BALANCES**

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventories as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Food Service fund balance is restricted because the use is restricted pursuant to the mandates of the grant. Scholarship donations are restricted by the donors to fund student scholarships.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees has committed General Fund fund balance for future construction. The Board of Trustees has also committed resources as of June 30, 2019 for campus activities and other local special revenue funds.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance of the General Fund as of June 30, 2019 for equipment expenditures and other future projects.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

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When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 16) and are described below:

**General Fund**

The General Fund has unassigned fund balance of \$11,457,456 at June 30, 2019. Inventories of \$57,963 are considered nonspendable fund balance. The Board of Trustees has committed \$13,700,000 of fund balance for future construction projects and has assigned \$3,425,000 of fund balance for future expenditures for equipment and \$2,775,000 for other future nonrecurring projects.

**Debt Service Fund**

The Debt Service Fund has restricted funds of \$3,635,926 at June 30, 2019 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

**Other Funds**

The fund balance of \$105,231 of the Campus Activity Fund and \$509 of other local funds (special revenue funds) are shown as committed due to Board policy committing those funds to campus activities and other local activities. The fund balance of \$749,361 in the Food Service Fund (a special revenue fund) is shown as restricted for that grant program. Fund balance of \$127,801 in other local funds (a special revenue fund) is restricted for student scholarships.

**NOTE 3. 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, 2019, the carrying amount of the District's deposit checking accounts and interest-bearing demand accounts was \$2,605,083 and the bank balance was \$2,716,985. The District's cash deposits at June 30, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. There was one day during the fiscal year on which the District's deposits were not fully collateralized as required.

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2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2019, all deposits were either collateralized with securities held by the District’s agent or covered by FDIC insurance. Thus, the District’s deposits are not exposed to custodial credit risk.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2019, the District held investments in bank certificates of deposit, municipal bonds, commercial paper and in three public funds investment pools (TexPool, Logic, TexSTAR). The District is not exposed to custodial credit risk for its certificates of deposit as all are registered in the District’s name. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality ratings for TexPool, Logic and TexSTAR at year-end were all AAAM (Standard & Poor’s).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for TexPool, Logic and TexSTAR is less than 100 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2019, the District was not exposed to foreign currency risk.

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- f. **Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. At June 30, 2019, the District held 16.3% of its total investments in commercial paper of two issuers. No other individual investment exceeded 5% of its total investments. The District's investments in the public funds investment pools are not subject to the concentration risk.

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.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The District's investments at June 30, 2019, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Bank of Oklahoma:		
Certificates of Deposit	\$ 975,000	\$ 976,298
Commercial Paper	19,642,431	19,642,431
Municipal/State Bonds	167,609	167,848
TexPool	3,659,549	3,659,549
Logic	7,018,208	7,018,208
TexSTAR	<u>5,096,625</u>	<u>5,096,625</u>
Total	<u>\$36,559,422</u>	<u>\$36,560,959</u>

### **Fair Value Measurements**

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

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**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

<u>Investments by Fair Value level:</u>	<u>Fair Value Measurements Using</u>			
	<u>Balance at 6/30/19</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Bank of Oklahoma Securities	\$20,786,577	\$ -	\$20,786,577	\$ -

The fair value of the certificates of deposit at June 30, 2019 was determined based on level 2 inputs. The District estimates the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District's investment in the State Investment Pool (a statewide 2a7-like external investment pool) is not required to be measured at fair value but is measured at amortized cost.

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Balance July 1</u>	<u>Additions/ Completions</u>	<u>Retirement/ Adjustments</u>	<u>Balance June 30</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,908,775	\$ -	\$ -	\$ 2,908,775
Construction in progress	984,347	7,320,692	(874,813)	7,430,226
Total capital assets not being depreciated	3,893,122	7,320,692	(874,813)	10,339,001
Capital assets, being depreciated				
Buildings and improvements	109,611,654	1,655,384	-	111,267,038
Furniture and equipment	9,890,407	148,847	-	10,039,254
Total capital assets being depreciated	119,502,061	1,804,231	-	121,306,292
Less accumulated depreciation for:				
Buildings and improvements	(44,850,547)	(3,067,789)	-	(47,918,336)
Furniture and equipment	(6,846,224)	(621,456)	-	(7,467,680)
Total accumulated depreciation	(51,696,771)	(3,689,245)	-	(55,386,016)
Total capital assets, being depreciated, net	67,805,290	(1,885,014)	-	65,920,276
Governmental activities capital assets, net	\$ 71,698,412	\$ 5,435,678	\$ (874,813)	\$ 76,259,277

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Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$2,367,547
Instructional Resources & Media Services	48,797
Curriculum and Staff Development	9,028
Instructional Leadership	224,466
School Leadership	219,072
Guidance, Counseling & Evaluation Services	65,766
Health Services	44,813
Student Transportation	51,432
Food Service	89,836
Extracurricular Activities	62,872
General Administration	118,977
Plant Maintenance & Operations	253,106
Security and Monitoring Services	30,849
Data Processing Services	<u>102,684</u>
Total depreciation expense-Governmental activities	<u>\$3,689,245</u>

**NOTE 5. LONG-TERM DEBT**

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, and capital leases payable. All long-term debt represents transactions in the District's governmental activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), 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.

The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2019:

Description	Interest Rate Payable	Amounts Outstanding 7/1/2018	Issued Current Year	Interest Accretion	Retired/Refunded	Amounts Outstanding 6/30/2019	Due Within One Year
<b>Bonded Indebtedness:</b>							
2010 Refunding Bonds	2.50-4.00%	\$ 5,690,000	\$ -	\$ -	\$ 685,000	\$ 5,005,000	\$ 715,000
2011 Refunding Bonds	3.00-4.00%	2,825,000	-	-	530,000	2,295,000	545,000
2018 Refunding Bonds	2.00-5.00%	<u>32,235,000</u>	-	-	900,000	<u>31,335,000</u>	<u>205,000</u>
<b>Total Bonded Indebtedness:</b>		<u>40,750,000</u>	-	-	<u>2,115,000</u>	<u>38,635,000</u>	<u>1,465,000</u>
<b>Other Direct Obligations:</b>							
Bond Premiums/Discounts		3,546,226	-	-	223,659	3,322,567	223,659
Net Pension Liability		7,119,403	6,202,616	-	-	13,322,019	-
Net OPEB Liability		<u>12,962,036</u>	<u>2,863,843</u>	-	-	<u>15,825,879</u>	-
<b>Total Other Obligations:</b>		<u>23,627,665</u>	<u>9,066,459</u>	-	<u>223,659</u>	<u>32,470,465</u>	<u>223,659</u>
<b>Total Obligations of District</b>		<u>\$64,377,665</u>	<u>\$9,066,459</u>	<u>\$ -</u>	<u>\$2,338,659</u>	<u>\$71,105,465</u>	<u>\$1,688,659</u>

General obligation bonds and related premiums are liquidated from the Debt Service Fund. The Net Pension Liability and Net OPEB Liability are liquidated from the General Fund.

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Presented below is a summary of general obligation bond requirements to maturity:

Year Ended June 30,	<u>General Obligation</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 1,465,000	\$ 1,523,287	\$ 2,988,287
2021	2,260,000	1,477,963	3,737,963
2022	790,000	1,424,594	2,214,594
2023	2,305,000	1,378,900	3,683,900
2024	1,680,000	1,313,750	2,993,750
2025-2029	11,260,000	5,380,812	16,640,812
2030-2034	12,935,000	2,781,000	15,716,000
2035-2036	<u>5,940,000</u>	<u>358,800</u>	<u>6,298,800</u>
	<u>\$38,635,000</u>	<u>\$15,639,106</u>	<u>\$54,274,106</u>

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2019.

**NOTE 6. DEFERRED GAIN ON BOND REFUNDINGS**

The District's deferred gain on bond refundings is as follows:

Balance – June 30, 2018	\$532,170
Current year amortization	<u>(29,565)</u>
Balance – June 30, 2019	<u>\$502,605</u>

**NOTE 7. PROPERTY TAXES**

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2018-19 fiscal year was based was \$767,268,881. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2019, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.2222 per \$100 valuation, respectively, for a total of \$1.3922 per \$ 100 valuation.



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Current tax collections for the year ended June 30, 2019 were 95.6% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of June 30, 2019, property taxes receivable, net of estimated uncollectible taxes, totaled \$534,717 and \$97,010 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenue at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

**NOTE 8. DEFINED BENEFIT PENSION PLAN**

**Plan Description.** Castleberry Independent School 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). TRS's defined benefit pension plan is 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.

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.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.

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

**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.

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Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

<u>Contribution Rates</u>		
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Castleberry ISD FY2019 Employer Contributions	\$	805,932
Castleberry ISD FY2019 Member Contributions	\$	2,019,511
Castleberry ISD 2019 NECE On-Behalf Contributions	\$	1,300,785

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers 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 source or a privately sponsored source, from non-educational and general, or local funds.

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 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.

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**Actuarial Assumptions.** The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2017 and adopted in July, 2018.

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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 arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

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Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
<b>Global Equity</b>			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
<b>Stable Value</b>			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	-	-
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	-0.3%	-
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.7%	-
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%
Commodities	0%	-	-
<b>Risk Parity</b>			
Risk Parity	5%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag	0%		-0.8%
<b>Total</b>	<u>100%</u>		<u>7.2%</u>

\* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Castleberry ISD's proportionate share of the net pension liability:	\$ 20,106,121	\$ 13,322,019	\$ 7,829,886

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2019, Castleberry Independent School District reported a liability of \$13,322,019 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Castleberry Independent School District. The amount recognized by Castleberry Independent School 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 Castleberry Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$13,322,019
State's proportionate share that is associated with the District	<u>19,387,319</u>
<b>Total</b>	<u>\$32,709,338</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.024203%, an increase of 10.0% from its proportionate share of 0.022% at August 31, 2017.

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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, 2019, Castleberry Independent School District recognized pension expense of \$1,185,818 and revenue of \$1,185,818 for support provided by the State.

At June 30, 2019, Castleberry Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 83,039	\$ 326,870
Changes in actuarial assumptions	4,803,230	150,101
Difference between projected and actual investment earnings	692,336	945,112
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,549,719	361,454
Contributions paid to TRS subsequent to the measurement date	663,230	-
Total	\$7,791,554	\$1,783,537

\$663,230 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2020	\$ 1,424,389
2021	892,443
2022	742,897
2023	851,175
2024	840,764
Thereafter	593,119

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**NOTE 9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

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

**OPEB Plan Fiduciary Net Position.** Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the 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.

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

<b>TRS-Care Monthly for Retirees</b>		
	<b><u>Medicare</u></b>	<b><u>Non-Medicare</u></b>
January 1, 2018 thru December 31, 2018		
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

\* or surviving spouse

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

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

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	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Castleberry ISD FY19 Employer Contributions		\$225,768
Castleberry ISD FY19 Member Contributions		\$170,446
Castleberry ISD 2019 NECE On-behalf Contributions		\$298,808

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85<sup>th</sup> Texas Legislative House Bill 30 provided an additional \$212 million one-time, supplemental funding for the FY 2018-19 biennium to continue to support the program. This was also received in FY 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions. The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation was rolled forward to August 31, 2018:

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

***Additional Actuarial Methods and Assumptions:***

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Payroll Growth Rate	2.50%
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

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**Discount Rate.** A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of .27 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District’s proportionate share of the Net OPEB Liability:	\$18,838,231	\$15,825,879	\$13,442,912

**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 OPEB liability would be if it were calculated using a trend rate that is one-percentage lower or one-percentage point higher than the assumed healthcare cost trend rate:

	1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
District’s proportionate share of the Net OPEB Liability:	\$13,143,651	\$15,825,879	\$19,358,434

**OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At June 30, 2019, the District reported a liability of \$15,825,879 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	\$15,825,879
State’s proportionate share that is associated with the District	<u>20,910,298</u>
Total	<u>\$36,736,177</u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer’s proportion of the Net OPEB Liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the employer’s proportion of the collective Net OPEB Liability was 0.0317%, an increase of 5.7% compared to the August 31, 2017 proportionate share of 0.03%.



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

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

The following are changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period. The 85<sup>th</sup> Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and proves a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended June 30, 2019, the District recognized OPEB expense of \$288,490 and revenue of \$288,490 for support provided by the State.

At June 30, 2019, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 839,821	\$ 249,756
Changes in actuarial assumptions	264,091	4,754,769
Difference between projected and actual investment earnings	2,768	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,035,238	-
Contributions paid to TRS subsequent to the measurement date	163,615	-
Total	\$2,305,533	\$5,004,525

The net amounts of the employer’s balance of deferred outflows and inflows of resources (not including the deferred contributions paid subsequent to the measurement date) related to OPEB will be recognized in OPEB expense as follows:

**CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
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Year ended June 30:	OPEB Expense Amount
2020	\$ (494,086)
2021	(494,086)
2022	(494,086)
2023	(494,609)
2024	(494,908)
Thereafter	(390,832)

**NOTE 10. MEDICARE PART D**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$97,773, \$77,204 and \$72,764, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

**NOTE 11. HEALTH CARE**

During the year ended June 30, 2019, employees of Castleberry Independent School District were covered by a health insurance plan (the Plan). The District contributed \$293 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

**NOTE 12. WORKERS COMPENSATION**

The District participates in the Texas Educational Insurance Association Workers Compensation Self-Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of \$118,428 for the 16-17 fiscal year. Additionally, the District incurred fixed costs of \$38,461 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Claims Administrative Services, Inc provides claims administration. Reinsurance is provided for aggregate claim losses exceeding \$500,000 for the entire pool. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self-insurance of \$62,083 includes incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in workers compensation claims liability amounts in fiscal year 2019 and 2018 are presented below:

Fiscal Year	July 1 Claims Liability	Claims and Changes in Estimates	Claims Payments	June 30 Claims Liability
2019	\$16,209	\$124,062	\$78,188	\$62,083
2018	-	124,661	108,452	16,209

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**NOTE 13. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation, Per Capita, Existing Debt Allotment, and Instruction Facilities Allotment Programs. Amounts due from federal and state governments as of June 30, 2019, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Local Governments	Total
General	\$2,452,866	\$ 70,143	\$ -	\$2,523,009
Special Revenue	1,710	764,498	-	766,208
Debt Service	-	-	-	-
Total	<u>\$2,454,576</u>	<u>\$834,641</u>	<u>\$ -</u>	<u>\$3,289,217</u>

**NOTE 14. INTERFUND BALANCES AND ACTIVITIES**

Interfund receivables and payables at June 30, 2019 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from June 30, 2019.

Fund	Due from Other Funds	Due to Other Funds
Major Governmental Funds:		
General Fund:		
Non-Major Special Revenue Fund	\$491,895	\$ -
Non-Major Capital Projects Fund	3	-
Total Major Governmental Funds	<u>491,898</u>	<u>-</u>
Nonmajor Governmental Funds:		
Special Revenue Funds:		
General Fund	-	491,895
Capital Projects Fund	-	3
Total Nonmajor Governmental Funds	<u>-</u>	<u>491,898</u>
Total	<u>\$491,898</u>	<u>\$491,898</u>

There were no transfers between funds during the year ended June 30, 2019.

**NOTE 15. LITIGATION AND CONTINGENCIES**

The District participates in numerous state and federal 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, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2019 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 combined financial statements for such contingencies.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 16. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

During the year ended June 30, 2019, revenues from local and intermediate sources in the fund financial statements consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Property Taxes	\$8,379,382	\$ -	\$1,590,760	\$ 9,970,142
Food Sales	-	281,031	-	281,031
Investment Income	873,968	19,228	35,020	928,216
Penalties, interest and other tax related income	107,047	-	17,591	124,638
Co-curricular student activities	59,853	364,585	-	424,438
Other	358,103	47,162	4,856	410,121
Total	<u>\$9,778,353</u>	<u>\$712,006</u>	<u>\$1,648,227</u>	<u>\$12,138,586</u>

**NOTE 17. UNEARNED REVENUE**

Unearned revenue at June 30, 2019 consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
State Instructional Materials	<u>\$ -</u>	<u>\$4,708</u>	<u>\$ -</u>	<u>\$4,708</u>
	<u>\$ -</u>	<u>\$4,708</u>	<u>\$ -</u>	<u>\$4,708</u>

**NOTE 18. CONSTRUCTION COMMITMENTS**

As of June 30, 2019, the District had entered into a contract for additions and renovations to Irma Marsch Middle School totaling \$24.9 million. At June 30, 2019, there was \$19.8 million remaining costs under this contract. This project is to be paid from the General Fund.

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REQUIRED SUPPLEMENTARY INFORMATION

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.024203%	0.022%	0.024%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 13,322,019	\$ 7,119,403	\$ 8,963,965
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	19,387,319	12,274,371	13,472,909
Total	<u>\$ 32,709,338</u>	<u>\$ 19,393,774</u>	<u>\$ 22,436,874</u>
District's Covered Payroll	\$ 24,997,568	\$ 24,679,445	\$ 23,368,708
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	53.29%	28.85%	38.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only five years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.025%		0.016%
\$	8,755,865	\$	4,323,398
	12,256,864		10,645,315
<u>\$ 21,012,729</u>		<u>\$ 14,968,713</u>	
\$	22,034,841	\$	20,713,370
	39.74%		20.87%
	78.43%		83.25%



CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 805,932	\$ 746,149	\$ 611,663
Contribution in Relation to the Contractually Required Contribution	805,932	746,149	611,663
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 26,231,017	\$ 25,060,253	\$ 20,587,803
Contributions as a Percentage of Covered Payroll	3.07%	2.98%	2.97%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

	2016		2015
\$	753,869	\$	733,450
	753,869		733,450
\$	-	\$	-
\$	23,368,708	\$	22,034,841
	3.23%		3.33%

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR THE YEAR ENDED JUNE 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.0317%	0.03%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 15,825,879	\$ 12,962,036
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	20,910,298	18,971,514
Total	<u>\$ 36,736,177</u>	<u>\$ 31,933,550</u>
District's Covered Payroll	\$ 24,997,568	\$ 24,679,445
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	63.31%	52.52%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2019

	2019	2018
Contractually Required Contribution	\$ 225,768	\$ 173,685
Contribution in Relation to the Contractually Required Contribution	225,768	173,685
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 26,231,017	\$ 25,060,253
Contributions as a Percentage of Covered Payroll	0.86%	0.69%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019

PENSION LIABILITY:

*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:*

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

OPEB LIABILITY:

*Changes of benefit terms:*

The following are changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period. The 85<sup>th</sup> Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2019

*Changes of assumptions:*

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

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

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## COMBINING SCHEDULES



CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 208	\$ 1,897	\$ 370
1240	Due from Other Governments	190,880	263,973	1,915	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 190,880</u>	<u>\$ 264,181</u>	<u>\$ 3,812</u>	<u>\$ 370</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 17,931	\$ 12,547	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	8,881	5,353	100	-
2160	Accrued Wages Payable	123,913	72,646	3,712	-
2170	Due to Other Funds	40,155	173,635	-	370
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>190,880</u>	<u>264,181</u>	<u>3,812</u>	<u>370</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 190,880</u>	<u>\$ 264,181</u>	<u>\$ 3,812</u>	<u>\$ 370</u>

## EXHIBIT H-1 (Cont'd)

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Programs	410 State Instructional Materials	429 Other State Programs	461 Campus Activity Funds
\$ 876,931	\$ -	\$ -	\$ -	\$ -	\$ 4,708	\$ -	\$ 105,336
-	27,639	77,253	134,178	68,660	-	1,710	-
-	330	-	-	-	-	-	-
<u>\$ 876,931</u>	<u>\$ 27,969</u>	<u>\$ 77,253</u>	<u>\$ 134,178</u>	<u>\$ 68,660</u>	<u>\$ 4,708</u>	<u>\$ 1,710</u>	<u>\$ 105,336</u>
\$ 35,981	\$ -	\$ 837	\$ 501	\$ 1,251	\$ -	\$ -	\$ 105
10,550	-	-	4,299	-	-	-	-
81,039	-	-	28,868	-	-	-	-
-	27,969	76,416	100,510	67,409	-	1,710	-
-	-	-	-	-	4,708	-	-
<u>127,570</u>	<u>27,969</u>	<u>77,253</u>	<u>134,178</u>	<u>68,660</u>	<u>4,708</u>	<u>1,710</u>	<u>105</u>
749,361	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	105,231
<u>749,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,231</u>
<u>\$ 876,931</u>	<u>\$ 27,969</u>	<u>\$ 77,253</u>	<u>\$ 134,178</u>	<u>\$ 68,660</u>	<u>\$ 4,708</u>	<u>\$ 1,710</u>	<u>\$ 105,336</u>

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019

Data Control Codes	480 Other Local Funds	Total Nonmajor Special Revenue Funds	616 Capital Projects Fund	Total Nonmajor Governmental Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 128,537	\$ 1,117,987	\$ 3	\$ 1,117,990
1240	Due from Other Governments	-	766,208	-	766,208
1290	Other Receivables	3,494	3,824	-	3,824
1000	Total Assets	<u>\$ 132,031</u>	<u>\$ 1,888,019</u>	<u>\$ 3</u>	<u>\$ 1,888,022</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ 69,153	\$ -	\$ 69,153
2150	Payroll Deductions and Withholdings Payable	-	29,183	-	29,183
2160	Accrued Wages Payable	-	310,178	-	310,178
2170	Due to Other Funds	3,721	491,895	3	491,898
2300	Unearned Revenue	-	4,708	-	4,708
2000	Total Liabilities	<u>3,721</u>	<u>905,117</u>	<u>3</u>	<u>905,120</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	749,361	-	749,361
3490	Other Restricted Fund Balance	127,801	127,801	-	127,801
Committed Fund Balance:					
3545	Other Committed Fund Balance	509	105,740	-	105,740
3000	Total Fund Balances	<u>128,310</u>	<u>982,902</u>	<u>-</u>	<u>982,902</u>
4000	Total Liabilities and Fund Balances	<u>\$ 132,031</u>	<u>\$ 1,888,019</u>	<u>\$ 3</u>	<u>\$ 1,888,022</u>

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CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	1,342,215	1,013,559	24,591	16,053
5020 Total Revenues	1,342,215	1,013,559	24,591	16,053
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	1,191,181	851,284	24,591	16,053
0013 Curriculum and Instructional Staff Development	77,726	2,990	-	-
0021 Instructional Leadership	45,477	7,395	-	-
0031 Guidance, Counseling and Evaluation Services	19,026	110,676	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	8,805	737	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	40,477	-	-
6030 Total Expenditures	1,342,215	1,013,559	24,591	16,053
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Programs	410 State Instructional Materials	429 Other State Programs	461 Campus Activity Funds
\$ 343,287	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	364,585
62,637	-	-	-	-	329,680	2,870	-
2,043,507	69,649	180,730	284,035	96,661	-	-	-
2,449,431	69,649	180,730	284,035	96,661	329,680	2,870	364,585
-	69,649	134,592	283,990	41,317	329,680	2,232	-
-	-	45,190	45	10,617	-	638	-
-	-	-	-	-	-	-	-
-	-	-	-	44,727	-	-	-
2,444,728	-	-	-	-	-	-	-
-	-	-	-	-	-	-	399,606
11,633	-	-	-	-	-	-	-
-	-	948	-	-	-	-	-
-	-	-	-	-	-	-	-
2,456,361	69,649	180,730	284,035	96,661	329,680	2,870	399,606
(6,930)	-	-	-	-	-	-	(35,021)
756,291	-	-	-	-	-	-	140,252
\$ 749,361	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	105,231

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	480 Other Local Funds	Total Nonmajor Special Revenue Funds	616 Capital Projects Fund	Total Nonmajor Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 4,134	\$ 712,006	-	\$ 712,006
5800 State Program Revenues	-	395,187	-	395,187
5900 Federal Program Revenues	-	5,071,000	-	5,071,000
5020 Total Revenues	4,134	6,178,193	-	6,178,193
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	3,625	2,948,194	-	2,948,194
0013 Curriculum and Instructional Staff Development	-	137,206	-	137,206
0021 Instructional Leadership	-	52,872	-	52,872
0031 Guidance, Counseling and Evaluation Services	-	174,429	-	174,429
0035 Food Services	-	2,444,728	-	2,444,728
0036 Extracurricular Activities	-	399,606	-	399,606
0051 Facilities Maintenance and Operations	-	11,633	-	11,633
0061 Community Services	-	10,490	-	10,490
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	40,477	-	40,477
6030 Total Expenditures	3,625	6,219,635	-	6,219,635
1200 Net Change in Fund Balance	509	(41,442)	-	(41,442)
0100 Fund Balance - July 1 (Beginning)	127,801	1,024,344	-	1,024,344
3000 Fund Balance - June 30 (Ending)	\$ 128,310	\$ 982,902	-	\$ 982,902

REQUIRED T.E.A. SCHEDULES



CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED JUNE 30, 2019

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
2011	1.170000	0.283300	433,610,472
2012	1.170000	0.283300	438,336,338
2013	1.170000	0.283300	456,101,409
2014	1.170000	0.245500	458,343,059
2015	1.170000	0.229700	480,851,611
2016	1.170000	0.245500	484,799,224
2017	1.170000	0.206600	534,649,136
2018	1.170000	0.222200	611,561,909
2019 (School year under audit)	1.170000	0.222200	767,268,881
1000 TOTALS			

	(10) Beginning Balance 7/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2019
\$	414,127	\$ -	\$ 2,744	\$ 360	\$ (22,163)	\$ 388,860
	39,789	-	1,219	295	(77)	38,198
	32,701	-	820	198	(387)	31,296
	36,987	-	(3,483)	(843)	(7,034)	34,279
	68,486	-	(2,284)	(479)	(6,883)	64,366
	46,772	-	(4,566)	(896)	(12,335)	39,899
	50,802	-	2,860	600	(10,665)	36,677
	107,709	-	23,787	4,200	(23,092)	56,630
	355,194	-	195,371	37,104	(21,968)	100,751
	-	10,105,753	8,160,855	1,549,865	52,861	447,894
\$	<u>1,152,567</u>	\$ <u>10,105,753</u>	\$ <u>8,377,323</u>	\$ <u>1,590,404</u>	\$ <u>(51,743)</u>	\$ <u>1,238,850</u>

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 332,779	\$ 362,779	\$ 343,287	\$ (19,492)
5800 State Program Revenues	30,000	30,000	62,637	32,637
5900 Federal Program Revenues	2,158,986	2,208,986	2,043,507	(165,479)
5020 Total Revenues	2,521,765	2,601,765	2,449,431	(152,334)
<b>EXPENDITURES:</b>				
Current:				
0035 Food Services	2,521,765	2,586,765	2,444,728	142,037
0051 Facilities Maintenance and Operations	-	15,000	11,633	3,367
6030 Total Expenditures	2,521,765	2,601,765	2,456,361	145,404
1200 Net Change in Fund Balances	-	-	(6,930)	(6,930)
0100 Fund Balance - July 1 (Beginning)	756,291	756,291	756,291	-
3000 Fund Balance - June 30 (Ending)	\$ 756,291	\$ 756,291	\$ 749,361	\$ (6,930)

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 1,629,144	\$ 1,669,144	\$ 1,648,227	\$ (20,917)
5800 State Program Revenues	1,339,643	1,894,643	1,697,881	(196,762)
5020 Total Revenues	2,968,787	3,563,787	3,346,108	(217,679)
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long-Term Debt	1,420,000	2,115,000	2,115,000	-
0072 Interest on Long-Term Debt	1,543,787	2,198,787	1,693,793	504,994
0073 Bond Issuance Cost and Fees	5,000	5,000	3,523	1,477
6030 Total Expenditures	2,968,787	4,318,787	3,812,316	506,471
1200 Net Change in Fund Balances	-	(755,000)	(466,208)	288,792
0100 Fund Balance - July 1 (Beginning)	4,102,134	4,102,134	4,102,134	-
3000 Fund Balance - June 30 (Ending)	\$ 4,102,134	\$ 3,347,134	\$ 3,635,926	\$ 288,792

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FEDERAL AWARDS SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST  
P.O. BOX 977  
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees  
Castleberry Independent School District  
Fort Worth, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Castleberry Independent School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Castleberry Independent School District's basic financial statements, and have issued our report dated October 25, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned cost as item 2019-001.



**District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 District's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

October 25, 2019

Members:  
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees  
Castleberry Independent School District  
Fort Worth, Texas

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

We have audited Castleberry Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Castleberry Independent School District's major federal programs for the year ended June 30, 2019. Castleberry Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***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 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 Castleberry Independent School District's compliance.

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

In our opinion, Castleberry Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control Over Compliance

Management of 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 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 Castleberry Independent School District's internal control over compliance.

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

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

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

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

October 25, 2019

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:  
Material weakness(es) identified: None  
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:  
Material weakness(es) identified: None  
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:  

CFDA 84.010A ESEA, Title I, Part A - Improving Basic Programs  
CFDA 84.365A Title III, Part A - English Language Acquisition
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Findings and Questioned Costs Related to Federal Awards

None

IV. Other Findings

Finding 2019-001 –Pledged collateral less than required amount

Criteria: The Texas Public Funds Investment Act requires the District's depository bank to pledge securities or letters of credit to the District to fully secure any bank balances that exceed the FDIC deposit insurance coverage on District bank balances. When certain securities are pledged, the value of the pledged collateral must equal 110% of uninsured deposits.

Condition: On one day in August 2018, the required 110% was not met. Total collateral value and FDIC coverage exceeded the District's deposits, but did not meet the 110% requirement.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2019

IV. Other Findings-continued

Cause: The District monitors the level of deposits and pledged securities on a daily basis but the District's depository bank was not aware of the 110% requirement. On the day in question, a miscalculation of required collateral was made resulting in a short-fall in collateral.

Effect: Pledged collateral was less than the required amount for one day during the fiscal year. On that day, the market value of securities pledged as collateral by the depository bank was \$44,143 less than the amount required.

Recommendation: The District has procedures in place to monitor balances and pledged securities on a daily basis. The District should review and modify its procedures for monitoring pledged collateral to insure all calculations are accurate.

CORRECTIVE ACTION PLAN:

Finding 2019-001 –Pledged collateral less than required amount

The District will continue to monitor its cash balances and collateral pledged on a daily basis. Additional procedures for monitoring balances and collateral were implemented by the District in September 2019. Additionally, the depository bank issued a \$4.0 million letter of credit to the District to secure uninsured deposits.

Contact Person: DeAnne Page, CPA, Chief Financial Officer

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

Finding 2018-001 --Financial Accounting and Reporting Process

Status: The District implemented additional and improved procedures to improve accounting processes to insure accurate financial reporting.

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

Status: The District implemented new procedures to monitor grant expenditures and to reconcile actual expenditures to reimbursement claims on a regular basis.

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2019

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Region 20 Education Service Center</u>			
*IDEA - Part B, Discretionary	84.027	1866031	\$ 16,053
Total Passed Through Region 20 Education Service Center			16,053
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101220917	1,342,215
*IDEA - Part B, Formula	84.027	186600012209176600	539,268
*IDEA - Part B, Formula	84.027	196600012209176600	474,291
Total CFDA Number 84.027			1,013,559
*IDEA - Part B, Preschool	84.173	186610012209176610	5,926
*IDEA - Part B, Preschool	84.173	196610012209176610	18,665
Total CFDA Number 84.173			24,591
Total Special Education Cluster (IDEA)			1,054,203
Career and Technical - Basic Grant	84.048	18420006220917	5,652
Career and Technical - Basic Grant	84.048	19420006220917	63,997
Total CFDA Number 84.048			69,649
Title III, Part A - English Language Acquisition	84.365A	18671001220917	33,355
Title III, Part A - English Language Acquisition	84.365A	19671001220917	250,680
Total CFDA Number 84.365A			284,035
ESEA, Title II, Part A, Teacher Principal Training	84.367A	18694501220917	27,983
ESEA, Title II, Part A, Teacher Principal Training	84.367A	19694501220917	152,747
Total CFDA Number 84.367A			180,730
Summer School LEP	84.369A	69551802	5,007
ESEA, Title IV, Part A - Student Support	84.424A	1968101220917	91,654
Total Passed Through State Department of Education			3,011,440
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			3,027,493
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401901	571,752
*National School Lunch Program - Cash Assistance	10.555	71301901	1,474,920
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301901	176,835
Total CFDA Number 10.555			1,651,755
Total Child Nutrition Cluster			2,223,507
Total Passed Through the State Department of Agriculture			2,223,507
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			2,223,507
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 5,251,000

\*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

CASTLEBERRY INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019

1. The District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The District participates in numerous state and Federal grant programs that 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, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2019, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The District also received \$1,144,517 of School Health and Related Services (SHARS) payments. These payments are not considered Federal awards for purposes of the Schedule of Expenditures of Federal Awards and were recorded as Federal revenues in the General Fund.



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