

**CARTHAGE  
INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2017*



Carthage Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2017

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Annual Financial Report  
For The Year Ended August 31, 2017

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*Introductory Section*

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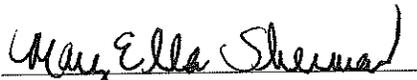
CERTIFICATE OF BOARD

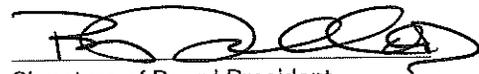
Carthage Independent School District  
Name of School District

Panola  
County

183-902  
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 August 31, 2017, at a meeting of the board of trustees of such school district on the 22 day of January, 2018.

  
Signature of Board Secretary

  
Signature of Board President

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

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*Financial Section*

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# Morgan LaGrone, CPA, PLLC

## Certified Public Accountant

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Telephone: 903.657.0240  
Fax: 903.655.1324

116 S Marshall  
Henderson TX 75653

### **Independent Auditor's Report**

To the Board of Trustees  
Carthage Independent School District  
#1 Bulldog Drive  
Carthage, Texas 75633

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carthage Independent School District ("the District") as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**MEMBER**

*AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS*

## 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 Carthage Independent School District as of August 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

The combining and individual nonmajor fund financial statements and other supplementary information 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 and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018 on our consideration of Carthage Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carthage Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Morgan LaGrone".

Morgan LaGrone, CPA, PLLC

Henderson, TX  
January 12, 2018

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# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2017

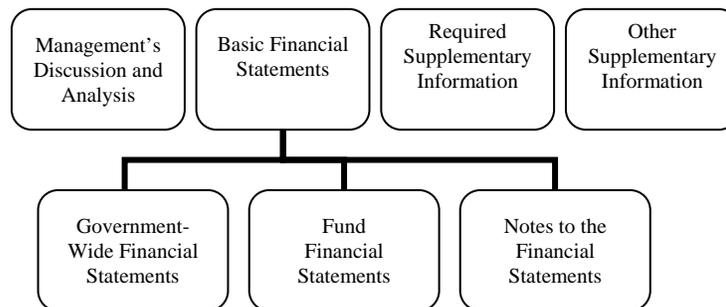
In this section of Carthage Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined Net Position was \$66,801,929 at August 31, 2017.
- During the year, the District's expenses were \$851,661 less than the \$45,705,401 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased by 10.27% from the prior year.
- The General Fund reported a fund balance this year of \$11,727,082, of which \$627,268 is nonspendable due to the purchase of prepaid items. The remaining \$11,099,814 is unassigned.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this comprehensive annual financial report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:



- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2017

### Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received and paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the Governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- Proprietary funds - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
  - We use an internal service fund to report activities that provide services for the District's Worker's Compensation Self-Insurance Fund.
- Fiduciary funds - The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined Net Position was \$66,801,929 at August 31, 2017.

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2017

Table A-1  
Carthage Independent School District  
Net Position

	<u>2017</u>	<u>2016</u>	Increase/ (Decrease) <u>2016-2017</u>	Percentage Change <u>2016-2017</u>
Current and Other Assets	\$ 21,829,913	\$ 27,508,033	\$ (5,678,120)	(20.64%)
Capital Assets	80,655,804	71,153,801	9,502,003	13.35%
Total Assets	<u>\$ 102,485,717</u>	<u>\$ 98,661,834</u>	<u>\$ 3,823,883</u>	<u>3.88%</u>
Deferred Outflow Related to Pensions	\$ 2,293,775	\$ 2,797,197	\$ (503,422)	(18.00%)
Long-Term Liabilities Outstanding	\$ 34,058,663	\$ 31,608,957	\$ 2,449,706	7.75%
Other Liabilities	3,247,425	3,420,311	(172,886)	(5.05%)
Total Liabilities	<u>\$ 37,306,088</u>	<u>\$ 35,029,268</u>	<u>\$ 2,276,820</u>	<u>6.50%</u>
Deferred Inflows	\$ 671,475	\$ 479,528	\$ 191,947	40.03%
Net Position:				
Net Investment in Capital Assets	\$ 56,987,660	\$ 38,301,742	\$ 18,685,918	48.79%
Restricted	6,177,438	4,389,235	1,788,203	40.74%
Unrestricted	3,636,831	23,259,292	(19,622,461)	(84.36%)
Total Net Position	<u>\$ 66,801,929</u>	<u>\$ 65,950,269</u>	<u>\$ 851,660</u>	<u>1.29%</u>

\$3,187,655 of the District's restricted net position are restricted for debt service, \$99,916 are restricted for federal programs, \$2,790,958 are restricted for capital projects, \$5,245 are restricted for shared service arrangements, and \$93,664 are restricted for campus activities. The \$3,636,831 of unrestricted net position represents resources available to fund the programs of the District next year.

Table A-2  
Carthage Independent School District  
Change in Net Position

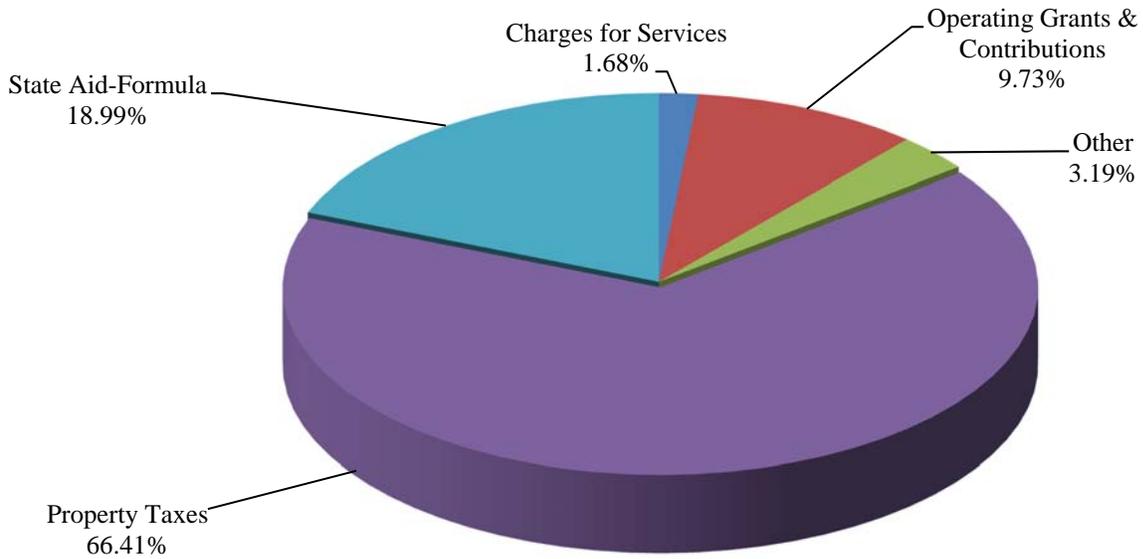
	<u>2017</u>	<u>2016</u>	Increase/ (Decrease) <u>2016-2017</u>	Percentage Change <u>2016-2017</u>
Program Revenues:				
Charges for Services	\$ 767,226	\$ 1,189,600	\$ (422,374)	(35.51%)
Operating Grants & Contributions	4,448,912	4,709,318	(260,406)	(5.53%)
General Revenues:				
Property Taxes	30,354,641	37,677,321	(7,322,680)	(19.44%)
State Aid-Formula	8,678,120	5,493,432	3,184,688	57.97%
Other	1,456,502	1,085,517	370,985	34.18%
Total Revenues	<u>\$ 45,705,401</u>	<u>\$ 50,155,188</u>	<u>\$ (4,449,787)</u>	<u>(8.87%)</u>
Functions/Programs:				
Instructional and Instructional-Related Services	\$ 17,883,177	\$ 19,547,525	\$ (1,664,348)	(8.51%)
Instruction and School Leadership	1,919,245	1,913,742	5,503	0.29%
Support Services - Student	6,611,957	6,890,284	(278,327)	(4.04%)
Administrative Support Services	1,174,312	1,234,021	(59,709)	(4.84%)
Support Services - Non-Student Based	5,169,387	5,456,696	(287,309)	(5.27%)
Ancillary Services	20,000	20,000	-	0.00%
Debt Service	486,389	374,099	112,290	30.02%
Capital Outlay	-	-	-	N/A
Intergovernmental Charges	11,589,273	14,553,262	(2,963,989)	(20.37%)
Total Expenses	<u>\$ 44,853,740</u>	<u>\$ 49,989,629</u>	<u>\$ (5,135,889)</u>	<u>(10.27%)</u>
Increase/(Decrease) in Net Position	\$ 851,661	\$ 165,559	\$ 686,102	414.42%
Beginning Net Position	\$ 65,950,268	\$ 65,784,710	\$ 165,558	0.25%
Ending Net Position	<u>\$ 66,801,929</u>	<u>\$ 65,950,269</u>	<u>\$ 851,660</u>	<u>1.29%</u>

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

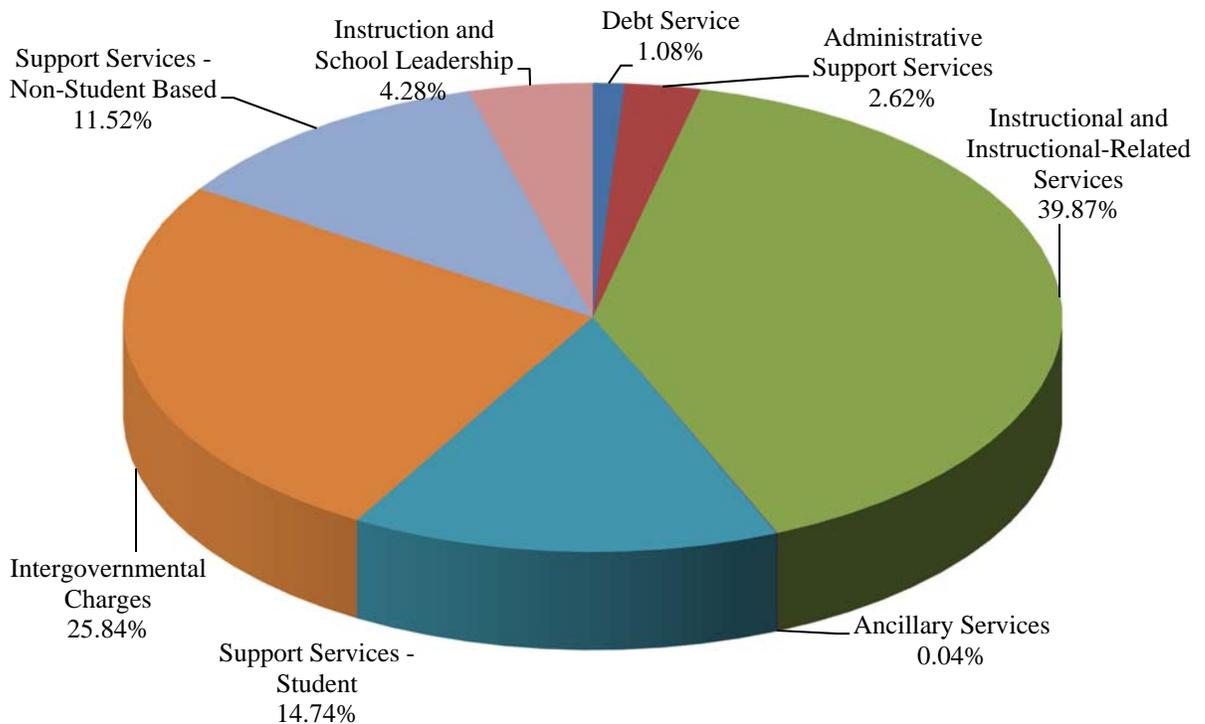
## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2017

**Chart A-1**  
**Carthage Independent School District**  
**Revenues for the Year Ended August 31, 2017**



**Chart A-2**  
**Carthage Independent School District**  
**Expenses for the Year Ended August 31, 2017**



# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2017

Changes in Net Position. The District's total revenues were \$45,705,401. A significant portion, 66.41 percent, of the District's revenue comes from taxes, 18.99 percent comes from state aid – formula grants, 9.73 percent is from operating grants and contributions, while only 1.68 percent relates to charges for services. The remaining 3.19 percent is from investment earnings and miscellaneous revenues. The total cost of all programs and services was \$44,853,740; 54.61 percent of these costs are for instructional and student services.

### Governmental Activities

Property tax rates remained constant with an M&O rate of \$.90 per \$100 valuation and an I&S rate of \$0.24 per \$100 valuation for a total tax rate of \$1.14 per \$100 valuation.

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what state revenues as well as local tax dollars funded.

- The cost of all governmental activities this year was \$44,853,740.
- The amount that our taxpayers paid for these activities through property taxes was \$30,354,641.
- The State contributed \$8,678,120 while local interest, county tax, gifts, and rents added \$1,456,502.
- Some of the cost was paid by those who directly benefited from the programs \$767,226, or by grants and contributions \$4,448,912.

Table A-3  
Carthage Independent School District  
Net Cost of Selected District Functions

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2017</u>	<u>2016</u>	<u>% Change</u>	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Instruction	\$ 17,143,213	\$ 18,741,458	(8.53%)	\$ 14,384,989	\$ 15,276,352	(5.83%)
School Leadership	1,617,589	1,602,525	0.94%	1,548,637	1,495,988	3.52%
Student Transportation	2,189,510	2,369,714	(7.60%)	2,124,617	2,270,421	(6.42%)
Facilities Maintenance	3,641,876	3,799,803	(4.16%)	3,558,137	3,662,716	(2.86%)
Contracted Instructional Services	11,045,020	13,888,861	(20.48%)	11,043,759	13,885,564	(20.47%)

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$45,391,246, a decrease of \$4,044,941 from the preceding year.

- Local revenue decreased by \$7,617,184.
- State revenue increased by \$3,129,252.
- Revenue from federal grants increased \$442,991.

Expenditures decreased by \$4,076,913, due to less debt payments, instruction costs, and contracted services between schools.

The District's elected and appointed officials considered many factors when setting the fiscal year 2017 budget and tax rates. For 2016-2017, the District set an M&O rate of \$.90 and an I&S rate of \$.24 for a total rate of \$1.14.

Fund balance in the Debt Service Fund decreased by \$926,650 due to less than anticipated revenue and more than anticipated expenditures. The capital projects fund was the recipient of bond proceeds, increasing the fund balance by \$9,815,454, while simultaneously using \$14,216,900 of its funds for construction projects, resulting in a net decrease of \$4,263,790.

### General Fund Budgetary Highlights

During the year, the District revised its budget. Considering the adjustments, actual expenditures were \$214,276 below final budget amounts. This positive variance resulted from a general cost savings in all functional categories.

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2017

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2017, the District had invested \$116,991,716 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

Table A-4  
Carthage Independent School District  
Capital Assets

	<u>Governmental Activities</u>		Increase/ (Decrease) <u>2016-2017</u>	Percentage Change <u>2016-2017</u>
	<u>2017</u>	<u>2016</u>		
Land	\$ 1,617,147	\$ 1,617,147	\$ -	0.00%
Construction in Progress	19,089,597	8,986,953	10,102,644	112.41%
Buildings and Improvements	84,170,019	83,193,804	976,215	1.17%
Furniture and Equipment	12,114,953	10,993,618	1,121,335	10.20%
Capital Lease Equipment	-	458,499	(458,499)	(100.00%)
Total Capital Assets	\$ 116,991,716	\$ 105,250,020	\$ 11,741,696	11.16%
Less: Accumulated Depreciation	(36,335,910)	(34,096,218)	(2,239,692)	6.57%
Net Capital Assets	\$ 80,655,806	\$ 71,153,802	\$ 9,502,004	13.35%

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

#### Long-Term Debt

At year-end, the District had \$34,058,663 in long-term debt as shown in Table A-5. More detailed information about the District's debt is presented in Note G to the financial statements.

Table A-5  
Carthage Independent School District  
Long-Term Debt

	<u>Governmental Activities</u>		Increase/ (Decrease) <u>2016-2017</u>	Percentage Change <u>2016-2017</u>
	<u>2017</u>	<u>2016</u>		
General Obligation Bonds	\$ 28,027,000	\$ 25,270,000	\$ 2,757,000	10.91%
Add: Premium on Issuance of Bonds	532,103	527,311	4,792	0.91%
Accrued Vacation	21,162	28,286	(7,124)	-25.19%
Net Pension Liability	5,478,398	5,783,360	(304,962)	-5.27%
Total Long-Term Debt	\$ 34,058,663	\$ 31,608,957	\$ 2,449,706	-18.64%

# **CARTHAGE INDEPENDENT SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*AUGUST 31, 2017*

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

- Appraised value used for 2017-2018 budget preparation was down by \$256 million, or 1.03% from the previous year, but down 23.89% in 2016. This is mainly because of the situation in oil and gas prices.
- General operating fund spending per student decreases in the 2017-2018 budget from \$12,590 to \$11,365. The decrease is due to fluctuations in fund recapture costs and steady enrollment.
- The District's 2017-2018 refined average daily attendance is expected to be 2,516,333, an increase of 0.0015% from the previous year. The District has had a steady enrollment and is expecting it to remain static for several years.
- The District's elected and appointed officials considered many factors when setting the fiscal year 2017 budget tax rates. Fluctuating oil and gas values create havoc in preparing the budget and setting the tax rate from year to year. The actual property values are not available in time to prepare the budget. As actual data becomes available, the Board amends the budget and makes necessary adjustments. Another factor is the economy. The District, located in the northeastern part of the state, has a diversified economy that includes one of the largest proven natural gas fields in the United States. The discovery of the most recent Haynesville Shale in the northeastern part of Texas and northwestern part of the Louisiana has attributed to the booming growth and startup of oil and gas construction companies to work the field. Respectively, companies have increased their employment by hundreds of employees which should improve the local economy. However, 2016-2017 and 2017-2018, there has been massive downsizing because of the economy factors. Many of these companies have not been able to sustain presence and there has been many jobs lost because of failed companies. In addition to plants processing petroleum and manufacturing oil field equipment, Carthage is the location of a major poultry processing plant and a plastic cup manufacturing plant. The economic condition and outlook of the District has experienced a major decline during the past couple of years, attributable to a general decrease in natural gas prices. As stated previously, this type of situation makes it difficult to estimate and prepare budgets. The steam and gas-fired electrical facilities within our surrounding countries have attributed to many residents attaining and retaining employment.
- These indicators were taken into account when adopting the General Fund budget for the 2017-2018 school year. Property taxes, grants, and contributions not restricted, and miscellaneous local source revenues account for 89% of the revenues of the District. The "new normal" of the state's contribution for funding education has played chaos in preparing the 207-2018 budget, as the calculations for the funding structure changed drastically. The 85<sup>th</sup> legislature voted to grab all ASATR (Additional State Aid for Tax Reduction) funds that were promised as a revenue stream in 2006 when property tax relief was granted to taxpayers in 2006 by compressing the tax rate. This slashed the District's Budget by a third or in excess of \$7 million, and has made it necessary to tap into its reserves until a three-year plan can be implemented to achieve a balanced budget. Major cuts in personnel, benefits, and program costs are being considered in the three-year plan to meet a balanced budget. The District maintains a healthy fund balance which can be used to offset the budget cuts so the District can continue to adopt a zero balanced budget. The District uses its revenues to finance recapture costs to the state and to maintain the programs it currently offers. Budgeted expenditures increased because the increase in state revenues drives the recapture costs to the state upward. The District added no new major programs or initiatives to the 2018 budget.
- If estimates are realized, the District's budgetary General Fund balance is expected to decrease by \$2 million by the close of 2018 and an additional \$2.5-\$3 million by the end of the three year plan.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances. In addition, it provides evidence of accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's business office at Carthage Independent School District, #1 Bulldog Drive, Carthage, Texas 75633.

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*Basic Financial Statements*

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**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

AUGUST 31, 2017

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 15,458,813
1225	<i>Property Taxes Receivable (Net)</i>	662,480
1240	<i>Due from Other Governments</i>	4,753,290
1250	<i>Accrued Interest</i>	1
1290	<i>Other Receivables (Net)</i>	296,954
1300	<i>Inventories</i>	31,107
1410	<i>Unrealized Expenses</i>	627,268
Capital Assets:		
1510	<i>Land</i>	1,617,146
1520	<i>Buildings and Improvements, Net</i>	57,987,285
1530	<i>Furniture and Equipment, Net</i>	1,961,776
1580	<i>Construction in Progress</i>	<u>19,089,597</u>
1000	Total Assets	<u>102,485,717</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
1705	<i>Deferred Outflow Related to Pensions</i>	<u>2,293,775</u>
1700	Total Deferred Outflows of Resources	<u>2,293,775</u>
<b>LIABILITIES:</b>		
2110	<i>Accounts Payable</i>	2,406,935
2140	<i>Interest Payable</i>	30,789
2165	<i>Accrued Liabilities</i>	809,701
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	4,409,000
2502	<i>Due in More Than One Year</i>	24,171,265
2540	<i>Net Pension Liability</i>	<u>5,478,398</u>
2000	Total Liabilities	<u>37,306,088</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
	<i>Deferred Revenue</i>	45,360
2605	<i>Deferred Inflow Related to Pensions</i>	<u>626,115</u>
2600	Total Deferred Inflows of Resources	<u>671,475</u>
<b>NET POSITION:</b>		
3200	Net Investment in Capital Assets	56,987,660
Restricted For:		
3820	Federal and State Programs	99,916
3850	Debt Service	3,187,655
3860	Capital Projects	2,790,958
3870	Campus Activities	93,664
3890	Shared Service Arrangements	5,245
3900	Unrestricted	<u>3,636,831</u>
3000	Total Net Position	<u>\$ 66,801,929</u>

The accompanying notes are an integral part of this statement.

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## CARTHAGE INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 17,143,213	\$ 374,126	\$ 2,384,098	\$ (14,384,989)	
12	<i>Instructional Resources and Media Services</i>	315,163	--	11,737	(303,426)	
13	<i>Curriculum and Staff Development</i>	424,801	--	16,339	(408,462)	
21	<i>Instructional Leadership</i>	301,656	--	9,219	(292,437)	
23	<i>School Leadership</i>	1,617,589	--	68,952	(1,548,637)	
31	<i>Guidance, Counseling, &amp; Evaluation Services</i>	528,571	--	23,468	(505,103)	
33	<i>Health Services</i>	235,948	--	321,336	85,388	
34	<i>Student Transportation</i>	2,189,510	--	64,893	(2,124,617)	
35	<i>Food Service</i>	1,238,490	212,714	1,047,672	21,896	
36	<i>Cocurricular/Extracurricular Activities</i>	2,419,438	180,386	41,427	(2,197,625)	
41	<i>General Administration</i>	1,174,312	--	36,645	(1,137,667)	
51	<i>Facilities Maintenance and Operations</i>	3,641,876	--	83,739	(3,558,137)	
52	<i>Security and Monitoring Services</i>	181,635	--	5,598	(176,037)	
53	<i>Data Processing Services</i>	1,345,876	--	31,869	(1,314,007)	
61	<i>Community Services</i>	20,000	--	2	(19,998)	
72	<i>Interest on Long-term Debt</i>	395,935	--	77,936	(317,999)	
73	<i>Bond Issuance Costs and Fees</i>	90,454	--	--	(90,454)	
91	<i>Contracted Instructional Services between Schools</i>	11,045,020	--	1,261	(11,043,759)	
93	<i>Payments Related to Shared Services Arrangements</i>	222,697	--	222,721	24	
99	<i>Other Intergovernmental Charges</i>	321,556	--	--	(321,556)	
TG	Total Governmental Activities	44,853,740	767,226	4,448,912	(39,637,602)	
TP	Total Primary Government	\$ 44,853,740	\$ 767,226	\$ 4,448,912	(39,637,602)	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				23,963,644	
DT	<i>Property Taxes, Levied for Debt Service</i>				6,390,997	
IE	<i>Investment Earnings</i>				169,015	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				8,678,120	
MI	<i>Miscellaneous</i>				1,287,487	
TR	Total General Revenues				40,489,263	
CN	Change in Net Position				851,661	
NB	Net Position - Beginning				65,950,268	
NE	Net Position - Ending				\$ 66,801,929	

The accompanying notes are an integral part of this statement.

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund
<b>ASSETS:</b>		
1110 <i>Cash and Cash Equivalents</i>	\$ 6,776,500	\$ 3,163,327
1225 <i>Taxes Receivable, Net</i>	537,219	125,261
1240 <i>Due from Other Governments</i>	4,487,554	--
1250 <i>Accrued Interest</i>	1	--
1260 <i>Due from Other Funds</i>	581,814	--
1290 <i>Other Receivables</i>	261,129	24,327
1300 <i>Inventories</i>	--	--
1410 <i>Unrealized Expenditures</i>	627,268	--
1000 Total Assets	<u>13,271,485</u>	<u>3,312,915</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 229,770	\$ --
2160 <i>Accrued Wages Payable</i>	679,195	--
2170 <i>Due to Other Funds</i>	37,094	--
2200 <i>Accrued Expenditures</i>	15,766	--
2000 Total Liabilities	<u>961,825</u>	<u>--</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
	<i>Deferred Revenue</i>	125,260
2600 Total Deferred Inflows of Resources	<u>582,578</u>	<u>125,260</u>
<b>FUND BALANCES:</b>		
Nonspendable Fund Balances:		
3410 <i>Inventories</i>	--	--
3430 <i>Prepaid Items</i>	627,268	--
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--
3480 <i>Retirement of Long-Term Debt</i>	--	3,187,655
3490 <i>Other Restrictions of Fund Balance</i>	--	--
Committed Fund Balances:		
3545 <i>Other Committed Fund Balance</i>	--	--
3600 Unassigned	11,099,814	--
3000 Total Fund Balances	<u>11,727,082</u>	<u>3,187,655</u>
4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 13,271,485</u>	<u>\$ 3,312,915</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 5,287,975	\$ 206,946	\$ 15,434,748
--	--	662,480
--	265,736	4,753,290
--	--	1
--	37,095	618,909
--	11,498	296,954
--	31,107	31,107
--	--	627,268
<u>5,287,975</u>	<u>552,382</u>	<u>22,424,757</u>
\$ 2,048,147	\$ 113,793	\$ 2,391,710
--	105,748	784,943
448,870	125,026	610,990
--	8,992	24,758
<u>2,497,017</u>	<u>353,559</u>	<u>3,812,401</u>
--	--	707,838
<u>--</u>	<u>--</u>	<u>707,838</u>
--	31,107	31,107
--	--	627,268
--	68,807	68,807
--	--	3,187,655
2,790,958	5,245	2,796,203
--	93,664	93,664
--	--	11,099,814
<u>2,790,958</u>	<u>198,823</u>	<u>17,904,518</u>
<u>\$ 5,287,975</u>	<u>\$ 552,382</u>	<u>\$ 22,424,757</u>

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**CARTHAGE INDEPENDENT SCHOOL DISTRICT**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 AUGUST 31, 2017*

Total fund balances - governmental funds balance sheet	\$ 17,904,518
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	80,655,807
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	662,479
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	921
Payables for bond principal which are not due in the current period are not reported in the funds.	(28,027,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(30,789)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(21,162)
Unamortized bond premiums are not reported in the funds.	(532,103)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(5,478,398)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(626,115)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	2,293,775
Rounding difference	(4)
Net position of governmental activities - Statement of Net Position	<u>\$ 66,801,929</u>

The accompanying notes are an integral part of this statement.

**CARTHAGE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

Data Control Codes	10 General Fund	50 Debt Service Fund
<b>REVENUES:</b>		
5700 <i>Local and Intermediate Sources</i>	\$ 24,663,701	\$ 6,431,599
5800 <i>State Program Revenues</i>	9,788,378	77,936
5900 <i>Federal Program Revenues</i>	314,928	--
5020 <b>Total Revenues</b>	<u>34,767,007</u>	<u>6,509,535</u>
<b>EXPENDITURES:</b>		
Current:		
0011 <i>Instruction</i>	13,326,338	--
0012 <i>Instructional Resources and Media Services</i>	291,792	--
0013 <i>Curriculum and Staff Development</i>	388,284	--
0021 <i>Instructional Leadership</i>	290,428	--
0023 <i>School Leadership</i>	1,478,821	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	488,230	--
0033 <i>Health Services</i>	220,680	--
0034 <i>Student Transportation</i>	1,603,650	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	1,197,210	--
0041 <i>General Administration</i>	1,079,590	--
0051 <i>Facilities Maintenance and Operations</i>	2,284,600	--
0052 <i>Security and Monitoring Services</i>	151,752	--
0053 <i>Data Processing Services</i>	482,497	--
0061 <i>Community Services</i>	20,000	--
0071 <i>Principal on Long-term Debt</i>	--	6,968,000
0072 <i>Interest on Long-term Debt</i>	--	468,186
0073 <i>Bond Issuance Costs and Fees</i>	--	--
0081 <i>Capital Outlay</i>	--	--
0091 <i>Contracted Instructional Services</i>		
0091 <i>    Between Public Schools</i>	11,045,020	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--
0099 <i>Other Intergovernmental Charges</i>	321,556	--
6030 <b>Total Expenditures</b>	<u>34,670,448</u>	<u>7,436,186</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>		
1100 <b>    Expenditures</b>	<u>96,559</u>	<u>(926,651)</u>
Other Financing Sources and (Uses):		
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	--
7915 <i>Transfers In</i>	--	--
8911 <i>Transfers Out</i>	(389,089)	--
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>(389,089)</u>	<u>--</u>
1200 <b>Net Change in Fund Balances</b>	<u>(292,530)</u>	<u>(926,651)</u>
0100 <b>Fund Balances - Beginning</b>	<u>12,019,612</u>	<u>4,114,306</u>
3000 <b>Fund Balances - Ending</b>	<u>\$ 11,727,082</u>	<u>\$ 3,187,655</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 137,656	\$ 1,028,439	\$ 32,261,395
--	139,912	10,006,226
--	2,808,697	3,123,625
<u>137,656</u>	<u>3,977,048</u>	<u>45,391,246</u>
--	2,363,871	15,690,209
--	--	291,792
--	--	388,284
--	--	290,428
--	--	1,478,821
--	--	488,230
--	--	220,680
665,600	--	2,269,250
18,885	1,238,168	1,257,053
18,768	617,506	1,833,484
--	--	1,079,590
1,174,425	--	3,459,025
9,618	--	161,370
801,632	--	1,284,129
--	--	20,000
--	--	6,968,000
--	--	468,186
90,454	--	90,454
11,437,518	--	11,437,518
--	--	11,045,020
--	222,697	222,697
--	--	321,556
<u>14,216,900</u>	<u>4,442,242</u>	<u>60,765,776</u>
(14,079,244)	(465,194)	(15,374,530)
9,815,454	--	9,815,454
--	389,089	389,089
--	--	(389,089)
<u>9,815,454</u>	<u>389,089</u>	<u>9,815,454</u>
(4,263,790)	(76,105)	(5,559,076)
7,054,748	274,928	23,463,594
<u>\$ 2,790,958</u>	<u>\$ 198,823</u>	<u>\$ 17,904,518</u>

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**CARTHAGE INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF NET POSITION*  
*INTERNAL SERVICE FUND*  
*AUGUST 31, 2017*

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	<b>ASSETS:</b>	
	Current Assets:	
1110	<i>Cash and Cash Equivalents</i>	\$ 24,065
	Total Current Assets	<u>24,065</u>
1000	Total Assets	<u>24,065</u>
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2110	<i>Accounts Payable</i>	\$ 15,225
2170	<i>Due to Other Funds</i>	<u>7,919</u>
	Total Current Liabilities	<u>23,144</u>
2000	Total Liabilities	<u>23,144</u>
	<b>NET POSITION:</b>	
3900	<i>Unrestricted</i>	<u>94</u>
3000	Total Net Position	<u>\$ 921</u>

The accompanying notes are an integral part of this statement.



**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2017

	Internal Service Funds
	<u>          </u>
<b>Cash Flows from Operating Activities:</b>	
<i>Cash Received from User Charges</i>	\$     --
<i>Cash Payments for Insurance Claims</i>	(605)
Net Cash Provided (Used) by Operating Activities	<u>          (605)</u>
 <b>Cash Flows from Non-capital Financing Activities:</b>	
Net Cash Provided (Used) by Non-capital Financing Activities	<u>          --</u>
 <b>Cash Flows from Capital and Related Financing Activities:</b>	
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>          --</u>
 <b>Cash Flows from Investing Activities:</b>	
Net Cash Provided (Used) for Investing Activities	<u>          --</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	(605)
Cash and Cash Equivalents at Beginning of Year	24,671
Cash and Cash Equivalents at End of Year	<u>\$    24,066</u>
 <b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>	
Operating Income (Loss)	\$           94
Change in Assets and Liabilities:	
<i>Increase (Decrease) in Accounts Payable</i>	(3,391)
<i>Increase (Decrease) in Due to Other Governments</i>	2,692
Total Adjustments	<u>          (699)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$           (605)</u>

The accompanying notes are an integral part of this statement.

**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2017

Data Control Codes	Private-purpose Trust Fund	Agency Fund
<u>ASSETS:</u>	Private- Purpose Trust Funds	Student Activity
1110 <i>Cash and Cash Equivalents</i>	\$ 38,825	\$ 249,008
1000 Total Assets	<u>38,825</u>	<u>249,008</u>
<u>LIABILITIES:</u>		
2000 Total Liabilities	<u>--</u>	<u>--</u>
<u>NET POSITION:</u>		
3800 <i>Held in Trust</i>	\$ 38,825	\$ --
3000 Total Net Position	<u>\$ 38,825</u>	<u>\$ 249,008</u>

The accompanying notes are an integral part of this statement.

**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2017

	Private- Purpose Trusts
<b>Additions:</b>	
Investment Income	\$ 97
Total Additions	<u>97</u>
<b>Deductions:</b>	
Supplies and Materials	--
Total Deductions	<u>--</u>
<b>Change in Net Position</b>	97
Net Position-Beginning of the Year	41,979
Net Position-End of the Year	<u>\$ 42,076</u>

The accompanying notes are an integral part of this statement.

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

### A. Summary of Significant Accounting Policies

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

#### 1. Reporting Entity

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

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

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

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

**Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

The District reports the following major governmental funds:

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

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

Debt Service Fund: The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Capital Projects Fund: The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

In addition, the District reports the following fund types:

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

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The District does not consider revenues collected after its year-end to be available in the current period.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

### 3. Financial Statement Amounts

#### a. Cash and Cash Equivalents

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

#### b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

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

#### c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

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

#### d. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	45
Building Improvements	10-20
Vehicles	5
Office Equipment	5-15
Computer Equipment	5-15

#### e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

f. Receivable and Payable Balances

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

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

g. Compensated Absences

On retirement or death of certain employees, the District pays any accrued vacation leave in a lump sum payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

h. Interfund Activity

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

i. Use of Estimates

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

j. Data Control Codes

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

k. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

## **CARTHAGE INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017*

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

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

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

#### **I. Net Position Flow Assumption**

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

#### **m. Fund Balance Flow Assumptions**

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

#### **4. Pensions**

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

## CARTHAGE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

#### 5. New Accounting Standards Adopted

In fiscal year 2017, the District adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

-- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

-- Statement No. 80, *Blending Requirements for Certain Component Units*

-- Statement No. 82, *Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73*

- a. Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The scope of this Statement includes OPEB plans, defined benefit and defined contribution that are administered through trusts that meet the following criteria:

- 1) Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- 2) OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- 3) OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

- b. GASB Statement No. 80 clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

- c. GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 82.

### B. Compliance and Accountability

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the Food Service Fund (which is included in the special revenue funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-2 and J-3.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval by a majority vote from the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was amended one time during the year.

**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2017*

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	Fund Balance August 31, 2017
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 97,087
Non-appropriated Budget Funds	101,736
All Special Revenue Funds	\$ 198,823

C. 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 August 31, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$15,731,299 and the bank balance was \$15,622,840. The District's cash deposits at August 31, 2017 and during the year ended August 31, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas:

(1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

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

The District's investments at August 31, 2017 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
Local Government Investment Pool (LOGIC)	\$ 5,861
Total Investments	\$ 5,861

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

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

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

#### a. Credit Risk

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

At August 31, 2017, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

#### b. Custodial Credit Risk

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

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

At year end, the District was not exposed to custodial credit risk.

#### c. Concentration of Credit Risk

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

#### d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

#### e. Foreign Currency Risk

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

### Investment Accounting Policy

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

### Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

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.

### LOGIC

The District invests in the Local Government Investment Cooperative (LOGIC), which is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a five-member board of directors comprised of employees, officers or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the co-administrators of LOGIC. The co-administrators of the day to day administration of LOGIC are First Southwest Company and J. P. Morgan Investment Management, Inc. LOGIC is rated at a AAA or equivalent rating from at least one nationally recognized rating agency and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

### D. Property Taxes Receivable

	General	Debt Service	Total
Property Tax Year 2016 (FY2017)	\$ 534,188	\$ 140,642	\$ 674,830
Prior Tax Years	1,113,216	243,475	1,356,691
Total	1,647,404	384,117	2,031,521
Less: Allowance for Uncollectible Taxes	(1,110,185)	(258,856)	(1,369,041)
Net Taxes Receivable	<u>\$ 537,219</u>	<u>\$ 125,261</u>	<u>\$ 662,480</u>

### E. Capital Assets

Capital asset activity for the year ended August 31, 2017, was as follows:

	Beginning Balances	Increases	Reclasses/ Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,617,147	\$ --	\$ --	\$ 1,617,147
Construction in progress	8,986,953	11,078,859	976,215	19,089,597
Total capital assets not being depreciated	<u>10,604,100</u>	<u>11,078,859</u>	<u>976,215</u>	<u>20,706,744</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	83,193,804	976,215	--	84,170,019
Furniture and equipment	10,993,618	1,121,335	--	12,114,953
Capital lease equipment	458,499	--	458,499	--
Total capital assets being depreciated	<u>94,645,921</u>	<u>2,097,550</u>	<u>458,499</u>	<u>96,284,972</u>
Less accumulated depreciation for:				
Buildings and improvements	(24,352,372)	(1,830,361)	--	(26,182,733)
Furniture and equipment	(9,285,348)	(867,829)	--	(10,153,177)
Capital lease equipment	(458,499)	--	(458,499)	--
Total accumulated depreciation	<u>(34,096,219)</u>	<u>(2,698,190)</u>	<u>(458,499)</u>	<u>(36,335,910)</u>
Total capital assets being depreciated, net	<u>60,549,702</u>	<u>(600,640)</u>	<u>--</u>	<u>59,949,062</u>
Governmental activities capital assets, net	<u>\$ 71,153,802</u>	<u>\$ 10,478,219</u>	<u>\$ 976,215</u>	<u>\$ 80,655,806</u>

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

Depreciation was charged to functions as follows:

Instruction	\$ 1,039,882
Instructional Resources and Media Services	18,348
Curriculum and Staff Development	26,172
Instructional Leadership	7,555
School Leadership	95,516
Guidance, Counseling, & Evaluation Services	29,140
Health Services	10,793
Student Transportation	495,118
Extracurricular Activities	579,302
General Administration	66,915
Plant Maintenance and Operations	132,481
Security and Monitoring Services	17,268
Data Processing Services	179,700
	<u>\$ 2,698,190</u>

### F. Interfund Balances and Activities

Due To and From Other Funds

Balances due to and due from other funds at August 31, 2017, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 448,870	Short-term loans
General Fund	Special Revenue Funds	162,120	Short-term loans
General Fund	Internal Service Funds	7,919	
	Total	<u>\$ 618,909</u>	

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

### G. Long-Term Obligations

#### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Series 2015 BB	\$ 5,372,000	\$ --	\$ 670,000	\$ 4,702,000	\$ 913,000
Series 2015 FSB	2,388,000	--	298,000	2,090,000	406,000
Add: Premium	78,122	--	13,020	65,102	--
Series 2017	--	9,725,000	--	9,725,000	455,000
Add: Premium	--	90,454	3,769	86,685	--
Series 2012-CIB	6,765,000	--	4,665,000	2,100,000	2,100,000
Series 2013-CIB	1,335,000	--	1,335,000	--	--
Add: Premium	5,487	--	5,487	--	--
Series 2016 BB	9,410,000	--	--	9,410,000	535,000
Add: Premium	443,702	--	63,386	380,316	--
Accrued Vacations*	28,286	--	7,124	21,162	--
Net Pension Liability*	5,783,360	155,661	460,623	5,478,398	--
Total governmental activities	<u>\$ 31,608,957</u>	<u>\$ 9,971,115</u>	<u>\$ 7,521,409</u>	<u>\$ 34,058,663</u>	<u>\$ 4,409,000</u>

The interest rates on bonded debt ranges from 1.70% to 3.67%.

\* Other long-term liabilities

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

### 2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2017, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 4,409,000	\$ 636,311	\$ 5,045,311
2019	4,523,000	499,578	5,022,578
2020	4,633,000	389,031	5,022,031
2020	4,717,000	305,186	5,022,186
2021	4,824,000	198,156	5,022,156
2022-2023	4,921,000	85,320	5,006,320
Totals	<u>\$ 28,027,000</u>	<u>\$ 2,113,582</u>	<u>\$ 30,140,582</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2017.

### H. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2017, as follows:

Year Ending August 31,	
2018	\$ 154,971
2019	154,971
2020	154,971
2021	154,971
Total Minimum Rentals	<u>\$ 619,884</u>
Rental Expenditures in 2017	<u>\$ 154,971</u>

### I. Unearned Revenue

Unearned revenue at year end consisted of the following:

	General Fund	Total
Athletic Receipts	\$ 31,360	\$ 31,360
Prepaid Tuition	14,000	14,000
	<u>\$ 45,360</u>	<u>\$ 45,360</u>

### J. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, 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.

### K. Pension Plan

#### 1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a

# **CARTHAGE INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017**

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

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

### **2. Pension Plan Fiduciary Net Position**

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2016.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

### **3. Benefits Provided**

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

### **4. Contributions**

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

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

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

### Contribution Rates

	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2017 Employer Contributions	\$ 445,866	
District's 2017 Member Contributions	\$ 1,301,296	
NECE 2016 On-Behalf Contributions to District	\$ 950,251	

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

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

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

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

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

#### 5. Actuarial Assumptions

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

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

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

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

### 6. Discount Rate

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

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

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

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

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

### 7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate <u>7%</u>	Discount Rate 8%	1% Increase in Discount Rate <u>9%</u>
District's proportionate share of the net pension liability	\$ 8,478,715	\$ 5,478,398	\$ 2,933,523

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

At August 31, 2017, the District reported a liability of \$5,478,398 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 5,478,398
State's proportionate share that is associated with District	<u>11,279,336</u>
Total	<u>\$ 16,757,734</u>

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

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0144975%, which was an increase (decrease) of 0.0144975% from its proportion measured as of August 31, 2015.

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

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

For the year ended August 31, 2017, the District recognized pension expense of \$1,170,526 and revenue of \$1,170,526 for support provided by the State.

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

At August 31, 2017, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 85,900	\$ 163,582
Changes in actuarial assumptions	166,972	151,854
Difference between projected and actual investment earnings	463,900	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,131,137	310,679
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	<u>445,866</u>	<u>--</u>
Total	<u>\$ 2,293,775</u>	<u>\$ 626,115</u>

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

Year Ended August 31	Pension Expense Amount
2018	\$ 219,871
2019	\$ 219,871
2020	\$ 515,769
2021	\$ 197,139
2022	\$ 104,473
Thereafter	\$ (35,329)

### L. Retiree Health Care Plans

#### 1. TRS-Care

##### a. Plan Description

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

##### b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204

## CARTHAGE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2015 and 2014, and 0.5% for fiscal year 2013. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$169,534, \$171,740, and \$173,034, respectively, the active member contributions were \$110,197, \$111,631, and \$112,472, respectively, and the District's contributions were \$95,573, \$94,457, and \$95,169, respectively, which equaled the required contributions each year.

#### 2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$51,100, \$64,804, and \$71,852, respectively.

#### M. Employee Health Care Coverage

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$366 per pay period per employee to the Plan. All premiums were paid to a self-funded pool.

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

#### N. Commitments and Contingencies

##### 1. Contingencies

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

##### 2. Litigation

No reportable litigation was pending against the District at August 31, 2017.

#### O. Shared Services Arrangements

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides speech therapists for special education to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide.

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Carthage ISD-Fiscal Agent	\$ 389,089
Beckville ISD	166,513
Gary ISD	118,532
Total	<u>\$ 674,134</u>

### P. Internal Service Fund

The District participates in a self-funded workers' compensation plan. Prior to 2010, participation was exclusively through a public entity risk pool and all activity was accounted for in the District's internal service fund. In 2010, the District changed workers' compensation carriers from the public-entity risk pool to a private pool. Activity associated with the private pool is accounted for in the general fund.

Estimates of workers' compensation claims payable but not reported at August 31, 2017 are reflected as accounts payable in both the internal service fund and the general fund. The claims payable are estimates because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, so that the process used in computing the liability does not necessarily result in an exact match.

Claims in the balances of claims liabilities during the year ended August 31, 2017 are as follows:

	<u>Accounted for In Internal Service Fund</u>	<u>Accounted for In General Fund</u>	<u>Total</u>
Unpaid claims, beginning of year	\$ 9,889	\$ 62,167	\$ 72,056
Incurred claims (including IBNRs)	6,036	2,370	8,406
Claim payments	(700)	(4,107)	(4,807)
Total	<u>\$ 15,225</u>	<u>\$ 60,430</u>	<u>\$ 75,655</u>

### Q. Related Organizations

The Carthage ISD Education Foundation, a not-for-profit entity, is a "related organization" of the District as defined by Governmental Accounting Standards Board Statement No. 14. The members of the Board of the Foundation are appointed by an outside group. The District began the education foundation for the purpose of sharing a vision of enhancing education in Carthage ISD. The Foundation works to increase private support for the educational activities in the District to benefit students and staff personnel by supporting activities not funded by tax dollars.

## *Required Supplementary Information*

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

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**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT G-1**

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 25,063,812	\$ 25,063,812	\$ 24,663,701	\$ (400,111)
5800	State Program Revenues	9,705,000	9,705,000	9,788,378	83,378
5900	Federal Program Revenues	5,000	5,000	314,928	309,928
5020	Total Revenues	<u>34,773,812</u>	<u>34,773,812</u>	<u>34,767,007</u>	<u>(6,805)</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	13,281,741	13,392,312	13,326,338	65,974
0012	Instructional Resources and Media Services	324,670	293,670	291,792	1,878
0013	Curriculum and Staff Development	<u>388,910</u>	<u>388,910</u>	<u>388,284</u>	<u>626</u>
	Total Instruction & Instr. Related Services	<u>13,995,321</u>	<u>14,074,892</u>	<u>14,006,414</u>	<u>68,478</u>
Instructional and School Leadership:					
0021	Instructional Leadership	343,608	293,608	290,428	3,180
0023	School Leadership	<u>1,445,837</u>	<u>1,481,337</u>	<u>1,478,821</u>	<u>2,516</u>
	Total Instructional & School Leadership	<u>1,789,445</u>	<u>1,774,945</u>	<u>1,769,249</u>	<u>5,696</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	535,385	489,751	488,230	1,521
0033	Health Services	215,055	221,055	220,680	375
0034	Student (Pupil) Transportation	1,728,434	1,608,434	1,603,650	4,784
0036	Cocurricular/Extracurricular Activities	<u>1,163,051</u>	<u>1,199,451</u>	<u>1,197,210</u>	<u>2,241</u>
	Total Support Services - Student (Pupil)	<u>3,641,925</u>	<u>3,518,691</u>	<u>3,509,770</u>	<u>8,921</u>
Administrative Support Services:					
0041	General Administration	1,092,764	1,082,764	1,079,590	3,174
	Total Administrative Support Services	<u>1,092,764</u>	<u>1,082,764</u>	<u>1,079,590</u>	<u>3,174</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	2,328,750	2,288,750	2,284,600	4,150
0052	Security and Monitoring Services	37,488	157,488	151,752	5,736
0053	Data Processing Services	<u>402,767</u>	<u>487,767</u>	<u>482,497</u>	<u>5,270</u>
	Total Support Services - Nonstudent Based	<u>2,769,005</u>	<u>2,934,005</u>	<u>2,918,849</u>	<u>15,156</u>
Ancillary Services:					
0061	Community Services	14,000	20,000	20,000	--
	Total Ancillary Services	<u>14,000</u>	<u>20,000</u>	<u>20,000</u>	<u>--</u>
Debt Service:					
0071	Principal on Long-Term Debt	141,645	111,645	--	111,645
	Total Debt Service	<u>141,645</u>	<u>111,645</u>	<u>--</u>	<u>111,645</u>
Intergovernmental Charges:					
0091	Contracted Instr. Services Between Public Schools	14,275,896	11,046,225	11,045,020	1,205
0099	Other Intergovernmental Charges	<u>439,440</u>	<u>321,557</u>	<u>321,556</u>	<u>1</u>
	Total Intergovernmental Charges	<u>14,715,336</u>	<u>11,367,782</u>	<u>11,366,576</u>	<u>1,206</u>
6030	Total Expenditures	<u>38,159,441</u>	<u>34,884,724</u>	<u>34,670,448</u>	<u>214,276</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(3,385,629)</u>	<u>(110,912)</u>	<u>96,559</u>	<u>207,471</u>
Other Financing Sources (Uses):					
8911	Transfers Out	--	(389,089)	(389,089)	--
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>(389,089)</u>	<u>(389,089)</u>	<u>--</u>
1200	Net Change in Fund Balance	<u>(3,385,629)</u>	<u>(500,001)</u>	<u>(292,530)</u>	<u>207,471</u>
0100	Fund Balance - Beginning	<u>12,019,612</u>	<u>12,019,612</u>	<u>12,019,612</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 8,633,983</u>	<u>\$ 11,519,611</u>	<u>\$ 11,727,082</u>	<u>\$ 207,471</u>

**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

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

	Measurement Year Ended August 31,		
	2016	2015	2014
District's proportion of the net pension liability (asset)	0.014498%	0.016361%	0.010397%
District's proportionate share of the net pension liability (asset)	\$ 5,478,398	\$ 5,783,360	\$ 2,777,182
State's proportionate share of the net pension liability (asset) associated with the District.	11,279,336	11,103,396	9,658,136
Total	<u>\$ 16,757,734</u>	<u>\$ 16,886,756</u>	<u>\$ 12,435,318</u>
District's covered-employee payroll	\$ 17,173,984	\$ 17,303,437	\$ 17,174,140
District's proportionate share of the net pension liability (asset) as a percentage of its Covered Employee Payroll	31.90%	33.42%	16.17%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

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

**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DISTRICT CONTRIBUTIONS*

*TEACHER RETIREMENT SYSTEM*

*LAST TEN FISCAL YEARS \**

	Fiscal Year Ended August 31,		
	2017	2016	2015
Contractually required contribution	\$ 445,866	\$ 460,623	\$ 484,714
Contributions in relation to the contractually required contribution	(445,866)	(460,623)	(484,714)
Contribution deficiency (excess)	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 16,953,309	\$ 17,173,984	\$ 17,303,437
Contributions as a percentage of covered-employee payroll	2.63%	2.68%	2.80%

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

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2017

## Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

## Defined Benefit Pension Plan

### *Changes of benefit terms*

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

### *Changes of assumptions*

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

*Combining Statements and Budget Comparisons  
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2017

Data Control Codes	205  Head Start	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program
<b>ASSETS:</b>			
1110 <i>Cash and Cash Equivalents</i>	\$ 12,764	\$ --	\$ 98,371
1240 <i>Due from Other Governments</i>	--	60,329	45,771
1260 <i>Due from Other Funds</i>	--	--	--
1290 <i>Other Receivables</i>	--	--	11,498
1300 <i>Inventories</i>	--	--	31,107
1000 Total Assets	<u>12,764</u>	<u>60,329</u>	<u>186,747</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ --	\$ --	\$ 87,985
2160 <i>Accrued Wages Payable</i>	11,594	32,624	1,634
2170 <i>Due to Other Funds</i>	--	24,608	--
2200 <i>Accrued Expenditures</i>	1,170	3,097	41
2000 Total Liabilities	<u>12,764</u>	<u>60,329</u>	<u>89,660</u>
<b>FUND BALANCES:</b>			
Nonspendable Fund Balances:			
3410 <i>Inventories</i>	--	--	31,107
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	65,980
3490 <i>Other Restrictions of Fund Balance</i>	--	--	--
Committed Fund Balances:			
3545 <i>Other Committed Fund Balance</i>	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>97,087</u>
4000 Total Liabilities and Fund Balances	<u>\$ 12,764</u>	<u>\$ 60,329</u>	<u>\$ 186,747</u>

255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	313 IDEA-B Formula	314 IDEA-B Preschool	410 State Textbook Fund
\$ --	\$ --	\$ --	\$ --	\$ 2,147
8,493	23,509	107,975	3,358	16,301
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>8,493</u>	<u>23,509</u>	<u>107,975</u>	<u>3,358</u>	<u>18,448</u>
\$ --	\$ --	\$ --	\$ --	\$ 15,621
7,715	--	27,877	3,047	--
--	23,509	76,909	--	--
<u>778</u>	<u>--</u>	<u>3,189</u>	<u>311</u>	<u>--</u>
<u>8,493</u>	<u>23,509</u>	<u>107,975</u>	<u>3,358</u>	<u>15,621</u>
--	--	--	--	--
--	--	--	--	2,827
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,827</u>
<u>\$ 8,493</u>	<u>\$ 23,509</u>	<u>\$ 107,975</u>	<u>\$ 3,358</u>	<u>\$ 18,448</u>

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**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2017

Data Control Codes	437 Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit C-1)	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ --	\$ 93,664	\$ 206,946
1240	Due from Other Governments	--	--	265,736
1260	Due from Other Funds	37,095	--	37,095
1290	Other Receivables	--	--	11,498
1300	Inventories	--	--	31,107
1000	Total Assets	<u>37,095</u>	<u>93,664</u>	<u>552,382</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ 10,187	\$ --	\$ 113,793
2160	Accrued Wages Payable	21,257	--	105,748
2170	Due to Other Funds	--	--	125,026
2200	Accrued Expenditures	406	--	8,992
2000	Total Liabilities	<u>31,850</u>	<u>--</u>	<u>353,559</u>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3410	Inventories	--	--	31,107
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	68,807
3490	Other Restrictions of Fund Balance	5,245	--	5,245
Committed Fund Balances:				
3545	Other Committed Fund Balance	--	93,664	93,664
3000	Total Fund Balances	<u>5,245</u>	<u>93,664</u>	<u>198,823</u>
4000	Total Liabilities and Fund Balances	<u>\$ 37,095</u>	<u>\$ 93,664</u>	<u>\$ 552,382</u>

# CARTHAGE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	205 Head Start	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ 212,714	\$ --
5800 <i>State Program Revenues</i>	--	--	8,421	--
5900 <i>Federal Program Revenues</i>	165,469	494,166	1,039,251	33,604
5020 <b>Total Revenues</b>	<u>165,469</u>	<u>494,166</u>	<u>1,260,386</u>	<u>33,604</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	165,469	494,166	--	33,604
0035 <i>Food Service</i>	--	--	1,238,168	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--	--	--
6030 <b>Total Expenditures</b>	<u>165,469</u>	<u>494,166</u>	<u>1,238,168</u>	<u>33,604</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>				
1100 <b>Expenditures</b>	<u>--</u>	<u>--</u>	<u>22,218</u>	<u>--</u>
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	--	--	--
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
1200 <b>Net Change in Fund Balances</b>	<u>--</u>	<u>--</u>	<u>22,218</u>	<u>--</u>
0100 <b>Fund Balances - Beginning</b>	<u>--</u>	<u>--</u>	<u>74,869</u>	<u>--</u>
3000 <b>Fund Balances - Ending</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 97,087</u>	<u>\$ --</u>

255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	270 ESEA, Title VI Part B, Subpart 2 Rural School	289 LEP Summer School	313 IDEA-B Formula
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
<u>133,713</u>	<u>24,801</u>	<u>56,279</u>	<u>1,165</u>	<u>815,344</u>
<u>133,713</u>	<u>24,801</u>	<u>56,279</u>	<u>1,165</u>	<u>815,344</u>
133,713	24,801	56,279	1,165	600,442
--	--	--	--	--
--	--	--	--	--
--	--	--	--	214,902
<u>133,713</u>	<u>24,801</u>	<u>56,279</u>	<u>1,165</u>	<u>815,344</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	314  IDEA-B Preschool	410 State Textbook Fund	429 State Funded Special Revenue Fund
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	93,812	7,350
5900 <i>Federal Program Revenues</i>	44,905	--	--
5020 <b>Total Revenues</b>	<u>44,905</u>	<u>93,812</u>	<u>7,350</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	37,110	96,310	7,350
0035 <i>Food Service</i>	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--
0093 <i>Payments to Shared Service Arrangements</i>	7,795	--	--
6030 <b>Total Expenditures</b>	<u>44,905</u>	<u>96,310</u>	<u>7,350</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	<u>--</u>	<u>(2,498)</u>	<u>--</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	<u>--</u>	<u>--</u>	<u>--</u>
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>--</u>	<u>--</u>	<u>--</u>
1200 <b>Net Change in Fund Balances</b>	<u>--</u>	<u>(2,498)</u>	<u>--</u>
0100 <b>Fund Balances - Beginning</b>	<u>--</u>	<u>5,325</u>	<u>--</u>
3000 <b>Fund Balances - Ending</b>	<u>\$ --</u>	<u>\$ 2,827</u>	<u>\$ --</u>

434 Supplemental Visually Impaired	437 Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ 285,045	\$ 530,680	\$ 1,028,439
2,817	27,512	--	139,912
--	--	--	2,808,697
<u>2,817</u>	<u>312,557</u>	<u>530,680</u>	<u>3,977,048</u>
2,817	710,645	--	2,363,871
--	--	--	1,238,168
--	--	617,506	617,506
--	--	--	222,697
<u>2,817</u>	<u>710,645</u>	<u>617,506</u>	<u>4,442,242</u>
--	(398,088)	(86,826)	(465,194)
--	389,089	--	389,089
--	389,089	--	389,089
--	(8,999)	(86,826)	(76,105)
--	14,244	180,490	274,928
<u>\$ --</u>	<u>\$ 5,245</u>	<u>\$ 93,664</u>	<u>\$ 198,823</u>

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## *Other Supplementary Information*

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

**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2017*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2008 and Prior Years	\$ Various	\$ Various	\$ Various
2009	.921	.219	3,671,149,897
2010	.90	.24	3,576,666,139
2011	.90	.24	3,360,047,124
2012	.90	.24	3,054,309,750
2013	.90	.24	2,905,037,360
2014	.90	.24	3,223,439,474
2015	.90	.24	3,526,653,860
2016	.90	.24	3,391,980,789
2017 (School Year Under Audit)	.90	.24	2,715,466,754

1000 Totals

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

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 241,379	\$ --	\$ 5,922	\$ 1,579	\$ (8,929)	\$ 224,949
51,318	--	987	263	86	50,154
112,842	--	7,681	2,048	159	103,272
65,120	--	4,241	1,131	(2,758)	56,990
81,852	--	4,998	1,633	(3,108)	72,113
182,068	--	10,616	2,831	994	169,615
189,675	--	17,217	4,591	1,796	169,663
294,889	--	61,986	16,530	11,369	227,742
524,560	--	213,022	56,807	127,461	382,192
--	30,956,321	23,306,057	6,214,787	(760,647)	674,830
<u>\$ 1,743,703</u>	<u>\$ 30,956,321</u>	<u>\$ 23,632,727</u>	<u>\$ 6,302,200</u>	<u>\$ (633,577)</u>	<u>\$ 2,131,520</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-2**

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 408,500	\$ 212,714	\$ (195,786)
5800 <i>State Program Revenues</i>	5,000	8,421	3,421
5900 <i>Federal Program Revenues</i>	940,500	1,039,251	98,751
5020 Total Revenues	<u>1,354,000</u>	<u>1,260,386</u>	<u>(93,614)</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	1,354,000	1,238,168	115,832
Total Support Services - Student (Pupil)	<u>1,354,000</u>	<u>1,238,168</u>	<u>115,832</u>
6030 Total Expenditures	<u>1,354,000</u>	<u>1,238,168</u>	<u>115,832</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	22,218	22,218
1200 Net Change in Fund Balance	--	22,218	22,218
0100 Fund Balance - Beginning	74,869	74,869	--
3000 Fund Balance - Ending	<u>\$ 74,869</u>	<u>\$ 97,087</u>	<u>\$ 22,218</u>

**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-3**

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 7,148,095	\$ 6,431,599	\$ (716,496)
5800 <i>State Program Revenues</i>	85,000	77,936	(7,064)
5020 <i>Total Revenues</i>	<u>7,233,095</u>	<u>6,509,535</u>	<u>(723,560)</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	6,968,000	6,968,000	--
0072 <i>Interest on Long-Term Debt</i>	265,095	468,186	(203,091)
<i>Total Debt Service</i>	<u>7,233,095</u>	<u>7,436,186</u>	<u>(203,091)</u>
6030 <i>Total Expenditures</i>	<u>7,233,095</u>	<u>7,436,186</u>	<u>(203,091)</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	--	(926,651)	(926,651)
1200 <i>Net Change in Fund Balance</i>	--	(926,651)	(926,651)
0100 <i>Fund Balance - Beginning</i>	4,114,306	4,114,306	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 4,114,306</u>	<u>\$ 3,187,655</u>	<u>\$ (926,651)</u>

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# Morgan LaGrone, CPA, PLLC

## Certified Public Accountant

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Fax: 903.655.1324

116 S Marshall  
Henderson TX 75653

Independent Auditor's Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards

Board of Trustees  
Carthage Independent School District  
#1 Bulldog Drive  
Carthage, Texas 75633

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carthage Independent School District, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Carthage Independent School District's basic financial statements and have issued our report thereon dated January 12, 2018.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies control that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Carthage Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

**MEMBER**

*AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS*

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 costs as item(s) 2017-1.

### **Carthage Independent School District's Response to Findings**

Carthage Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Carthage Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Respectfully submitted,



Morgan LaGrone, CPA, PLLC

Henderson, TX  
January 12, 2018

# Morgan LaGrone, CPA, PLLC

## Certified Public Accountant

Telephone: 903.657.0240  
Fax: 903.655.1324

116 S Marshall  
Henderson TX 75653

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

Board of Trustees  
Carthage Independent School District  
#1 Bulldog Drive  
Carthage, Texas 75633

Members of the Board of Trustees:

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

We have audited the Carthage 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 Carthage Independent School District's major federal program for the year ended August 31, 2017. Carthage Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

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

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

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

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

In our opinion, the Carthage Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2017.

**MEMBER**

*AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS*

## Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Morgan LaGrone, CPA, PLLC

Henderson, TX  
January 12, 2018

**CARTHAGE INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

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

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	School Breakfast Program/National School Lunch Program

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

Auditee qualified as low-risk auditee?  Yes  No

**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2017*

**B. Financial Statement Findings**

2017-1: Unfavorable Budget Variance

Criteria: Under the law, expenditures from governmental fund types cannot be made without authority of appropriation.

Condition: In fund 599, actual expenditures exceeded total appropriations for the fund.

Effect: Violation of Texas Education Code Chapter 44, Section 6.

Cause: The District issued bonds during the year ended August 31, 2017 but did not amend the budget to include the interest payments required on the 2017 bonds.

Recommendation: The 599 budget should be monitored more closely to include significant changes during the year.

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

NONE

**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2017*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Not applicable for the year ended August 31 ,2017.		

**CARTHAGE INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

Not applicable for the year ended August 31, 2017.

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**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT K-1**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017

(1)	(2)	(2A)	(3)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	183-902	\$ --	\$ 315,995
National School Lunch Program	10.555	183-902	--	639,006
National School Lunch Program (Non-cash)	10.555	183-902	--	84,250
Total CFDA Number 10.555			--	723,257
Total Passed Through State Department of Education			--	1,039,251
Total U. S. Department of Agriculture			--	1,039,251
Total Child Nutrition Cluster			--	1,039,251
<b>MEDICAID CLUSTER:</b>				
<u>U. S. Department of Health and Human Services</u>				
Passed Through State Department of Education:				
Medicaid Administrative Claiming Program - MAC	93.778	183-902	--	3,957
Total U. S. Department of Health and Human Services			--	3,957
Total Medicaid Cluster			--	3,957
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
SSA IDEA-B Formula	84.027	1766000118390	--	815,344
SSA IDEA-B Preschool	84.173	1766100118390	--	44,905
Total Passed Through State Department of Education			--	860,249
Total U. S. Department of Education			--	860,249
Total Special Education (IDEA) Cluster			--	860,249
<b>OTHER PROGRAMS:</b>				
<u>U. S. Department of Health and Human Services</u>				
Passed Through State Department of Education:				
Head Start	93.600	06CH6996/17	--	165,469
Total U. S. Department of Health and Human Services			--	165,469
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010a	1761010118390	--	494,166
Career and Technical - Basic Grant	84.048	1742000618390	--	33,604
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358	1769600118390	--	56,279
Title III Part A English Language Acquisition and Language Enhance	84.365	1767100118390	--	24,801
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	1769450118390	--	133,713
Fund 2897	84.369a	69551602	--	1,165
Total Passed Through State Department of Education			--	743,728
Total U. S. Department of Education			--	743,728
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 2,812,654

The accompanying notes are an integral part of this schedule.

# **CARTHAGE INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2017*

### 1. General

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

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Generally, unused balances are returned to the grantor at the close of specified project periods.

### 2. Basis of Accounting

The accounting and financial reporting treatment applied to Special Revenue Funds is the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in fund balances. The modified accrual basis of accounting recognizes revenues in the accounting period in which they become measurable and available, and expenditures in the accounting period in which the fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when matured and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financing resources. Federal grant funds are considered to be earned as soon as all eligibility requirements imposed by the provider are met and expenditures have been incurred, and, accordingly, when such funds are received in advance, they are recorded as deferred revenues until earned.

### 3. Availability of Funds

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in the Uniform Guidance.

### 4. School Health and Related Services (SHARS)

The District received \$310,971 of SHARS revenue during the year. This revenue is recorded in the General Fund. The revenue is not considered federal financial assistance for purposes of the Schedule of Expenditures of Federal Awards.

### 4. Indirect Cost Rate

The District did not elect to use the 10 percent de minimus indirect cost rate.

**CARTHAGE INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2017

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 5,478,398
SF13	Pension Expense (object 6147) at fiscal year-end.	\$

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."