

**BULLARD INDEPENDENT
SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AUGUST 31, 2014**

**BULLARD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014**

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Certificate of Board.....	i
	<u>Financial Section</u>	
	Independent Auditors' Report.....	ii
	Management's Discussion and Analysis.....	v
	<u>Basic Financial Statements</u>	
	Government-Wide Statements:	
A-1	Statement of Net Position.....	1
B-1	Statement of Activities.....	2
	Governmental Fund Financial Statements:	
C-1	Balance Sheet.....	3
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	4
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance.....	5
C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	6
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Position.....	7
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Position.....	8
D-3	Statement of Cash Flows.....	9
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position.....	10
	Notes to the Financial Statements.....	11
	<u>Required Supplementary Information</u>	
G-1	Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund.....	30
	Notes to Required Supplementary Information.....	31
	<u>Combining Statements</u>	
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet.....	32
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	34
	<u>Required TEA Schedules</u>	
J-1	Schedule of Delinquent Taxes Receivable.....	36
J-2	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Child Nutrition Program.....	38
J-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Debt Service Fund.....	39

**BULLARD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014**

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	<u>Federal Awards Section</u>	
	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 <i>Government Auditing Standards</i>	40
	Independent Auditor’s Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	42
	Schedule of Findings and Questioned Costs	44
K-1	Schedule of Expenditures of Federal Awards	46
	Notes to Schedule of Expenditures of Federal Awards	47

CERTIFICATE OF BOARD

BULLARD INDEPENDENT SCHOOL DISTRICT
Name of School

SMITH
County

212-902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial report of the above-named school district was reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2014, at a meeting of the Board of Trustees of such school district on the ____ day of _____, 2014.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Bullard Independent School District
Bullard, Texas

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 for Bullard Independent School District (the "District"), as of and for the year ended August 31, 2014, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

PROTHRO, WILHELM I AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

6855 OAK HILL BOULEVARD • TYLER, TEXAS 75703 • TEL 903 534 8811 • FAX 903 534 8891 • WWW.PW-TX.COM

Opinion

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 the District as of August 31, 2014, 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 management's discussion and analysis and budgetary comparison information on pages v through xii and page 30 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 District's basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is identified in the Table of Contents as Exhibits J-1 through J-3. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bullard Independent School District
Board of Trustees

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 the District's internal control over financial reporting and compliance.

Prothro, Wilhel. & Company, PLLC

PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
December 15, 2014

BULLARD INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Bullard Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

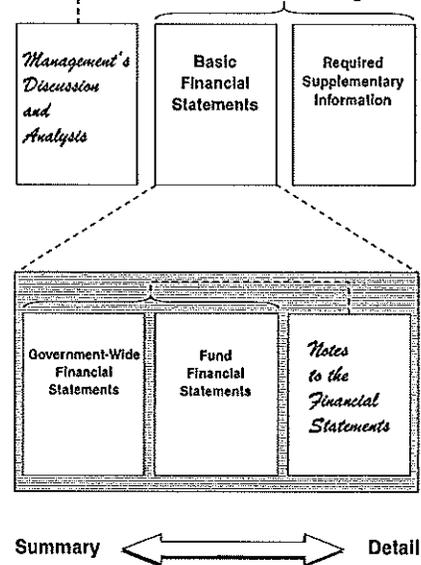
- The District's total combined net position was approximately \$15.5 million at August 31, 2014.
- The General Fund reported a fund balance this year of approximately \$7.2 million, which is an increase in fund balance of approximately \$500 thousand from the prior year.
- The District implemented a road improvement project that will improve traffic flow at three campuses and will be completed during the 2014-2015 school and budget year. The HVAC system was upgraded at the high school which will reduce utility expenses in the future. A portion of the fund balance was designated for technology improvements, curriculum, and construction. The District anticipates expending funds this year to begin laying the groundwork for its next building phase to accommodate student growth.
- The District anticipates staying within its budget during the 2014-2015 school year even through the growth of students may be greater than expected.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements, notes to those statements, 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 Fund Statements tell how general government services were financed in the short term as well as what remains for future spending.
 - The Proprietary Fund Statements offer financial information about the internal service fund used to report activities that provide services to organizations within the District.
 - The 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.

Figure A-1. Required Components of the District's Annual Financial Report



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. Figure A-1 on page v shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 (below) summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**FIGURE A-2
MAJOR FEATURES OF THE DISTRICT'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

<i>Type of Statement</i>	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses: self-insurance	Instances in which the District is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets, liabilities, deferred inflows and outflows of resources, both financial and capital, short-term and long-term	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Financial Statements

The government-wide financial 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 District'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 or paid.

The two government-wide statements report the District's net position and how it has changed. Net position, the District's assets and deferred outflows of resources less its liabilities and deferred inflows of resources, 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, you need to consider additional non-financial factors such as changes in the District's property tax base.

In the government-wide financial statements, all of the District's activities are reported as governmental activities. Governmental activities include the District's basic services, 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 three types 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 internal service funds to report activities that provide supplies and services for the District's other programs and activities, such as the District's 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 approximately \$15.5 million at August 31, 2014. (See Table A-1).

Table A-1

The District's Net Position
(in thousands of dollars)

	Governmental Activities	
	2014	2013
Current and Other Assets	\$ 10,861	\$ 9,609
Capital and Non-Current Assets	42,533	43,026
Total Assets	53,394	52,635
Deferred Charge for Refunding	950	-
Total Deferred Outflows of Resources	950	-
Current Liabilities	1,805	1,067
Long Term Liabilities	36,986	37,044
Total Liabilities	38,791	38,111
Net Position		
Invested in Capital Assets, Net of Related Debt	14,269	5,883
Restricted	216	171
Unrestricted	1,068	8,470
Total Net Position	\$ 15,553	\$ 14,524

The \$1 million of unrestricted net position represents resources available to fund the programs and the remaining construction projects of the District next year.

Change in Net Position. The District's total revenues were \$23.2 million. A significant portion, 51%, of the District's revenue comes from taxes. Another 30% comes from state aid – formula grants, while only 8% relates to operating grants and contributions and 5% relates to charges for services.

The total cost of all programs and services was \$22.2 million; 63% of these costs are for instructional and student services.

Governmental Activities

- Property tax assessment remained at \$1.47 which was comprised of \$1.17 for maintenance and operation and \$0.30 for interest and sinking.

Table A-2

Changes in the District's Net Position
(in thousands of dollars)

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 1,262	\$ 1,106
Operating Grants and Contributions	2,036	1,624
General Revenues:		
Property Taxes	11,918	11,363
Grants and Contributions Not Restricted	7,652	6,614
Investment Earnings	77	28
Other	270	106
Total Revenues	<u>23,215</u>	<u>20,841</u>
Expenses		
Instruction and Instructional Related	10,981	9,711
Instructional/School Leadership	950	904
Guidance, Social Work, Health, Transportation	1,237	1,144
Food Services	912	881
Extracurricular Activities	1,599	1,484
General Administration	787	731
Plant Maintenance and Security	2,374	2,233
Data Processing Services	503	592
Community Services	10	10
Facilities Acquisition and Construction	818	818
Debt Service	1,783	1,742
Payments to Fiscal Agent Member Districts - Shared Service	231	178
Payments to Juvenile Justice Alternative Ed. Prg.	1	-
Total Expenses	<u>22,186</u>	<u>20,428</u>
Change in Net Position	1,029	413
Beginning Net Position	14,524	14,509
Reclassification – Prior Period Debt Issuance Cost	-	(398)
Ending Net Position	<u>\$ 15,553</u>	<u>\$ 14,524</u>

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 was funded by state revenues as well as local tax dollars.

- The cost of all governmental activities this year was \$22.2 million.
- The amount that our taxpayers paid for these activities through property taxes was \$11.9 million.
- Some of the cost was paid by those who directly benefited from the programs (\$1.3 million), or through grants and contributions (\$2.0 million).

Table A-3

Net Cost of Selected District Functions
(in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$ 10,484	\$ 9,253	\$ 9,156	\$ 8,282
School Leadership	947	904	891	856
Food Services	912	881	-	(5)
Extracurricular Activities	1,599	1,484	855	854
General Administration	787	731	769	717
Plant Maintenance and Operations	2,315	2,170	2,225	2,099
Debt Service – Interest on Long-Term Debt	1,617	1,740	1,617	1,740

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$23.1 million (See Exhibit C-3 of the audit report), an increase of \$2.4 million or 11% more than the preceding year. The increase in local revenues is a result of an increase in property tax revenue and the increase in state program revenue is due to an increase in Foundation School Program Act entitlements and student growth.

General Fund Budgetary Highlights

Over the course of the year, the District amended its budgeted revenues and expenditures several times. As a result of the budget changes, the District's General Fund projected balance decreased approximately \$17 thousand.

Resources available were approximately \$4 thousand above the final budgeted amount:

- Local and intermediate revenues were below the final budgeted amount by \$3 thousand.
- State funding was above the final budgeted amount by \$82 thousand.
- Federal funding was below the final budgeted amount by \$75 thousand.

Resources consumed were approximately \$418 thousand below the final budgeted amount:

- Instruction costs were below the final budgeted amount by \$131 thousand.
- Curriculum and instructional staff development costs were below the final budgeted amount by \$22 thousand.
- Facilities maintenance and operations costs were below the final budgeted amount by \$54 thousand.
- Facilities acquisition and construction costs were below the final budgeted amount by \$108 thousand.

The resources from the net change in fund balance were \$472 thousand better than the final budget projections.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had invested approximately \$63 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

Table A-4

District's Capital Assets
(in thousands of dollars)

	Governmental Activities	
	2014	2013
Land	\$ 829	\$ 829
Construction in Progress	1,085	13
Buildings and Improvements	56,729	56,715
Furniture and Equipment	4,300	4,239
Totals at Historical Cost	62,943	61,796
Less Accumulated Depreciation	<u>(20,410)</u>	<u>(18,770)</u>
Net Capital Assets	<u>\$ 42,533</u>	<u>\$ 43,026</u>

More detailed information about the District's capital assets is presented in the Notes to the Financial Statements on page 22.

Long Term Debt

Table A-5

District's Long-Term Debt
(in thousands of dollars)

	Governmental Activities	
	2014	2013
Bonds Payable	<u>\$ 35,655</u>	<u>\$ 36,161</u>

During the year ended August 31, 2014, the District issued refunding bonds in the amount of \$8.8 million. Proceeds from bonds have been and will continue to be used to construct school facilities. At year-end, the District had approximately \$35.7 million in bonds outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the Notes to the Financial Statements on page 23.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised property value used for the 2015 budget preparation will be up \$54.5 million, or 9%. The total tax rate will remain the same as last year at \$1.47.
- The District's 2015 refined average daily attendance is expected to be 2,315, up approximately 8% in 2015.

These indicators were taken into account when adopting the General Fund budget for 2015. Amounts available for appropriation in the General Fund budget are \$18,836,670, an increase of approximately \$335,000 over the final 2014 budget of \$18,502,098. Property tax revenue will increase due to increased property values. State revenue is expected to increase due to increased funding for the Foundation School Program. The largest expenditure increases will be for payroll expenses.

If these estimates are realized, the District's budgetary General Fund balance is expected to remain the same at the close of 2015. The Board of Trustees has carefully planned to maintain the three month operating costs fund balance as suggested by TEA.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Office at 1426B South Houston, Bullard, TX 75757.

BASIC FINANCIAL STATEMENTS

BULLARD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 4,702,408
1120 Current Investments	4,062,843
1220 Property Taxes Receivable (Delinquent)	1,507,302
1230 Allowance for Uncollectible Taxes	(22,610)
1240 Due from Other Governments	581,861
1290 Other Receivables, net	28,879
Capital Assets:	
1510 Land	828,919
1520 Buildings, Net	39,475,720
1530 Furniture and Equipment, Net	1,143,228
1580 Construction in Progress	1,085,298
1000 Total Assets	53,393,848
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	949,734
1700 Total Deferred Outflows of Resources	949,734
LIABILITIES	
2110 Accounts Payable	1,081,055
2140 Interest Payable	79,287
2160 Accrued Wages Payable	478,451
2200 Accrued Expenses	27,482
2300 Unearned Revenue	34,847
2400 Payable from Restricted Assets	103,491
Noncurrent Liabilities	
2501 Due Within One Year	893,509
2502 Due in More Than One Year	36,092,456
2000 Total Liabilities	38,790,578
NET POSITION	
3200 Net Investment in Capital Assets	14,269,295
3820 Restricted for Federal and State Programs	158,373
3850 Restricted for Debt Service	57,898
3900 Unrestricted	1,067,438
3000 Total Net Position	\$ 15,553,004

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

BULLARD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 11,058,001	\$ 159,763	\$ 1,163,621	\$ (9,734,617)
12 Instructional Resources and Media Services	196,832	-	9,967	(186,865)
13 Curriculum and Staff Development	300,911	-	51,113	(249,798)
21 Instructional Leadership	2,537	-	149	(2,388)
23 School Leadership	947,331	-	56,531	(890,800)
31 Guidance, Counseling and Evaluation Services	434,768	-	28,348	(406,420)
32 Social Work Services	433	-	433	-
33 Health Services	183,677	-	11,940	(171,737)
34 Student (Pupil) Transportation	617,665	2,371	19,637	(595,657)
35 Food Services	918,384	985,807	542,861	610,284
36 Extracurricular Activities	1,831,407	99,012	34,304	(1,698,091)
41 General Administration	786,818	-	18,052	(768,766)
51 Facilities Maintenance and Operations	2,321,548	15,017	75,111	(2,231,420)
52 Security and Monitoring Services	58,972	-	-	(58,972)
53 Data Processing Services	502,999	-	23,792	(479,207)
61 Community Services	9,801	-	-	(9,801)
72 Debt Service - Interest on Long Term Debt	1,617,483	-	-	(1,617,483)
73 Debt Service - Bond Issuance Cost and Fees	165,344	-	-	(165,344)
93 Payments related to Shared Services Arrangements	230,352	-	-	(230,352)
95 Payments to Juvenile Justice Alternative Ed. Prg.	669	-	-	(669)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 22,185,932</u>	<u>\$ 1,261,970</u>	<u>\$ 2,035,859</u>	<u>\$ (18,888,103)</u>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	9,494,415
DT	Property Taxes, Levied for Debt Service	2,423,329
SF	State Aid - Formula Grants	7,046,242
GC	Grants and Contributions not Restricted	605,775
IE	Investment Earnings	77,401
MI	Miscellaneous Local and Intermediate Revenue	270,097
TR	Total General Revenues	<u>19,917,259</u>
CN	Change in Net Position	1,029,156
NB	Net Position - Beginning	<u>14,523,848</u>
NE	Net Position--Ending	<u>\$ 15,553,004</u>

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

BULLARD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

EXHIBIT C-1

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 4,341,982	\$ 54,527	\$ 305,839	\$ 4,702,348
1120 Investments - Current	4,062,843	-	-	4,062,843
1220 Property Taxes - Delinquent	1,195,725	311,577	-	1,507,302
1230 Allowance for Uncollectible Taxes (Credit)	(17,936)	(4,674)	-	(22,610)
1240 Receivables from Other Governments	253,094	-	328,767	581,861
1260 Due from Other Funds	104	-	-	104
1290 Other Receivables	25,084	3,415	380	28,879
1000 Total Assets	<u>\$ 9,860,896</u>	<u>\$ 364,845</u>	<u>\$ 634,986</u>	<u>\$ 10,860,727</u>
LIABILITIES				
2110 Accounts Payable	\$ 862,081	\$ -	\$ 218,974	\$ 1,081,055
2160 Accrued Wages Payable	444,450	-	34,001	478,451
2170 Due to Other Funds	-	44	-	44
2300 Unearned Revenues	34,847	-	-	34,847
2400 Payable from Restricted Assets	103,491	-	-	103,491
2000 Total Liabilities	<u>1,444,869</u>	<u>44</u>	<u>252,975</u>	<u>1,697,888</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,177,789	306,903	-	1,484,692
2600 Total Deferred Inflows of Resources	<u>1,177,789</u>	<u>306,903</u>	<u>-</u>	<u>1,484,692</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	158,373	158,373
3480 Retirement of Long-Term Debt	-	57,898	-	57,898
Committed Fund Balance:				
3510 Construction	1,500,000	-	-	1,500,000
3545 Other Committed Fund Balance	1,501,826	-	223,638	1,725,464
Assigned Fund Balance:				
3560 Claims and Judgments	103,491	-	-	103,491
3600 Unassigned Fund Balance	4,132,921	-	-	4,132,921
3000 Total Fund Balances	<u>7,238,238</u>	<u>57,898</u>	<u>382,011</u>	<u>7,678,147</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 9,860,896</u>	<u>\$ 364,845</u>	<u>\$ 634,986</u>	<u>\$ 10,860,727</u>

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

BULLARD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2014

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	7,678,147
1 Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Details of these assets are included in the notes to the financial statements and can be found in Note II: F. The net effect of including capital assets (net of depreciation) is to increase net position.		42,533,165
2 Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet. The net effect of including interest payable is to decrease net position. See Exhibit A-1.		(79,287)
3 Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Details of these liabilities are included in the notes to the financial statements and can be found in Note II:G. The net effect of including long term liabilities is to decrease net position.		(36,985,965)
4 Taxes from current and prior year levies assumed to be collectible are reclassified from deferred inflows of resources. The net effect of this reclassification is to increase net position.		1,484,692
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		922,252
19 Net Position of Governmental Activities	\$	15,553,004

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

BULLARD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 9,998,876	\$ 2,448,865	\$ 1,019,949	\$ 13,467,690
5800 State Program Revenues	8,442,420	-	274,042	8,716,462
5900 Federal Program Revenues	64,647	-	906,063	970,710
5020 Total Revenues	<u>18,505,943</u>	<u>2,448,865</u>	<u>2,200,054</u>	<u>23,154,862</u>
EXPENDITURES:				
Current:				
0011 Instruction	9,365,661	-	636,140	10,001,801
0012 Instructional Resources and Media Services	185,628	-	-	185,628
0013 Curriculum and Instructional Staff Development	252,712	-	37,637	290,349
0021 Instructional Leadership	2,537	-	-	2,537
0023 School Leadership	930,745	-	-	930,745
0031 Guidance, Counseling and Evaluation Services	431,343	-	-	431,343
0032 Social Work Services	-	-	433	433
0033 Health Services	183,070	-	-	183,070
0034 Student (Pupil) Transportation	646,091	-	-	646,091
0035 Food Services	10	-	881,493	881,503
0036 Extracurricular Activities	899,366	-	609,047	1,508,413
0041 General Administration	771,289	-	-	771,289
0051 Facilities Maintenance and Operations	2,247,297	-	-	2,247,297
0052 Security and Monitoring Services	57,754	-	-	57,754
0053 Data Processing Services	460,510	-	-	460,510
Debt Service:				
0071 Principal on Long Term Debt	-	506,153	-	506,153
0072 Interest on Long Term Debt	-	2,304,203	-	2,304,203
0073 Bond Issuance Cost and Fees	-	165,344	-	165,344
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,085,298	-	-	1,085,298
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	230,352	-	-	230,352
0095 Payments to Juvenile Justice Alternative Ed. Prg.	669	-	-	669
6030 Total Expenditures	<u>17,750,332</u>	<u>2,975,700</u>	<u>2,164,750</u>	<u>22,890,782</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>755,611</u>	<u>(526,835)</u>	<u>35,304</u>	<u>264,080</u>
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	8,835,000	-	8,835,000
7915 Transfers In	-	300,000	-	300,000
7916 Premium or Discount on Issuance of Bonds	-	1,125,444	-	1,125,444
7917 Prepaid Interest	-	27,482	-	27,482
8911 Transfers Out (Use)	(300,000)	-	-	(300,000)
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(9,797,100)	-	(9,797,100)
7080 Total Other Financing Sources (Uses)	<u>(300,000)</u>	<u>490,826</u>	<u>-</u>	<u>190,826</u>
1200 Net Change in Fund Balances	455,611	(36,009)	35,304	454,906
0100 Fund Balance - September 1 (Beginning)	<u>6,782,627</u>	<u>93,907</u>	<u>346,707</u>	<u>7,223,241</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 7,238,238</u>	<u>\$ 57,898</u>	<u>\$ 382,011</u>	<u>\$ 7,678,147</u>

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

BULLARD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	454,906
Current year capital outlays are expenditures in the fund statements, but they should be shown as increases in capital assets in the government wide statement of activities. Refer to Note II:F.		1,213,798
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. See Note II:F.		(1,701,822)
Governmental funds report the effect of bond issuance and related repayments, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This adjustment increases net position. This amount includes the total of principal payments of \$506,153, amortization and accretion of capital bonds \$525,442, and amortization of bond premium \$187,177 less the total of issuance discount \$(4,665), refunding loss \$(30,120), issuance of refunding bond \$(8,835,000), payments to bond refunding escrow agent \$9,797,100, premium on issuance of refunding bond \$(1,125,444), amortization of deferred charge on refunding \$(12,366), and interest prepaid on refunding bond \$(27,482).		980,795
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because the interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the decrease in accrued interest from the beginning of the period to the end of the period.		21,252
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include adjusting current year revenue to show the revenue earned for the current year's tax levy and loss on sale of capital assets. The net effect of these reclassifications is to increase net position.		60,227
Change in Net Position of Governmental Activities	\$	1,029,156

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

BULLARD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2014

EXHIBIT D-1

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 60
Total Assets	<u>60</u>
LIABILITIES	
Current Liabilities:	
Due to Other Funds	<u>60</u>
Total Liabilities	<u>60</u>

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

BULLARD INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 65,872
Total Operating Revenues	<u>65,872</u>
OPERATING EXPENSES:	
Professional and Contracted Services	<u>65,872</u>
Total Operating Expenses	<u>65,872</u>

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

BULLARD INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 65,873
Cash Payments for Insurance Claims	(65,913)
Net Cash Used for Operating Activities	<u>(40)</u>
Net Decrease in Cash and Cash Equivalents	(40)
Cash and Cash Equivalents at Beginning of Year	<u>100</u>
Cash and Cash Equivalents at End of Year	<u>\$ 60</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ -
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Due to Other Funds	<u>(40)</u>
Net Cash Used for Operating Activities	<u>\$ (40)</u>

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

BULLARD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2014

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 56,741
Total Assets	<u>\$ 56,741</u>
LIABILITIES	
Due to Student Groups	\$ 56,741
Total Liabilities	<u>\$ 56,741</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bullard Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas and is governed by a seven member Board of Trustees (the "Board"). The District prepares its basic financial statements in conformity with United States generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in *AU Section 411 "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles"* of the American Institute of Certified Public Accountants, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board is elected by the public, and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. Program revenues include "charges for services" and "grants and contributions." The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. Non-program revenues are considered general revenue available to support all of the District's functions. Taxes are always general revenues. In the government-wide statements, indirect expenses (like depreciation) are allocated to functions based on the character of the expense.

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. For the most part, the effect of interfund activity has been removed from the government-wide statements, although interfund services provided and used are not eliminated in the process of consolidation.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories: governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Agency funds, however, are unlike all types of other funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, deferred inflows of resources, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available. It also recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues "available" if they will be collected within 60 days of the end of the fiscal year.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION, continued

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

- **The General Fund** - The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program, and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.
- **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, which is a budgeted fund. Revenues include collections on property taxes and earnings on investments of the fund. The fund balance represents amounts that will be used for retirement of bonds and payment of interest in the future.

Additionally, the District reports the following fund types:

Governmental Funds:

- **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance are accounted for in a special revenue fund. Sometimes unused balances must be returned to the grantor at the close of specified project periods.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. FUND ACCOUNTING, continued

Proprietary Funds:

- **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's internal service fund is an Insurance Fund. This is not a budgeted fund.

Fiduciary Funds:

- **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. Fiduciary funds are reported in the fiduciary fund financial statements. However, because these assets are not available to support District programs, these funds are not included in the government-wide statements. The District's agency funds include a Student Activity Fund.

E. FUND BALANCE CLASSIFICATION

In 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance** - amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact. There were no nonspendable fund balance amounts as of August 31, 2014.
- **Restricted fund balance** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** - amounts constrained to specific purposes by the Board, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint. At August 31, 2014, committed fund balance consisted of the following:

	General Fund	Nonmajor Funds
Construction	\$ 1,500,000	\$ -
Other:		
Technology	1,000,000	-
Curriculum	500,000	-
Campus activity	-	205,910
Other	1,826	17,728
	\$ 3,001,826	\$ 223,638

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. FUND BALANCE CLASSIFICATION, continued

- **Assigned fund balance** - amounts the Board intends to use for a specific purpose. Intent can be expressed by the Superintendent or Business Manager, through which the Board has delegated the authority.
- **Unassigned fund balance** - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). When it is appropriate for fund balance to be assigned (such as for the purchase of fixed assets, construction, debt service, or for other purposes), the Board delegates authority to the Superintendent or the Business Manager.

In the general fund, the District strives to maintain an unassigned fund balance to be used for working capital and a margin of safety to address local and regional emergencies without borrowing around \$3,800,000.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

F. OTHER ACCOUNTING POLICIES

1. Cash and Cash Equivalents

The District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. Bond Premiums and Discounts

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. OTHER ACCOUNTING POLICIES, continued

3. Compensated Absences

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

4. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-45
Building Improvements	10-20
Vehicles	6-10
Other Equipment	5-15

Land and Construction in Progress are not depreciated.

5. Internal Service Funds

Since internal service funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

6. Grant Revenue

The District has reported restricted assets in the instance of grants received from a foundation to be used for restricted purposes.

7. Interfund Transactions

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as "due from other funds" or "due to other funds" on the combined Governmental Fund Balance Sheet.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. OTHER ACCOUNTING POLICIES, continued

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and/or balance sheet 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category, unavailable revenue from property taxes. This item is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Self-Funded Health Insurance Plan

All eligible employees of the District are covered by a partially self-funded health insurance plan with insurance premiums paid by the District. Employees may elect to pay for dependent coverage.

10. Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31, and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

11. Restricted and Unrestricted Assets

On the Statement of Net Position, when the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever restricted assets will have to be returned because they were not used.

12. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency ("TEA") in the Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide data base for policy development and funding plans.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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.

At August 31, 2014, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$4,746,733, and the bank balance was \$5,195,122. The difference between the District's deposits and the bank balance are outstanding checks.

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

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) mutual funds; (8) investment pools; (9) guaranteed investment contracts; (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

The carrying amount of investments at August 31, 2014, was \$4,075,260, of which \$12,417 is held by Lone Star Investment Pool (the Pool) and \$4,062,843 is invested in certificates of deposit through Texas National Bank in conjunction with the Certificate of Deposit Account Registry Service. The portion invested with the Pool is included with the District's deposits as the funds can be converted to cash within 90 days. Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position of these pools is the same as the value of the shares in each pool.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

A. DEPOSITS AND INVESTMENTS, continued

The Pool was organized in 1991 in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is administered by First Public, formerly known as Texas Association of School Boards Financial Services. The Pool is governed by an 11-member board, all of whom are participants in the Pool. An independent, third-party investment consultant reports directly to the Board.

Policies Governing Deposits and Investments

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

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's bank balance of \$5,195,122 was exposed to custodial credit risk as follows: \$500,000 was covered by federal depository insurance, and \$4,695,122 was covered by collateral held by the pledging financial institution. No amount was both uninsured and uncollateralized.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus, positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The District's securities are all in instruments backed by the United States of America and are not exposed to custodial credit risk.

Foreign Currency Risk: The District does not have any deposits or investments denominated in a foreign currency.

Concentration of Credit Risk: To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District requires investments to be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during the 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio.

Interest Rate Risk: To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires any internally created pool fund group of the District to have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District may not exceed one year from the time of purchase. All of the District's investments at August 31, 2014, had a maturity of one year or less.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, the Pool invests only in investments authorized under the Public Funds Investment Act. As of August 31, 2014, the Pool's investments credit quality rating was AAA (Standard & Poor's).

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

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 located in the District 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year. However, amounts collected during the 60-day period after year-end are not considered material to the financial statements and are not reported.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2014, consisted of the following amounts. All interfund balances are expected to be repaid within one year.

Due to General Fund from:		
Proprietary Fund	\$	60
Debt Service Fund		44
	\$	104

These interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and/or payments between funds are made.

Interfund transfers are defined as flows of assets without equivalent flows of assets in return and without a requirement for repayment. Interfund transfers for the year ended August 31, 2014, consisted of the following amounts.

Transfer from General Fund to:		
Debt Service Fund	\$	300,000

The transfer from the General fund to the Debt Service fund was to pay the bonds that matured during the year.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2014, were as follows:

	<u>Property Taxes</u>	<u>Receivables From Other Governments</u>	<u>Due From Other Funds</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
Governmental Activities					
General Fund	\$ 1,195,725	\$ 253,094	\$ 104	\$ 25,084	\$ 1,474,007
Major Governmental Fund	311,577	-	-	3,415	314,992
Nonmajor Governmental Funds	-	<u>328,767</u>	-	<u>380</u>	<u>329,147</u>
Total – Governmental Activities	<u>\$ 1,507,302</u>	<u>\$ 581,861</u>	<u>\$ 104</u>	<u>\$ 28,879</u>	<u>\$ 2,118,146</u>
Amounts not scheduled for collection during the subsequent year					
	<u>\$ 22,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,610</u>

Payables at August 31, 2014 were as follows:

	<u>Accounts Payable</u>	<u>Accrued Wages Payable</u>	<u>Due To Other Funds</u>	<u>Payable From Restricted Assets</u>	<u>Total Payables</u>
Governmental Activities					
General Fund	\$ 862,081	\$ 444,450	\$ -	\$ 103,491	\$ 1,410,022
Major Governmental Fund	-	-	44	-	44
Nonmajor Governmental Funds	<u>218,974</u>	<u>34,001</u>	-	-	<u>252,975</u>
Total – Governmental Activities	<u>\$ 1,081,055</u>	<u>\$ 478,451</u>	<u>\$ 44</u>	<u>\$ 103,491</u>	<u>\$ 1,663,041</u>

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Non-depreciable assets					
Land	\$ 828,919	\$ -	\$ -	\$ -	\$ 828,919
Construction in progress	<u>13,400</u>	<u>1,085,298</u>	<u>-</u>	<u>(13,400)</u>	<u>1,085,298</u>
Total non-depreciable assets	<u>842,319</u>	<u>1,085,298</u>	<u>-</u>	<u>(13,400)</u>	<u>1,914,217</u>
Depreciable assets					
Buildings and improvements	56,715,374	-	-	13,400	56,728,774
Furniture and equipment	<u>4,238,829</u>	<u>128,500</u>	<u>(67,058)</u>	<u>-</u>	<u>4,300,271</u>
Total depreciable assets	<u>60,954,203</u>	<u>128,500</u>	<u>(67,058)</u>	<u>13,400</u>	<u>61,029,045</u>
Totals at historic cost	<u>61,796,522</u>	<u>1,213,798</u>	<u>(67,058)</u>	<u>-</u>	<u>62,943,262</u>
Less Accumulated Depreciation:					
Buildings and improvements	(15,883,271)	(1,369,783)	-	-	(17,253,054)
Furniture and equipment	<u>(2,887,411)</u>	<u>(332,039)</u>	<u>62,407</u>	<u>-</u>	<u>(3,157,043)</u>
Total accumulated depreciation	<u>(18,770,682)</u>	<u>(1,701,822)</u>	<u>62,407</u>	<u>-</u>	<u>(20,410,097)</u>
Governmental Activities Capital Assets, Net	<u>\$ 43,025,840</u>	<u>\$ (488,024)</u>	<u>\$ (4,651)</u>	<u>\$ -</u>	<u>\$ 42,533,165</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,086,312
Instructional resources and media services	11,204
Curriculum development and instructional staff development	10,562
Instructional and school leadership	16,586
Guidance, counseling and evaluation services	3,425
Health services	607
Student transportation	61,437
Food services	36,881
Extracurricular activities	331,519
General administration	15,529
Plant maintenance and operations	74,251
Security and monitoring service	1,218
Data processing services	42,489
Community services	<u>9,802</u>
Total Depreciation Expense	<u>\$ 1,701,822</u>

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

G. CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 36,160,986	\$ 8,835,000	\$ (9,341,153)	\$ 35,654,833	\$ 893,509
Bond premium (discount)	(202,126)	1,125,444	(152,392)	770,926	-
CAB accretion	1,085,648	92,741	(618,183)	560,206	-
Total Governmental Activities					
Long-term Liabilities	<u>\$ 37,044,508</u>	<u>\$ 10,053,185</u>	<u>\$ (10,111,728)</u>	<u>\$ 36,985,965</u>	<u>\$ 893,509</u>

H. BONDS PAYABLE

On July 1, 2005, the District issued \$11,515,068 of Unlimited Tax Refunding Bonds, Series 2005. Of that amount, \$6,995,079 was used to defease a portion of the District's Unlimited Tax and Refunding Bonds, Series 1998, and \$4,520,000 was used to defease a portion of the District's Unlimited Tax School Building Bonds, Series 1999. The Unlimited Tax Refunding Bonds, Series 2005, include \$10,990,000 of current interest bonds and \$525,068 of capital appreciation bonds (CABs). The CABs portion of the bonds are issued at a discount. The interest on these bonds accretes each year but is paid with the principal at maturity of the bonds. The CABs for the 2005 series have matured as of the school year ending August, 31, 2014.

On February 22, 2007, the District issued \$28,499,300 of Unlimited Tax School Building Bonds, Series 2007. The Series 2007 issue included \$6,635,000 of serial current interest bonds, \$21,905,000 of term current interest bonds (CIBs) and \$229,300 of capital appreciation bonds (CABs). The CABs portion of the bond issue are bonds issued at a discount. The interest on these bonds accretes each year but is paid with the principal at maturity of the bonds. The CABs for the 2007 series mature in the school years ending August 31, 2015 and 2016.

Refunding Bonds

In November 2011, the District issued \$700,533 of Unlimited Tax Refunding Bonds, Series 2011. In addition, the District contributed \$300,000 to reduce current debt obligations. Of those amounts, \$957,280 was used to defease the District's Unlimited Tax and Refunding Bonds, Series 1998, and the remaining funds were utilized to satisfy the current interest obligations. The new bonds bear interest from 2.00% to 4.00% and are due in annual installments ranging from \$9,200 to \$779,200 through February 15, 2024.

In June 2014, the District issued \$8,835,000 of Unlimited Tax Refunding Bonds, Series 2014. In addition, the District contributed 225,856 to reduce current debt obligations. Of those amounts, \$8,835,000 was used to defease a portion of the District's Unlimited Tax and Refunding Bonds, Series 2007, and the remaining funds were utilized to satisfy the current interest obligations. The new bonds bear interest from 0.00% to 4.00% and are due in annual installments ranging from \$384,238 to \$1,667,700 through August 15, 2030. The new issue will decrease debt service payments for the District by roughly \$1,115,655 with an economic loss of \$3,567,579 or 35.5%.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

H. BONDS PAYABLE, continued

Defeased Debt

In November 2011, the District defeased the 1998 Series bonds by placing the proceeds of refunding bonds in an irrevocable escrow account held and managed by bank trustees, and invested in U.S. Treasury obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds scheduled to mature in 2017. Accordingly, the escrow account and the defeased bonds are not included in the District's financial statements. The total amount of defeased bonds that remain outstanding at August 31, 2014, is \$957,280.

In June 2014, the District defeased a portion of the 2007 Series bonds by placing the proceeds of refunding bonds in an irrevocable escrow account held and managed by bank trustees, and invested in U.S. Treasury obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds scheduled to mature in 2017. Accordingly, the escrow account and the defeased bonds are not included in the District's financial statements. The total amount of defeased bonds that remain outstanding at August 31, 2014, is \$10,021,444.

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.

Bonded indebtedness of the District is reflected in the Statement of Net Position and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Effective interest rates range from 2.00% to 5.625%.

Debt service requirements are as follows:

Year Ended August 31,	Bonds		Total Requirements
	Principal	Interest	
2015	\$ 893,509	\$ 1,823,604	\$ 2,717,113
2016	960,791	1,754,407	2,715,198
2017	1,325,000	1,392,749	2,717,749
2018	1,375,000	1,339,898	2,714,898
2019	1,430,000	1,284,411	2,714,411
2020-2024	7,980,533	5,596,432	13,576,965
2025-2029	9,280,000	4,294,573	13,574,573
2030-2034	12,410,000	1,449,950	13,859,950
Totals	<u>\$ 35,654,833</u>	<u>\$ 18,936,024</u>	<u>\$ 54,590,857</u>

Principal and interest paid during the year ended August 31, 2014, totaled \$506,153 and \$2,304,203, respectively.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

H. BONDS PAYABLE, continued

Bond activity for the year ended August 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
CIB Series 2005	\$ 8,850,000	\$ -	\$ -	\$ 8,850,000	\$ 770,000
CAB Series 2005	86,153	-	(86,153)	-	-
CIB Series 2007	26,335,000	-	(9,255,000)	17,080,000	123,509
CAB Series 2007	229,300	-	-	229,300	-
CIB Series 2011	460,000	-	-	460,000	-
CAB Series 2011	200,533	-	-	200,533	-
CIB Series 2014	-	8,485,000	-	8,485,000	-
CAB Series 2014	-	350,000	-	350,000	-
Subtotal	36,160,986	8,835,000	(9,341,153)	35,654,833	893,509
CAB Accretion	1,085,648	92,741	(618,183)	560,206	-
Bond Premium	194,668	1,125,444	(187,177)	1,132,935	-
Less Deferred Amounts:					
For Issuance Discount	(53,458)	-	4,665	(48,793)	-
For Refunding Loss	(343,336)	-	30,120	(313,216)	-
Total Bonds Payable	<u>\$ 37,044,508</u>	<u>\$ 10,053,185</u>	<u>\$ (10,111,728)</u>	<u>\$ 36,985,965</u>	<u>\$ 893,509</u>

I. DEFINED BENEFIT PENSION PLAN

Plan Description. The District contributes to the Teacher Retirement System of Texas ("TRS"), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

I. DEFINED BENEFIT PENSION PLAN, continued

Funding Policy. State law provides for fiscal years 2012, 2013 and 2014 a state contribution rate of 6.00%, 6.40%, and 6.80%, respectively, and a member contribution rate of 6.40%, 6.40% and 6.40% respectively. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.80% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.00% of the member's annual compensation and a state contribution rate of not less than 6.00% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's 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. The District's employees' contributions to the System for the year ended August 31, 2014, were \$799,213. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2012, 2013 and 2014 were \$684,601, \$627,750 and \$853,826, respectively. State contributions to Medicare Part D on behalf of Bullard Independent School District's employees for the years ended August 31, 2012, 2013 and 2014 were \$49,737, \$40,542 and \$30,601, respectively. The District reports these TRS and Medicare Part D on behalf payments made by the state as revenues and expenditures in an equal amount in the general fund. The District paid additional state contributions for the years ended August 31, 2012, 2013 and 2014, in the amount of \$160,257, \$172,013 and \$188,101, respectively on the portion of the employees' salaries that exceeded the statutory minimum.

J. WORKERS' COMPENSATION AND HEALTH CARE COVERAGES

Workers' Compensation Coverage

The District participates in a partially self-funded workers' compensation pool administered by Claims Administrative Services, Inc. The District pays a contribution for the fund year to cover the servicing of programs administration, claims handling, loss control, and stop loss coverage. Provided the District remains in the pool, there are no additional fees for services. The District has retained the services of an independent plan supervisor experienced in claims processing. The agreement for formation of the Plan provides that the Plan will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$225,000 for each insured event, with a \$5,000,000 aggregate limit.

For the year ended August 31, 2014, the District's fixed cost was \$37,067 and its loss fund maximum was \$103,491.

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

	<u>Year Ended August 31, 2014</u>	<u>Year Ended August 31, 2013</u>
Unpaid claims at September 1	\$ 57,092	\$ 99,031
Incurred claims (including IBNR)	110,354	(24,514)
Total Payments	<u>(63,955)</u>	<u>(17,425)</u>
Total Unpaid Claims at August 31	<u>\$ 103,491</u>	<u>\$ 57,092</u>

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

J. WORKERS' COMPENSATION AND HEALTH CARE COVERAGES, continued

Health Care Coverage

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2014, and terms of coverage and premium costs are included in the contractual provisions. Other Districts and/or their employees contributed to the self-insurance pool which was operated under contractual provisions of Article 4413(32c), Interlocal Cooperation Act.

Latest financial statements for the Blue Cross/Blue Shield plan for the year ended December 31, 2013, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2014, are summarized below. All federal grants shown below are passed through the TEA or are received directly from a federal agency and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	State/Federal Grants	Total
General	\$ 253,094	\$ -	\$ 253,094
Special Revenue	-	328,767	328,767
Total	\$ 253,094	\$ 328,767	\$ 581,861

L. UNEARNED REVENUE

Unearned revenue at year end consisted of ticket sales related to football games and tuition payments received from students.

	<u>General Fund</u>
Athletic receipts	\$ 9,920
Tuition receipts	24,927
Total	\$ 34,847

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources as reported on Exhibit C-3 of the Funds Statements consisted of the following:

	General Fund	Debt Service Fund	Other Funds	Total
Property Taxes	\$ 9,282,933	\$ 2,382,236	\$ -	\$ 11,665,169
Penalties, Interest, and Other Tax- Related Income	151,793	35,905	-	187,698
Investment Income	46,677	30,724	704	78,105
Food Sales	-	-	369,019	369,019
Co-Curricular Student Activities	95,547	-	611,255	706,802
Insurance Recovery	21,960	-	-	21,960
Foundations, Gifts, and Bequests	219,130	-	33,659	252,789
Other	180,836	-	5,312	186,148
Total	<u>\$ 9,998,876</u>	<u>\$ 2,448,865</u>	<u>\$ 1,019,949</u>	<u>\$ 13,467,690</u>

N. COMMITMENTS AND CONTINGENCIES

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

O. JOINT VENTURE / SHARED SERVICE ARRANGEMENTS

The District participates in the Cherokee County Special Education Cooperative for special education services with four other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Rusk Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

O. JOINT VENTURE / SHARED SERVICE ARRANGEMENTS, continued

Presented below are the revenues and expenditures attributable to the District's participation.

	Special Education
Revenues	\$ 608,600
Expenditures:	
Payroll & Other Operating Expenditures	\$ 608,600
Total Funds Disbursed to All Participating School Districts	\$ 1,638,762
Percent Attributable to District	37%

P. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2014, which is the date the financial statements were made available to management.

REQUIRED SUPPLEMENTARY INFORMATION

BULLARD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 9,406,200	\$ 10,001,900	\$ 9,998,876	\$ (3,024)
5800 State Program Revenues	7,487,688	8,360,198	8,442,420	82,222
5900 Federal Program Revenues	-	140,000	64,647	(75,353)
5020 Total Revenues	16,893,888	18,502,098	18,505,943	3,845
EXPENDITURES:				
Current:				
0011 Instruction	9,017,345	9,496,385	9,365,661	130,724
0012 Instructional Resources and Media Services	185,892	195,369	185,628	9,741
0013 Curriculum and Instructional Staff Development	264,344	275,094	252,712	22,382
0021 Instructional Leadership	-	5,150	2,537	2,613
0023 School Leadership	929,367	942,222	930,745	11,477
0031 Guidance, Counseling and Evaluation Services	417,251	434,511	431,343	3,168
0032 Social Work Services	100	100	-	100
0033 Health Services	178,872	183,722	183,070	652
0034 Student (Pupil) Transportation	412,270	665,426	646,091	19,335
0035 Food Services	300	300	10	290
0036 Extracurricular Activities	820,262	904,717	899,366	5,351
0041 General Administration	773,442	789,942	771,289	18,653
0051 Facilities Maintenance and Operations	2,337,605	2,301,063	2,247,297	53,766
0052 Security and Monitoring Services	77,500	76,000	57,754	18,246
0053 Data Processing Services	456,139	473,109	460,510	12,599
Capital Outlay:				
0081 Facilities Acquisition and Construction	360,847	1,193,342	1,085,298	108,044
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	230,352	230,352	230,352	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	2,000	2,000	669	1,331
6030 Total Expenditures	16,463,888	18,168,804	17,750,332	418,472
1100 Excess of Revenues Over Expenditures	430,000	333,294	755,611	422,317
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(430,000)	(350,000)	(300,000)	50,000
1200 Net Change in Fund Balances	-	(16,706)	455,611	472,317
0100 Fund Balance - September 1 (Beginning)	-	6,782,627	6,782,627	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 6,765,921	\$ 7,238,238	\$ 472,317

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2014**

A. BUDGETARY DATA

The Board 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 each of these funds. 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 Exhibits J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose 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. After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund, functional spending category, total revenue, or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, several budgetary amendments were necessary throughout the year. The amendments decreased the overall General Fund budget by approximately \$17 thousand, with the most significant changes occurring in instruction, student (pupil) transportation, extracurricular activities, and facilities acquisition and construction.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are amended by the Board. All budget appropriations lapse at year end.

Excess of expenditures over appropriations

No expenditures exceeded appropriations for the year ending August 31, 2014.

COMBINING STATEMENTS

BULLARD INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	
ASSETS					
1110	Cash and Cash Equivalents	\$ (78,741)	\$ (113,953)	\$ 195,518	\$ -
1240	Receivables from Other Governments	95,363	118,941	11,515	-
1290	Other Receivables	-	-	380	-
1000	Total Assets	<u>\$ 16,622</u>	<u>\$ 4,988</u>	<u>\$ 207,413</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ 5,966	\$ -	\$ 32,819	\$ -
2160	Accrued Wages Payable	10,656	4,988	16,221	-
2000	Total Liabilities	<u>16,622</u>	<u>4,988</u>	<u>49,040</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	158,373	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>158,373</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 16,622</u>	<u>\$ 4,988</u>	<u>\$ 207,413</u>	<u>\$ -</u>

EXHIBIT H-1

255 ESEA II,A Training and Recruiting	410 State Textbook Fund	461 Campus Activity Funds	492 Bullard Education Foundation	Total Nonmajor Governmental Funds
\$ (33,853)	\$ 112,764	\$ 205,910	\$ 18,194	\$ 305,839
36,825	66,123	-	-	328,767
-	-	-	-	380
<u>\$ 2,972</u>	<u>\$ 178,887</u>	<u>\$ 205,910</u>	<u>\$ 18,194</u>	<u>\$ 634,986</u>
\$ 836	\$ 178,887	\$ -	\$ 466	\$ 218,974
2,136	-	-	-	34,001
<u>2,972</u>	<u>178,887</u>	<u>-</u>	<u>466</u>	<u>252,975</u>
-	-	-	-	158,373
-	-	205,910	17,728	223,638
-	-	<u>205,910</u>	<u>17,728</u>	<u>382,011</u>
<u>\$ 2,972</u>	<u>\$ 178,887</u>	<u>\$ 205,910</u>	<u>\$ 18,194</u>	<u>\$ 634,986</u>

BULLARD INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ 375,035	\$ -
5800	State Program Revenues	-	-	18,718	-
5900	Federal Program Revenues	237,590	112,595	509,509	5,185
5020	Total Revenues	<u>237,590</u>	<u>112,595</u>	<u>903,262</u>	<u>5,185</u>
EXPENDITURES:					
Current:					
0011	Instruction	235,254	112,595	-	5,185
0013	Curriculum and Instructional Staff Development	1,903	-	-	-
0032	Social Work Services	433	-	-	-
0035	Food Services	-	-	881,493	-
0036	Extracurricular Activities	-	-	-	-
6030	Total Expenditures	<u>237,590</u>	<u>112,595</u>	<u>881,493</u>	<u>5,185</u>
1200	Net Change in Fund Balance	-	-	21,769	-
0100	Fund Balance - September 1 (Beginning)	-	-	136,604	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,373</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	410 State Textbook Fund	461 Campus Activity Funds	492 Bullard Education Foundation	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 611,255	\$ 33,659	\$ 1,019,949
-	255,324	-	-	274,042
41,184	-	-	-	906,063
<u>41,184</u>	<u>255,324</u>	<u>611,255</u>	<u>33,659</u>	<u>2,200,054</u>
5,450	255,324	-	22,332	636,140
35,734	-	-	-	37,637
-	-	-	-	433
-	-	-	-	881,493
-	-	609,047	-	609,047
<u>41,184</u>	<u>255,324</u>	<u>609,047</u>	<u>22,332</u>	<u>2,164,750</u>
-	-	2,208	11,327	35,304
-	-	203,702	6,401	346,707
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,910</u>	<u>\$ 17,728</u>	<u>\$ 382,011</u>

REQUIRED TEA SCHEDULES

BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ 1,078,073,540
2006	1.430000	0.160000	482,034,034
2007	1.307000	0.180000	560,218,458
2008	1.040000	0.430000	610,249,106
2009	1.040000	0.430000	727,365,032
2010	1.040000	0.430000	757,037,682
2011	1.170000	0.300000	773,224,039
2012	1.170000	0.300000	816,197,386
2013	1.170000	0.300000	817,655,718
2014 (School year under audit)	1.170000	0.300000	851,433,902
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 397,033	\$ -	\$ 3,225	\$ 628	\$ (16,404)	\$ 376,776
48,102	-	933	239	(238)	46,692
51,091	-	3,289	453	(294)	47,055
56,312	-	1,331	550	(252)	54,179
62,736	-	2,957	1,223	85	58,641
87,930	-	13,131	5,429	2,719	72,089
139,473	-	23,326	5,981	3,301	113,467
235,444	-	55,869	14,326	5,080	170,329
363,510	-	127,626	32,725	6,596	209,755
-	11,769,380	9,070,351	2,325,731	(14,979)	358,319
<u>\$ 1,441,631</u>	<u>\$ 11,769,380</u>	<u>\$ 9,302,038</u>	<u>\$ 2,387,285</u>	<u>\$ (14,386)</u>	<u>\$ 1,507,302</u>

BULLARD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 386,900	\$ 386,900	\$ 375,035	\$ (11,865)
5800 State Program Revenues	16,100	16,100	18,718	2,618
5900 Federal Program Revenues	502,000	527,000	509,509	(17,491)
5020 Total Revenues	905,000	930,000	903,262	(26,738)
EXPENDITURES:				
0035 Food Services	905,000	905,000	881,493	23,507
6030 Total Expenditures	905,000	905,000	881,493	23,507
1200 Net Change in Fund Balances	-	25,000	21,769	(3,231)
0100 Fund Balance - September 1 (Beginning)	-	136,604	136,604	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 161,604	\$ 158,373	\$ (3,231)

BULLARD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,355,874	\$ 2,475,000	\$ 2,448,865	\$ (26,135)
5020 Total Revenues	2,355,874	2,475,000	2,448,865	(26,135)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	1,162,000	1,170,000	506,153	663,847
0072 Interest on Long Term Debt	1,621,874	1,641,874	2,304,203	(662,329)
0073 Bond Issuance Cost and Fees	2,000	166,000	165,344	656
6030 Total Expenditures	2,785,874	2,977,874	2,975,700	2,174
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(430,000)	(502,874)	(526,835)	(23,961)
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	8,835,000	8,835,000	-
7915 Transfers In	430,000	300,000	300,000	-
7916 Premium or Discount on Issuance of Bonds	-	1,125,445	1,125,444	(1)
7917 Prepaid Interest	-	27,485	27,482	(3)
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(9,797,100)	(9,797,100)	-
7080 Total Other Financing Sources (Uses)	430,000	490,830	490,826	(4)
1200 Net Change in Fund Balances	-	(12,044)	(36,009)	(23,965)
0100 Fund Balance - September 1 (Beginning)	-	93,907	93,907	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 81,863	\$ 57,898	\$ (23,965)

FEDERAL AWARDS SECTION



**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***

The Board of Trustees
Bullard Independent School District
Bullard, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullard Independent School District (the District), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basis financial statements, and have issued our report thereon dated December 15, 2014.

Internal Control over Financial Reporting

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

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

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

PROTHRO, WILHELMI AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

6855 OAK HILL BOULEVARD • TYLER, TEXAS 75703 • TEL 903 534 8811 • FAX 903 534 8891 • WWW.PW-TX.COM

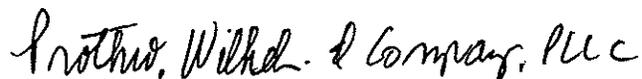
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted deficiencies in internal control that we reported to management of the District in a separate letter dated December 15, 2014.

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 of the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
December 15, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Board of Trustees
Bullard Independent School District
Bullard, Texas

Report on Compliance for Each Major Federal Program

We have audited Bullard Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 District's compliance.

Opinion on each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

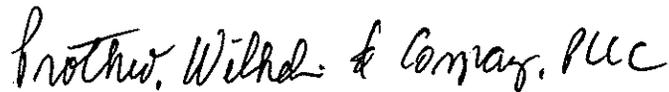
Report on Internal Control Over Compliance

Management of the 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, we considered the 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 OMB Circular A-133, 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 District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose.



PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
December 15, 2014

**BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133	No

Identification of major programs:

FEDERAL

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program – Cash Assistance
10.555	National School Lunch Program – Non-Cash Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
--	-------------------

The District was classified as a low-risk auditee in accordance with OMB Circular A-133.

**BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014**

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101212902	\$ 226,934
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101212902	<u>10,656</u>
Total CFDA Number 84.010A			<u>237,590</u>
Total Title I, Part A Cluster			<u>237,590</u>
*IDEA - Part B, Formula	84.027	146600010379076000	107,607
*IDEA - Part B, Formula	84.027	156600010379076000	<u>4,988</u>
Total CFDA Number 84.027			<u>112,595</u>
Total Special Education Cluster (IDEA)			<u>112,595</u>
Career and Technical - Basic Grant	84.048	14420006212902	5,185
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501212902	39,049
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501212902	<u>2,135</u>
Total CFDA Number 84.367A			<u>41,184</u>
Total Passed Through State Department of Education			<u>\$ 396,554</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 396,554</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 106,219
*National School Lunch Program - Cash Assistance	10.555		350,633
*National School Lunch Prog. - Non-Cash Assistance	10.555		<u>52,657</u>
Total CFDA Number 10.555			<u>403,290</u>
Total Child Nutrition Cluster			<u>509,509</u>
Total Passed Through the State Department of Agriculture			<u>\$ 509,509</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 509,509</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 906,063</u>

*Clustered Programs

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014**

1. For all Federal programs, the District uses the fund types specified in TEA's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, (i.e., both measurable and available), and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

3. The 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 Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement – Provisional 6/97.
4. Catalog of Federal Domestic Assistance (CFDA) number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), and the Food Distribution Program on Indian Reservations (10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering the District fiscal year beginning September 1, 2011, and future audits will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.