

**BULLARD INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

AUGUST 31, 2019

**BULLARD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019**

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**BULLARD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019**

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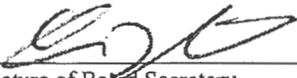
CERTIFICATE OF BOARD

BULLARD INDEPENDENT SCHOOL DISTRICT
Name of School

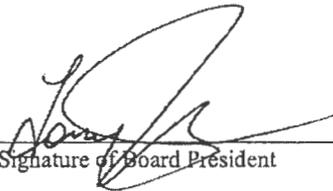
SMITH
County

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, 2019, at a meeting of the Board of Trustees of such school district on the 16th day of December, 2019.



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)

FINANCIAL SECTION



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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, WILHELMI AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

6855 OAK HILL BLVD • 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, 2019, 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, budgetary comparison information, Teacher's Retirement System pension and other post-employment benefits schedules, and notes to the required supplementary information 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a 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.

Bullard Independent School District
Board of Trustees

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-5. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, 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, WILHELMI AND COMPANY, PLLC

Tyler, Texas
December 16, 2019

BASIC FINANCIAL STATEMENTS

BULLARD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 9,743,996
1120 Current Investments	745,737
1220 Property Taxes - Delinquent	1,435,428
1230 Allowance for Uncollectible Taxes	(21,531)
1240 Due from Other Governments	699,749
1290 Other Receivables, Net	116,711
Capital Assets:	
1510 Land	2,432,107
1520 Buildings, Net	74,607,443
1530 Furniture and Equipment, Net	2,037,992
1540 Other Capital Assets, Net	4,962
1580 Construction in Progress	30,767
1000 Total Assets	91,833,361
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	1,347,051
1705 Deferred Related to TRS Pension	4,361,631
1706 Deferred Outflow Related to TRS OPEB	2,788,139
1700 Total Deferred Outflows of Resources	8,496,821
LIABILITIES	
2110 Accounts Payable	347,108
2140 Interest Payable	108,975
2160 Accrued Wages Payable	978,095
2180 Due to Other Governments	1,204,554
2300 Unearned Revenue	86,600
2400 Payable from Restricted Assets	195,341
Noncurrent Liabilities:	
2501 Due Within One Year	1,945,000
2502 Due in More Than One Year	66,596,775
2540 Net Pension Liability (District's Share)	6,871,507
2545 Net OPEB Liability (District's Share)	9,754,759
2000 Total Liabilities	88,088,714
DEFERRED INFLOWS OF RESOURCES	
2601 Unavailable Revenue - Property Taxes	122,581
2605 Deferred Inflow Related to TRS Pension	376,513
2606 Deferred Inflow Related to TRS OPEB	3,084,689
2600 Total Deferred Inflows of Resources	3,583,783
NET POSITION	
3200 Net Investment in Capital Assets	10,320,199
3850 Restricted for Debt Service	552,308
3900 Unrestricted	(2,124,822)
3000 Total Net Position	\$ 8,747,685

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, 2019

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 16,001,703	\$ 180,292	\$ 2,070,630	\$ (13,750,781)
12 Instructional Resources and Media Services	244,851	-	18,392	(226,459)
13 Curriculum and Instructional Staff Development	342,092	-	68,403	(273,689)
21 Instructional Leadership	385,064	-	30,912	(354,152)
23 School Leadership	1,572,374	-	148,122	(1,424,252)
31 Guidance, Counseling and Evaluation Services	1,153,798	-	299,686	(854,112)
32 Social Work Services	191	-	190	(1)
33 Health Services	332,605	9,236	26,861	(296,508)
34 Student (Pupil) Transportation	1,023,213	-	71,826	(951,387)
35 Food Services	1,124,822	352,970	984,481	212,629
36 Extracurricular Activities	1,998,193	721,992	706,262	(569,939)
41 General Administration	1,529,944	-	65,222	(1,464,722)
51 Facilities Maintenance and Operations	3,048,144	52,779	149,788	(2,845,577)
52 Security and Monitoring Services	288,521	-	14,514	(274,007)
53 Data Processing Services	665,427	-	34,906	(630,521)
61 Community Services	8,477	-	-	(8,477)
72 Debt Service - Interest on Long-Term Debt	2,397,723	-	-	(2,397,723)
73 Debt Service - Bond Issuance Cost and Fees	4,426	-	-	(4,426)
93 Payments Related to Shared Services Arrangements	2,206	-	-	(2,206)
95 Payments to Juvenile Justice Alternative Ed. Prg.	793	-	-	(793)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 32,124,567	\$ 1,317,269	\$ 4,690,195	(26,117,103)
Data Control Codes				
	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			12,509,081
DT	Property Taxes, Levied for Debt Service			4,914,210
SF	State Aid - Formula Grants			8,860,492
GC	Grants and Contributions not Restricted			486,992
IE	Investment Earnings			316,306
MI	Miscellaneous Local and Intermediate Revenue			(945,701)
TR	Total General Revenues			26,141,380
CN	Change in Net Position			24,277
NB	Net Position - Beginning			8,723,408
NE	Net Position--Ending			\$ 8,747,685

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

BULLARD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2019

EXHIBIT C-1

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 8,427,969	\$ 1,182,494	\$ 133,185	\$ 9,743,648
1120 Investments - Current	745,737	-	-	745,737
1220 Property Taxes - Delinquent	1,077,862	357,566	-	1,435,428
1230 Allowance for Uncollectible Taxes	(16,168)	(5,363)	-	(21,531)
1240 Due from Other Governments	554,837	-	144,912	699,749
1260 Due from Other Funds	402	-	-	402
1290 Other Receivables	12,579	3,707	100,425	116,711
1000 Total Assets	<u>\$ 10,803,218</u>	<u>\$ 1,538,404</u>	<u>\$ 378,522</u>	<u>\$ 12,720,144</u>
LIABILITIES				
2110 Accounts Payable	\$ 290,198	\$ -	\$ 56,910	\$ 347,108
2160 Accrued Wages Payable	922,536	-	55,559	978,095
2170 Due to Other Funds	48	-	6	54
2180 Due to Other Governments	1,204,554	-	-	1,204,554
2300 Unearned Revenue	86,600	-	-	86,600
2400 Payable from Restricted Assets	195,341	-	-	195,341
2000 Total Liabilities	<u>2,699,277</u>	<u>-</u>	<u>112,475</u>	<u>2,811,752</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,061,694	352,202	-	1,413,896
2600 Total Deferred Inflows of Resources	<u>1,061,694</u>	<u>352,202</u>	<u>-</u>	<u>1,413,896</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	3,602	3,602
3480 Retirement of Long-Term Debt	-	1,186,202	-	1,186,202
Committed Fund Balance:				
3545 Other Committed Fund Balance	2,000,000	-	226,621	2,226,621
Assigned Fund Balance:				
3560 Claims and Judgments	195,341	-	-	195,341
3600 Unassigned Fund Balance	4,846,906	-	35,824	4,882,730
3000 Total Fund Balances	<u>7,042,247</u>	<u>1,186,202</u>	<u>266,047</u>	<u>8,494,496</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 10,803,218</u>	<u>\$ 1,538,404</u>	<u>\$ 378,522</u>	<u>\$ 12,720,144</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, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	8,494,496
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including capital assets (net of depreciation) is to increase net position.		79,113,271
2 Taxes from current and prior year levies assumed to be collectible are reclassified from Unavailable Revenue - Property Taxes and increase net position. The net effect of reclassifying this Deferred Inflow of Resources is to increase net position.		1,291,315
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. The net effect of including long-term liabilities is to decrease net position.		(68,541,775)
4 Included in the items related to debt is the recognition of the District's proportionate share of the TRS net OPEB liability required by GASB 75. The District's share of the TRS plan resulted in a net OPEB liability of \$9,754,759, a deferred outflow of \$2,788,139 and a deferred inflow of \$3,084,689. This resulted in a decrease in net position.		(10,051,309)
5 Included in the items related to debt is the recognition of the District's proportionate share of the TRS net pension liability required by GASB 68. At the end of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$4,361,631, a Deferred Resource Inflow in the amount of \$376,513, and a net pension liability in the amount of \$6,871,507. This resulted in a decrease in net position.		(2,886,389)
6 Interest payable on long-term debt does not require current financial resources; therefore, it is not reported as a liability in the governmental funds balance sheet. The net effect of including interest payable is to decrease net position.		(108,975)
7 Deferred charge for refunding is not included in the governmental funds balance sheet. The net effect of reclassifying this is to increase net position.		1,437,051
19 Net Position of Governmental Activities	\$	8,747,685

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 13,083,923	\$ 4,953,876	\$ 1,107,966	\$ 19,145,765
5800 State Program Revenues	9,956,793	134,394	293,771	10,384,958
5900 Federal Program Revenues	440,194	-	1,416,580	1,856,774
5020 Total Revenues	<u>23,480,910</u>	<u>5,088,270</u>	<u>2,818,317</u>	<u>31,387,497</u>
EXPENDITURES:				
Current:				
0011 Instruction	12,459,580	-	897,401	13,356,981
0012 Instructional Resources and Media Services	206,455	-	-	206,455
0013 Curriculum and Instructional Staff Development	250,564	-	55,945	306,509
0021 Instructional Leadership	349,363	-	502	349,865
0023 School Leadership	1,322,978	-	17,438	1,340,416
0031 Guidance, Counseling and Evaluation Services	743,341	-	232,256	975,597
0032 Social Work Services	-	-	191	191
0033 Health Services	247,800	-	-	247,800
0034 Student (Pupil) Transportation	924,572	-	-	924,572
0035 Food Services	971	-	1,019,937	1,020,908
0036 Extracurricular Activities	1,154,934	-	603,441	1,758,375
0041 General Administration	1,394,440	-	770	1,395,210
0051 Facilities Maintenance and Operations	2,596,653	-	-	2,596,653
0052 Security and Monitoring Services	222,452	-	238	222,690
0053 Data Processing Services	565,945	-	-	565,945
0061 Community Services	160	-	-	160
Debt Service:				
0071 Principal on Long-Term Debt	-	1,895,000	-	1,895,000
0072 Interest on Long-Term Debt	-	2,554,950	-	2,554,950
0073 Bond Issuance Cost and Fees	-	4,426	-	4,426
Capital Outlay:				
0081 Facilities Acquisition and Construction	450,578	-	-	450,578
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	793	-	-	793
6030 Total Expenditures	<u>22,891,579</u>	<u>4,454,376</u>	<u>2,828,119</u>	<u>30,174,074</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>589,331</u>	<u>633,894</u>	<u>(9,802)</u>	<u>1,213,423</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	45,000	45,000
8911 Transfers Out (Use)	(45,000)	-	-	(45,000)
7080 Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>-</u>	<u>45,000</u>	<u>-</u>
1200 Net Change in Fund Balances	544,331	633,894	35,198	1,213,423
0100 Fund Balance - September 1 (Beginning)	6,497,916	552,308	230,849	7,281,073
3000 Fund Balance - August 31 (Ending)	<u>\$ 7,042,247</u>	<u>\$ 1,186,202</u>	<u>\$ 266,047</u>	<u>\$ 8,494,496</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, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	1,213,423
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect is a decrease in the change in net position.		569,276
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.		(2,753,934)
Tax revenue is reported in the government-wide statement of activities and changes in net assets, but a portion of the revenue does not provide current financial resources. The current adjustment reflects a net increase in the deferral of the revenue, resulting in an increase in net position.		30,958
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$3,426,912. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$150,273. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$2,545,421. The net result is a decrease in the change in net position.		(731,218)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$2,829,093. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$187,669. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$2,660,306. The net result is an decrease in the change in net position.		(356,456)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities but does not require the use of current financial resources. Therefore, the change in accrued interest is not reported as an expenditure in the governmental funds. Including the change at year end in this accrued interest increases net position.		1,110
Repayment of principal consumes the current financial resources of governmental funds. This adjustment includes principal payments and other debt related adjustments such as amortization of bond premium/discount and amortization of the deferred charge on refunded bonds. The net impact of these debt related adjustments is to increase net position.		2,051,118
Change in Net Position of Governmental Activities	\$	24,277

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, 2019

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 348
Total Assets	348
LIABILITIES	
Current Liabilities:	
Due to Other Funds	348
Total Liabilities	348

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, 2019

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 50,403
Total Operating Revenues	50,403
OPERATING EXPENSES:	
Professional and Contracted Services	50,403
Total Operating Expenses	50,403

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, 2019

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 50,403
Cash Payments for Insurance Claims	(50,155)
Net Cash Provided by Operating Activities	248
Net Increase in Cash and Cash Equivalents	248
Cash and Cash Equivalents at Beginning of Year	100
Cash and Cash Equivalents at End of Year	\$ 348
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income (Loss):	\$ -
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Due to Other Funds	248
Net Cash Provided by Operating Activities	\$ 248

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, 2019

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 94,846
Total Assets	<u>\$ 94,846</u>
LIABILITIES	
Due to Student Groups	\$ 94,846
Total Liabilities	<u>\$ 94,846</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, 2019**

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 (the "State") 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 *GASB Statement No. 56*, 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 (e.g. 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 from 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.

BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, continued

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.

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.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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.

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:

1. 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.
2. 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:

1. 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. On occasion, unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

2. 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.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. FUND ACCOUNTING, continued

Fiduciary Funds:

3. Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds. Agency 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

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:

1. Nonspendable fund balance - amounts that are in nonspendable form (e.g. inventory) or are required to be maintained intact.
2. Restricted fund balance - amounts constrained to specific purposes by their providers (e.g. grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
3. 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, 2019, committed fund balance consisted of the following:

	General Fund	Nonmajor Funds
Technology	\$ 2,000,000	\$ -
Campus activity	-	226,621
	\$ 2,000,000	\$ 226,621

4. 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.
5. Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. FUND BALANCE CLASSIFICATION, continued

The Board establishes, modifies, and 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 (e.g. special incentives). When it is appropriate for fund balance to be assigned (e.g. 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 of around \$4.8 million to be used for working capital and a margin of safety to address local and regional emergencies without borrowing.

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, 2019**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. OTHER ACCOUNTING POLICIES, continued

3. 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.

4. 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.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 (i.e. expense/expenditure) until then. The District has two items that qualify for reporting in this category. The deferred charge on refunding and the outflows related to the TRS pension plan (Note I) and other than pension benefits (Note J) are 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 (i.e. revenue) until that time. The District has two items that qualify for reporting in this category, unavailable revenue from property taxes and inflows related to the TRS pension plan (Note I). These amounts are reported in the governmental funds balance sheet and the statement of net position, respectively. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

G. OTHER ACCOUNTING POLICIES, continued

6. 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.

7. 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.

8. 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.

BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. OTHER ACCOUNTING POLICIES, continued

9. Long Term Obligations.

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities under governmental activities. Bond premiums and discounts are 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. Gains or losses on refundings are capitalized and amortized over the shorter of the life of the new issuance or the life of the existing debt using the straight-line interest method, which approximates the interest method. In the fund financial statements, bond premiums and discounts, as well as bond issuance costs are recognized in the governmental funds during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Pensions.

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

11. Other Post-Employment Benefits.

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

12. Grant Revenue

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

13. 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.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. OTHER ACCOUNTING POLICIES, continued

14. 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.

15. 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.

16. 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 ensure accuracy in building a statewide database for policy development and funding plans.

17. Use of Estimates.

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

18. Accounting Standards – not yet adopted

GASB Statement No. 84: Fiduciary Activities. Statement 84 was issued in January 2017. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement becomes effective for the District in fiscal year 2020. The District has not yet determined the impact of this statement.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. OTHER ACCOUNTING POLICIES, continued

GASB Statement No. 87: Leases. Statement 87 was issued in June 2017. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement becomes effective for the District in fiscal year 2021. The District has not yet determined the impact of this statement.

19. Government-wide Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources. The District's net position is composed of the following:

- Net Investment in Capital Assets.
The component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvements of these capital assets.
- Restricted for Federal and State Programs.
The component of net position that reports the difference between assets and liabilities of the federal and state special revenue programs that consists of assets with constraints placed on their use by the Department of Education, Health and Human Services, Labor, Agriculture or TEA.
- Restricted for Debt Service.
The component of net position that reports the difference between assets and liabilities of the Debt Service Fund net of accrued interest at August 31, that consists of assets with constraints placed on their use by the bond covenants.
- Restricted for Other Purposes.
The component of net position that reports the difference between assets and liabilities of the Restricted for Other Purposes Funds at August 31, that consists of assets with constraints placed on their use by external parties.
- Unrestricted.
The difference between the assets and liabilities that are not reported in net position invested in capital assets, net position restricted for debt service, net position restricted for federal and state programs, net position restricted for capital projects, and net position restricted for other purposes.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. OTHER ACCOUNTING POLICIES, continued

20. Governmental Fund Balances

According to the District's fund balance policy, fund balance is comprised of the following components:

- **Nonspendable Fund Balance.**
The portion of fund balance that is not expendable or is legally earmarked for a specific use. Nonspendable fund balance reserves may include items like inventory or prepaid items.
- **Spendable Fund Balance.**
The portion of fund balance that is comprised of restricted, committed, assigned, and unassigned fund balances.
- **Restricted Fund Balance.**
The portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions imposed by parties outside the District. Restricted fund balances include funds for the Food Services, funds restricted for capital acquisitions, funds used to retire long term debts or resources from granting agencies.
- **Committed Fund Balance.**
The portion of fund balance that reflects resources whose use is limited based upon resolutions by the District's Board of Trustees. At August 31, 2019, the District had no committed fund balance.
- **Assigned Fund Balance.**
The portion of fund balance that is self-imposed by the District to be used for a particular purpose. The assigned fund balance can only be removed by the Superintendent of Schools or the Chief Financial Officer.
- **Unassigned Fund Balance.**
The portion of the spendable fund balance within the General Fund that has not been classified within any categories above. It is the portion of fund balance available to finance operating expenditures.

In general, it is in the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which restricted and unrestricted (i.e. committed, assigned, or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used after the other resources have been used.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS, 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 School Depository Act. 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, 2019, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$5,165,139, and the bank balance was \$5,484,0745. The difference between the District's deposits and the bank balance are outstanding checks and deposits.

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, 2019, was \$5,419,439, of which \$4,411,051 is held by Lone Star Investment Pool (the "Pool") and \$1,008,388 is invested with Financial Northeastern Securities, Inc. through their insured cash sweep account. 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.

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.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS, continued

As of August 31, 2019, the following are the District's cash equivalents and investments, with respective maturities and credit rating:

Type of Investment	Book Value	%	Fair Value	%	Credit Rating
Cash	\$ 1,712,367	16.2	\$ 1,712,367	16.2	N/A
Money markets and insured investment accounts	4,461,160	42.1	4,461,160	42.1	N/A
Lone star investment pools	4,411,051	41.7	4,411,051	41.7	AAAm
Total cash, cash equivalents and investments	\$ 10,584,578	100.0	\$ 10,584,578	100.0	

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 \$2,440,538 was exposed to custodial credit risk as follows: \$250,000 was covered by federal depository insurance, and \$3,115,233 was covered by collateral held by the pledging financial institution. No amount was both uninsured and uncollateralized.

Custodial Credit Risk – Investments: The risk is that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. To limit this risk, the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and are held by the District or its agent.

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, 2019, 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, 2019, the Pool's investments credit quality rating was AAA (Standard & Poor's).

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

B. 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.

C. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2019, consisted of the following amounts. All interfund balances are expected to be repaid within one year.

Due to General Fund from:		
Internal Service Funds	\$	396
Special Revenue Funds		<u>6</u>
		402

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

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2019, 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	\$ 1,077,862	\$ 554,837	\$ 402	\$ 12,579	\$1,645,680
Debt Service Fund	357,566	-	-	3,707	361,273
Nonmajor Governmental Funds	-	144,912	-	100,425	245,337
Total – Governmental Activities	<u>\$ 1,435,428</u>	<u>\$ 699,749</u>	<u>\$ 402</u>	<u>\$ 116,711</u>	<u>\$ 2,252,290</u>

Amounts not scheduled for collection during the subsequent year

\$ 16,168	\$ 5,363	\$ -	\$ -	\$ 21,531
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**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES, continued

Payables at August 31, 2019 were as follows:

	Accounts Payable	Accrued Wages Payable	Payable From Restricted Assets	Total Payables
Governmental Activities				
General Fund	\$ 290,197	\$ 922,536	\$ 195,341	\$ 1,408,074
Nonmajor Governmental Funds	56,910	55,559	-	112,569
Total – Governmental Activities	\$ 347,107	\$ 978,095	\$ 195,341	\$ 1,520,543

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, 2019, 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	\$ 554,837	-	\$ 554,837
Special Revenue	-	144,912	144,412
Total	\$ 554,837	\$ 144,912	\$ 699,249

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Non-depreciable assets				
Land	\$ 2,432,107	\$ -	\$ -	\$ 2,432,107
Construction in progress	<u>125,896</u>	<u>-</u>	<u>(95,129)</u>	<u>30,767</u>
Total non-depreciable assets	<u>2,558,003</u>	<u>-</u>	<u>-</u>	<u>2,462,874</u>
Depreciable assets				
Buildings and improvements	101,373,052	450,578	-	101,823,630
Furniture and equipment	6,256,437	208,863	-	6,465,300
Other capital assets	<u>-</u>	<u>4,962</u>	<u>-</u>	<u>4,962</u>
Total depreciable assets	<u>107,629,489</u>	<u>664,403</u>	<u>-</u>	<u>108,293,892</u>
Totals at historic cost	<u>110,187,492</u>	<u>664,403</u>	<u>(95,129)</u>	<u>110,756,766</u>
Less Accumulated Depreciation:				
Buildings and improvements	(24,766,257)	(2,449,930)	-	(27,216,187)
Furniture and equipment	<u>(4,123,302)</u>	<u>(304,006)</u>	<u>-</u>	<u>(4,427,308)</u>
Total accumulated depreciation	<u>(28,889,559)</u>	<u>(2,753,936)</u>	<u>-</u>	<u>(31,643,495)</u>
Governmental Activities Capital Assets, Net	<u>\$81,297,933</u>	<u>\$ (2,089,533)</u>	<u>\$ (95,129)</u>	<u>\$ 79,113,271</u>

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

D. CAPITAL ASSET ACTIVITY, continued

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,654,992
Instructional resources and media services	26,055
Curriculum development and instructional staff development	21,314
School leadership	110,946
Guidance, counseling and evaluation services	50,825
Health services	16,612
Student transportation	148,157
Food services	72,199
Extracurricular activities	177,902
General administration	59,712
Facilities maintenance and operations	247,476
Security and monitoring service	58,826
Data processing services	98,393
Community services	8,319
Shared service arrangement	2,206
Total Depreciation Expense	<u>\$ 2,753,934</u>

E. 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	\$ 10,900
Tuition receipts	75,700
Total	<u>\$ 86,600</u>

G. CHANGES IN LONG-TERM LIABILITIES

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 66,185,533	\$ -	\$ (1,895,000)	\$ 64,290,533	\$ 1,945,000
Bond premium (discount)	4,317,512	-	(337,411)	3,980,101	-
CAB accretion	218,564	52,577	-	271,141	-
Total Governmental Activities					
Long-term Liabilities	<u>\$ 70,721,609</u>	<u>\$ 55,577</u>	<u>\$ (2,232,411)</u>	<u>\$ 68,541,775</u>	<u>\$ 1,945,000</u>

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

H. BONDS PAYABLE

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 decreased debt service payments for the District by roughly \$1,115,655 with an economic gain of \$899,005.

In January 2015, the District issued \$7,865,000 of Unlimited Tax Refunding Bonds, Series 2015. In addition, the District contributed \$203,408 to reduce current debt obligations. Of those amounts, \$7,865,000 was used to defease a portion of the District's Unlimited Tax and Refunding Bonds, Series 2005, and the remaining funds were utilized to satisfy the current interest obligations. The new bonds bear interest from 2.00% to 3.50% and are due in annual installments ranging from \$250,000 to \$1,000,000 through February 15, 2025. The new issue decreased debt service payments for the District by roughly \$913,562 with an economic gain of \$834,880.

In August 2015, the District issued \$45,140,000 of Unlimited Tax Building and Refunding Bonds, Series 2015. Of the \$45,140,000 bonds issued, \$7,225,000 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 2.00% to 5.00% and are due in annual installments ranging from \$250,000 to \$3,190,000 through August 31, 2045. The new issue decreased debt service payments for the District by roughly \$721,650 with an economic gain of \$549,960.

In May 2016, the District issued \$8,320,000 of Unlimited Tax Refunding Bonds, Series 2016. In addition, the District contributed \$95,192 to reduce current debt obligations. Of those amounts, \$8,575,000 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 2.00% to 4.50% and are due in annual installments ranging from \$131,300 to \$2,400,000 through February 15, 2034. The new issue decreased debt service payments for the District by roughly \$1,877,103 with an economic loss of \$351,991.

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 matured in 2018.

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 matured in 2018.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

H. BONDS PAYABLE, continued

In January 2015, the District defeased a portion of the 2005 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 2025. 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, 2019, was \$8,080,000.

In August 2015, 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 2034. 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, 2019, as \$7,415,000.

In May 2016, 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 2034. 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, 2019, was \$8,575,000.

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	
2020	\$ 1,945,000	\$ 2,506,450	\$ 4,451,450
2021	1,995,000	2,457,025	4,452,025
2022	2,045,000	2,404,238	4,449,238
2023	2,105,000	2,344,969	4,449,969
2024	2,060,533	2,387,767	4,448,300
2025-2029	11,575,000	10,672,063	22,247,063
2030-2034	14,005,000	7,571,819	21,576,819
2035-2039	11,210,000	5,056,750	16,266,750
2040-2044	14,160,000	2,113,200	16,273,200
2045	3,190,000	63,800	3,253,800
Totals	\$ 64,290,533	\$ 37,578,081	\$ 101,868,614

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

H. BONDS PAYABLE, continued

Principal and interest paid during the year ended August 31, 2019, totaled \$1,895,000 and \$2,554,950, respectively.

Bond activity for the year ended August 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
CIB Series 2011	\$ 460,000	\$ -	\$ -	\$ 460,000	-
CAB Series 2011	200,533	-	-	200,533	-
CIB Series 2014	8,315,000	-	(60,000)	8,255,000	65,000
CAB Series 2014	350,000	-	-	350,000	-
CIB Series 2015	5,250,000	-	(900,000)	4,350,000	920,000
CIB Series 2015	43,290,000	-	(935,000)	42,355,000	960,000
CIB Series 2016	8,320,000	-	-	8,320,000	-
Subtotal	66,185,533	-	(1,895,000)	64,290,533	1,945,000
CAB Accretion	218,556	52,577	-	271,133	-
Bond Premium	4,317,520	-	(337,411)	3,980,109	-
Total Bonds Payable	<u>\$ 70,721,609</u>	<u>\$ 52,577</u>	<u>\$ (2,232,411)</u>	<u>\$ 68,541,775</u>	<u>\$ 1,945,000</u>

I. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov> or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2018 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2018.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

I. DEFINED BENEFIT PENSION PLAN, continued

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$209,611,328,793
Less: Plan Fiduciary Net Position	<u>(154,568,901,833)</u>
Net Pension Liability	<u>\$ 55,042,426,960</u>
 Net Position as a percentage of Total Pension Liability	 73.74%

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

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

I. DEFINED BENEFIT PENSION PLAN, continued

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2019 and 2020.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Bullard ISD 2019 Employer Contributions		\$ 410,765
Bullard ISD 2019 Member Contributions		\$ 419,560
Bullard ISD 2019 NECE On-Behalf Contributions		\$ 846,922

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the GAA.

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part, or all, of an employee's salary is paid by federal funding source or a privately sponsored source.

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

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

I. DEFINED BENEFIT PENSION PLAN, continued

Actuarial Assumptions. Roll Forward. A change was made in the measurement date of the total pension liability for the 2018 measurement year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total pension liability to August 31, 2018. This is the first year using the roll forward procedures. The following table discloses the assumptions that were applied to this measurement period:

Valuation Date	August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Rate	7.25%
Municipal Bond Rate as of August 2018	3.69% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO A A Index."
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05%
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate. The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

I. DEFINED BENEFIT PENSION PLAN, continued

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	5.7%	1.04%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.95%	0.8%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	0%	0%	0.0%
Stable Value Hedge Funds	4%	3.09%	0.12%
Cash	1%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.7%	0.02%
Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	0.37%
Commodities	0%	0%	0%
Risk Parity			
Risk Parity	5%	3.7%	0.18%
Inflation Expectation			2.3%
Volatility Drag***			-0.79%
Total	100%		7.25%

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

* Capital Market Assumptions from Aon Hewitt (2017 Q4).

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
BYSD's proportionate share of the net pension liability:	\$ 10,370,751	\$ 6,871,507	\$ 4,038,661

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

I. DEFINED BENEFIT PENSION PLAN, continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2019, the District reported a liability of \$6,871,507 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 6,871,507
State's proportionate share that is associated with the District	<u>13,846,589</u>
Total	\$ <u>20,718,096</u>

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

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.000124840185%, which was an increase of 0.000017111122% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation. Assumptions, methods, and plan changes, which are specific to the Pension Trust Fund, were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

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

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

For the measurement period August 31, 2018, the District recognized pension expense of \$1,370,443 and revenue of \$846,922 for support provided by the State in the Government Wide Statement of Activities.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

I. DEFINED BENEFIT PENSION PLAN, continued

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actuarial experience	\$ 42,831	\$ 168,600
Changes in actuarial assumptions	2,477,509	77,422
Difference between projected and actual investment earnings	357,107	487,489
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,430,526	109
Contributions paid to TRS subsequent to the measurement date	410,765	-
Total	\$ 4,418,738	\$ 733,620

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

Year ended August 31:	Pension Expense Amount
2020	915,539
2021	641,157
2022	560,771
2023	583,524
2024	542,944
Thereafter	330,418

J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.trs.state.tx.us, by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698 or by calling (512) 542-6592.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, continued

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 50,729,490,103
Less: Plan Fiduciary Net Position	<u>(798,574,633)</u>
Net OPEB Liability	<u>\$ 49,930,915,470</u>
 Net Position as a percentage of Total Pension Liability	 1.57%

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

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

The 85th Legislature, Regular Session, passed the following statutory changed in HB 3976, which became effective on September 1, 2017. These are described below under the section “Changes in Benefit Terms”.

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

TRS-Care Plan Premium Rates			
Effective Sept. 1, 2016 - Dec. 31, 2017			
	TRS-Care 1	TRS-Care 2	TRS-Care 3
	<u>Basic Plan</u>	<u>Optional Plan</u>	<u>Optional Plan</u>
Retiree	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, continued

The schedule below shows the monthly rates for a retiree with and without Medicare coverage. These new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018.

TRS-Care Plan Premium Rates		
Effective Jan. 1, 2018 - Dec. 31, 2018		
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
2019 Employer Contributions		\$ 126,094
2019 Member Contributions		\$ 60,742
2019 NECE On-behalf Contributions		\$ 187,159

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, continued

With Senate Bill 1, 85th Legislature, Regular Session, TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. House Bill 30 of the 85th Legislature provided an additional \$212 million in a one-time supplemental funding for the fiscal year 2018-2019 biennium. One-time supplemental contributions during fiscal year 2018 totaled \$394.6 million.

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69% Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO A A Index" as of August 31, 2018.
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of healthcare benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc Post Employment Benefit Changes	None

Discount Rate. A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. The Discount Rate can be found in the 2018 TRS CAFR on page 71. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, continued

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

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate
District's proportionate share of the Net OPEB Liability:	\$11,611,515	\$9,754,759	\$8,285,946

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the Net OPEB Liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$8,101,486	\$9,754,759	\$11,932,155

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2019, the District reported a liability of \$9,754,759 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB Liability	\$ 9,754,759
State's proportionate share that is associated with the District	<u>13,565,637</u>
Total	\$ 23,320,396

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

At August 31, 2018 the employer's proportion of the collective net OPEB liability was 0.000195365107%, which was an increase of 0.000036104053% from its proportion measured as of August 31, 2017.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, continued

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

Adjustments were made for retirees that were known to have discontinued their healthcare coverage in fiscal year 2018. This change increased the Total OPEB Liability.

The healthcare trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.

Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.

The discount rate changed from 3.42% as of August 31, 2017, to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

These can be found in the TRS CAFR.

Changes in Benefit Terms. The 85th Legislature, Regular Session, passed the following statutory changes, which became effective on September 1, 2017:

Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017, and are not eligible to enroll in Medicare.

Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare eligible participants.

Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.

Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.

Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized OPEB expense of \$490,511 and revenue of \$187,159 for support provided by the State.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, continued

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 517,649	\$ 153,944
Changes in actuarial assumptions	162,780	2,930,745
Difference between projected and actual investment earnings	1,706	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,979,913	-
Contributions paid to TRS subsequent to the measurement date	126,094	
Total	<u>\$ 2,788,142</u>	<u>\$ 3,084,689</u>

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

<u>Year ended August 31:</u>	<u>OPEB Expense Amount</u>
2018	\$ 137,625
2019	137,625
2020	137,625
2021	137,625
2022	<u>137,947</u>
Thereafter	\$ (266,311)

K. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

In accordance with GASB Statement Number 24, the District has recognized as revenues and expenditures, contributions made by the State of Texas to TRS on behalf of the District's employees. For the year ended August 31, 2019, the State made contributions of \$1,097,735 related to on-behalf retirement contributions and \$60,742 related to Medicare Part D payments and the Early Retiree Reinsurance Program. These revenues and expenditures are reflected in the fund financial statements for the General Fund.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

L. 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.

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

	<u>Year Ended August 31, 2019</u>	<u>Year Ended August 31, 2018</u>
Unpaid claims at September 1	\$ 121,393	\$ 119,880
Incurred claims (including IBNR)	122,735	38,296
Total Payments	<u>(48,787)</u>	<u>(36,783)</u>
Total Unpaid Claims at August 31	<u>\$ 195,341</u>	<u>\$ 121,393</u>

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:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 12,354,543	\$ 4,857,052	\$ -	\$ 17,211,595
Penalties, Interest, and Other				
Tax-Related Income	134,311	46,422	-	180,733
Investment Income	265,904	50,402	32	316,338
Food Sales	-	-	339,692	339,692
Co-Curricular Student Activities	77,641	-	639,902	717,543
Foundations, Gifts, and Bequests	95,083	-	26,316	121,399
Other	156,401	-	102,024	258,425
Total	<u>\$ 13,083,923</u>	<u>\$ 4,953,876</u>	<u>\$ 1,107,966</u>	<u>\$ 19,145,765</u>

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

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. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 16, 2019, which is the date the financial statements were made available to management.

REQUIRED SUPPLEMENTARY INFORMATION

BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2019

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	\$ 12,622,315	\$ 13,085,935	\$ 13,083,923	\$ (2,012)
5800 State Program Revenues	10,014,821	9,958,701	9,956,793	(1,908)
5900 Federal Program Revenues	125,000	445,000	440,194	(4,806)
5020 Total Revenues	22,762,136	23,489,636	23,480,910	(8,726)
EXPENDITURES:				
Current:				
0011 Instruction	12,345,563	12,519,578	12,459,580	59,998
0012 Instructional Resources and Media Services	221,220	210,940	206,455	4,485
0013 Curriculum and Instructional Staff Development	252,439	253,522	250,564	2,958
0021 Instructional Leadership	342,480	350,630	349,363	1,267
0023 School Leadership	1,344,816	1,328,110	1,322,978	5,132
0031 Guidance, Counseling and Evaluation Services	745,687	746,013	743,341	2,672
0032 Social Work Services	150	150	-	150
0033 Health Services	249,249	249,349	247,800	1,549
0034 Student (Pupil) Transportation	921,107	941,107	924,572	16,535
0035 Food Services	500	975	971	4
0036 Extracurricular Activities	1,094,571	1,158,590	1,154,934	3,656
0041 General Administration	1,337,499	1,402,499	1,394,440	8,059
0051 Facilities Maintenance and Operations	2,974,900	2,639,130	2,596,653	42,477
0052 Security and Monitoring Services	146,013	229,233	222,452	6,781
0053 Data Processing Services	603,942	569,364	565,945	3,419
0061 Community Services	-	161	160	1
Capital Outlay:				
0081 Facilities Acquisition and Construction	180,000	462,389	450,578	11,811
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	2,000	800	793	7
6030 Total Expenditures	22,762,136	23,062,540	22,891,579	170,961
1100 Excess of Revenues Over Expenditures	-	427,096	589,331	162,235
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(45,000)	(50,000)	(45,000)	5,000
1200 Net Change in Fund Balances	(45,000)	377,096	544,331	167,235
0100 Fund Balance - September 1 (Beginning)	6,497,916	6,497,916	6,497,916	-
3000 Fund Balance - August 31 (Ending)	\$ 6,452,916	\$ 6,875,012	\$ 7,042,247	\$ 167,235

RUI LARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.00012484%	0.00010773%	0.00009675%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 6,871,507	\$ 3,444,595	\$ 3,656,024
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	13,846,589	7,832,312	8,949,256
Total	<u>\$ 20,718,096</u>	<u>\$ 11,276,907</u>	<u>\$ 12,605,280</u>
District's Covered Payroll	\$ 16,463,098	\$ 14,796,967	\$ 13,487,072
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	41.71%	23.28%	27.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	77.64%	78.00%

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

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

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
0.000100321%		0.000047516%	
\$ 3,546,214	\$	1,269,218	
8,428,334		6,943,198	
<u>\$ 11,974,548</u>	<u>\$</u>	<u>8,212,416</u>	
\$ 12,732,153	\$	11,944,803	
27.85%		11.00%	
78.43%		83.25%	

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

	2019	2018	2017
Contractually Required Contribution	\$ 410,765	\$ 407,000	\$ 339,359
Contribution in Relation to the Contractually Required Contribution	(410,765)	(407,000)	(339,359)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 16,474,436	\$ 16,463,098	\$ 14,796,767
Contributions as a Percentage of Covered Payroll	0.02%	0.02%	0.02%

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

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

	2016	2015
\$	307,398	\$ 297,054
	(307,398)	(297,054)
\$	-	\$ -
\$	13,487,072	\$ 12,732,153
	0.02%	0.02%

BULLARD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.000195365%	0.000159261%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 9,754,759	\$ 6,925,666
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	13,565,637	11,460,979
Total	<u>\$ 23,320,396</u>	<u>\$ 18,386,645</u>
District's Covered Payroll	\$ 16,463,098	\$ 14,796,967
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	59.25%	46.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

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

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

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

	2019	2018	2017
Contractually Required Contribution	\$ 126,094	\$ 126,748	\$ 82,800
Contribution in Relation to the Contractually Required Contribution	(126,094)	(126,748)	(82,800)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 16,474,436	\$ 16,463,098	\$ 14,796,767
Contributions as a Percentage of Covered Payroll	0.01%	0.01%	0.01%

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

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2019**

BUDGETARY DATA

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 balance by approximately \$422 thousand, with the most significant changes occurring in instruction, student (pupil) transportation, extracurricular activities, security and monitoring services, 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, 2019.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2019**

GASB 68

Changes of benefit terms.

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

Changes of assumptions.

Assumptions, methods, and plan changes, which are specific to the Pension Trust Fund, were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2019**

GASB 75

Changes of benefit terms.

The 85th Legislature, Regular Session, passed the following statutory changes, which became effective on September 1, 2017:

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

Changes of assumptions.

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

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

COMBINING STATEMENTS

BULLARD INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS			
1110 Cash and Cash Equivalents	\$ (21,846)	\$ (37,084)	\$ (5)
1240 Due from Other Governments	40,669	69,222	5
1290 Other Receivables	-	-	-
1000 Total Assets	<u>\$ 18,823</u>	<u>\$ 32,138</u>	<u>\$ -</u>
LIABILITIES			
2110 Accounts Payable	\$ 191	\$ -	\$ -
2160 Accrued Wages Payable	18,632	32,138	-
2170 Due to Other Funds	-	-	-
2000 Total Liabilities	<u>18,823</u>	<u>32,138</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 18,823</u>	<u>\$ 32,138</u>	<u>\$ -</u>

EXHIBIT H-1 (Cont'd)

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ -	\$ (57,826)	\$ -	\$ (4,601)	\$ (1,786)	\$ (9,758)	\$ -	\$ 263,082
-	18,312	-	5,160	1,786	9,758	-	-
-	100,425	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 60,911</u>	<u>\$ -</u>	<u>\$ 559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,082</u>
\$ -	\$ 53,151	\$ -	\$ 559	\$ -	\$ -	\$ -	\$ -
-	4,789	-	-	-	-	-	-
-	6	-	-	-	-	-	-
-	57,946	-	559	-	-	-	-
-	3,602	-	-	-	-	-	-
-	-	-	-	-	-	-	226,621
-	(637)	-	-	-	-	-	36,461
-	2,965	-	-	-	-	-	263,082
<u>\$ -</u>	<u>\$ 60,911</u>	<u>\$ -</u>	<u>\$ 559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,082</u>

BULLARD INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2019

Data Control Codes	492	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 3,009	\$ 133,185
1240 Due from Other Governments	-	144,912
1290 Other Receivables	-	100,425
1000 Total Assets	<u>\$ 3,009</u>	<u>\$ 378,522</u>
LIABILITIES		
2110 Accounts Payable	\$ 3,009	\$ 56,910
2160 Accrued Wages Payable	-	55,559
2170 Due to Other Funds	-	6
2000 Total Liabilities	<u>3,009</u>	<u>112,475</u>
FUND BALANCES		
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	3,602
Committed Fund Balance:		
3545 Other Committed Fund Balance	-	226,621
3600 Unassigned Fund Balance	-	35,824
3000 Total Fund Balances	<u>-</u>	<u>266,047</u>
4000 Total Liabilities and Fund Balances	<u>\$ 3,009</u>	<u>\$ 378,522</u>

BULLARD INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	308,298	436,604	1,996
5020 Total Revenues	<u>308,298</u>	<u>436,604</u>	<u>1,996</u>
EXPENDITURES:			
Current:			
0011 Instruction	285,217	214,582	1,996
0013 Curriculum and Instructional Staff Development	20,530	-	-
0021 Instructional Leadership	502	-	-
0023 School Leadership	-	-	-
0031 Guidance, Counseling and Evaluation Services	1,088	221,768	-
0032 Social Work Services	191	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	-	-	-
0041 General Administration	770	-	-
0052 Security and Monitoring Services	-	-	-
6030 Total Expenditures	<u>308,298</u>	<u>436,350</u>	<u>1,996</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	254	-
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	-
1200 Net Change in Fund Balance	-	254	-
0100 Fund Balance - September 1 (Beginning)	-	(254)	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-2 (Cont'd)

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ -	\$ 441,747	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 639,902
-	5,542	-	-	-	287,529	700	-
48,135	526,757	23,782	51,747	19,261	-	-	-
48,135	974,046	23,782	51,747	19,261	287,529	700	639,902
48,135	-	23,201	-	9,098	287,529	700	-
-	-	581	34,309	525	-	-	-
-	-	-	-	-	-	-	-
-	-	-	17,438	-	-	-	-
-	-	-	-	9,400	-	-	-
-	-	-	-	-	-	-	-
-	1,019,937	-	-	-	-	-	-
-	-	-	-	-	-	-	603,441
-	-	-	-	-	-	-	-
-	-	-	-	238	-	-	-
48,135	1,019,937	23,782	51,747	19,261	287,529	700	603,441
-	(45,891)	-	-	-	-	-	36,461
-	45,000	-	-	-	-	-	-
-	(891)	-	-	-	-	-	36,461
-	3,856	-	-	-	-	-	226,621
\$ -	\$ 2,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263,082

BULLARD INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	492	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 26,317	\$ 1,107,966
5800 State Program Revenues	-	293,771
5900 Federal Program Revenues	-	1,416,580
5020 Total Revenues	<u>26,317</u>	<u>2,818,317</u>
EXPENDITURES:		
Current:		
0011 Instruction	26,943	897,401
0013 Curriculum and Instructional Staff Development	-	55,945
0021 Instructional Leadership	-	502
0023 School Leadership	-	17,438
0031 Guidance, Counseling and Evaluation Services	-	232,256
0032 Social Work Services	-	191
0035 Food Services	-	1,019,937
0036 Extracurricular Activities	-	603,441
0041 General Administration	-	770
0052 Security and Monitoring Services	-	238
6030 Total Expenditures	<u>26,943</u>	<u>2,828,119</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(626)	(9,802)
OTHER FINANCING SOURCES (USES):		
7915 Transfers In	-	45,000
1200 Net Change in Fund Balance	(626)	35,198
0100 Fund Balance - September 1 (Beginning)	<u>626</u>	<u>230,849</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 266,047</u>

REQUIRED TEA SCHEDULES

BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31	Tax Rates		(3) Assessed/Appraised Value for School Tax Purposes
	(1) Maintenance	(2) Debt Service	
2010 and prior years	Various	Various	\$ 4,214,977,852
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	1.170000	0.300000	851,433,902
2015	1.170000	0.300000	902,627,418
2016	1.170000	0.300000	918,367,475
2017	1.170000	0.500000	1,003,721,975
2018	1.170000	0.500000	1,082,014,686
2019 (School year under audit)	1.170000	0.500000	1,140,838,040
1000 TOTALS			

	(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$	428,935	\$ -	\$ 7,447	\$ 2,027	\$ (24,847)	\$ 394,614
	56,800	-	2,242	575	(1,508)	52,475
	67,046	-	4,284	1,098	(1,358)	60,306
	65,539	-	4,723	1,211	(920)	58,685
	78,392	-	7,998	2,051	(202)	68,141
	94,361	-	11,845	3,037	3,701	83,180
	120,780	-	18,793	8,031	5,210	99,166
	169,986	-	32,403	13,847	4,127	127,863
	322,155	-	104,517	44,665	280	173,253
	-	17,343,256	12,212,245	4,801,395	(11,871)	317,745
\$	<u>1,403,994</u>	\$ <u>17,343,256</u>	\$ <u>12,406,497</u>	\$ <u>4,877,937</u>	\$ <u>(27,388)</u>	\$ <u>1,435,428</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, 2019

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	\$ 502,715	\$ 462,715	\$ 441,747	\$ (20,968)
5800 State Program Revenues	5,000	5,635	5,542	(93)
5900 Federal Program Revenues	576,677	534,107	526,757	(7,350)
5020 Total Revenues	1,084,392	1,002,457	974,046	(28,411)
EXPENDITURES:				
Current:				
0035 Food Services	981,583	1,021,583	1,019,937	1,646
6030 Total Expenditures	981,583	1,021,583	1,019,937	1,646
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	102,809	(19,126)	(45,891)	(26,765)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	50,000	45,000	(5,000)
1200 Net Change in Fund Balances	102,809	30,874	(891)	(31,765)
0100 Fund Balance - September 1 (Beginning)	3,856	3,856	3,856	-
3000 Fund Balance - August 31 (Ending)	\$ 106,665	\$ 34,730	\$ 2,965	\$ (31,765)

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, 2019

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	\$ 4,850,025	\$ 4,965,525	\$ 4,953,876	\$ (11,649)
5800 State Program Revenues	139,505	139,505	134,394	(5,111)
5020 Total Revenues	4,989,530	5,105,030	5,088,270	(16,760)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	1,895,000	1,895,000	1,895,000	-
0072 Interest on Long-Term Debt	2,544,950	2,554,950	2,554,950	-
0073 Bond Issuance Cost and Fees	3,500	4,500	4,426	74
6030 Total Expenditures	4,443,450	4,454,450	4,454,376	74
1200 Net Change in Fund Balances	546,080	650,580	633,894	(16,686)
0100 Fund Balance - September 1 (Beginning)	552,308	552,308	552,308	-
3000 Fund Balance - August 31 (Ending)	\$ 1,098,388	\$ 1,202,888	\$ 1,186,202	\$ (16,686)

FEDERAL AWARDS SECTION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing 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, WILHELM I AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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*.

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, P.L.L.C

Tyler, Texas
December 16, 2019

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

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 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, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2019.

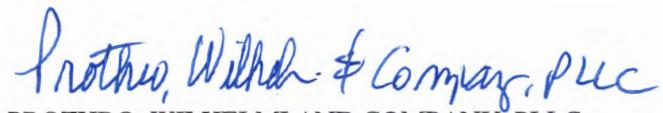
Report on Internal Control Over Compliance

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 of compliance, 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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


PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
December 16, 2019

**BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ 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 auditors’ report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

FEDERAL	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553	National School Breakfast Program
10.555	National School Lunch Program
	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
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Auditee qualified as low-risk auditee?	Yes
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**BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019**

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

**BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL
FOR THE YEAR ENDED AUGUST 31, 2019**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101212902	\$ 272,159
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101212902	34,581
Total CFDA Number 84.010A			306,740
Special Education Cluster			
IDEA - Part B, Formula*	84.027	19660001212902600	356,600
IDEA - Part B, Formula*	84.027	186600012129026000	47,612
IDEA - Part B, High Cost*	84.027A	2265431907004	14,000
Total CFDA Number 84.027			418,212
IDEA - B PreSchool*	84.173	186610012129026000	1,991
IDEA - B PreSchool*	84.173	196610012129026000	5
Total CFDA Number 84.173			1,996
Total Special Education Cluster (IDEA)			420,208
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	19694501212902	40,875
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	18694501212902	10,872
Total CFDA Number 84.367A			51,747
ESEA, Title IV, Part A	84.424	19680101202902	19,261
Total CFDA 84.424			19,261
Carl Perkins Basic Grant	84.048	19420006212902	23,782
Total CFDA Number 84.048			23,782
Total Passed Through State Department of Education			821,738
TOTAL DEPARTMENT OF EDUCATION			821,738
U.S. DEPARTMENT OF AGRICULTURE			
<u>Direct Programs</u>			
Food Distributions Cluster			
Commodity Supplemental Food Program*	10.565	N/A	56,520
Total Food Distribution Cluster			56,520
<u>Passed Through the State Department of Agriculture</u>			
Child Nutrition Cluster			
National School Lunch Program*	10.555	N/A	346,126
National School Breakfast Program*	10.553	N/A	124,110
Total Child Nutrition Cluster			470,236
Total Passed Through the State Department of Agriculture			470,236
TOTAL DEPARTMENT OF AGRICULTURE			526,756
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,348,494

*Clustered Programs as required by Compliance Supplement August, 2019

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019**

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 primarily 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 program, including commodities. Additionally, when program funds are received, they are recorded as deferred revenues until earned, unless previously earned as aforementioned.

3. The period of performance for federal funds, for the purpose of liquidation of outstanding obligations that were made on or before the ending date of the federal project period, extended 30 days beyond the federal project period ending date, are in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, Uniform Guidance Compliance Statement.
4. Catalog of Federal Domestic Assistance (CFDA) numbers for commodity assistance are the CFDA numbers of the programs under which USDA provided the commodities.
5. The District has elected not to use the 10% de minimis indirect cost rate.