

**BULLARD INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

AUGUST 31, 2016

**BULLARD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016**

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Certificate of Board.....	i
	<u>Financial Section</u>	
	Independent Auditors' Report.....	ii
	Management's Discussion and Analysis.....	v
	<u>Basic Financial Statements</u>	
	Government-Wide Statements:	
A-1	Statement of Net Position	1
B-1	Statement of Activities.....	2
	Governmental Fund Financial Statements:	
C-1	Balance Sheet.....	3
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	5
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	6
C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	8
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Position	9
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Position	10
D-3	Statement of Cash Flows	11
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position	12
	Notes to the Financial Statements	13
	<u>Required Supplementary Information</u>	
G-1	Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund.....	39
G-2	Schedule of the District's Proportionate Share of the Net Pension Liability.....	40
G-3	Schedule of District Contributions.....	41
	Notes to Required Supplementary Information	42
	<u>Combining Statements</u>	
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet.....	44
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	46
	<u>Required TEA Schedules</u>	
J-1	Schedule of Delinquent Taxes Receivable.....	48
J-2	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Child Nutrition Program	50
J-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Debt Service Fund.....	51

**BULLARD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016**

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	<u>Federal Awards Section</u>	
	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52
	Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	54
	Schedule of Findings and Questioned Costs	56
K-1	Schedule of Expenditures of Federal Awards	58
	Notes to Schedule of Expenditures of Federal Awards.....	59

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, 2016, at a meeting of the Board of Trustees of such school district on the 12th day of December, 2016.

Karen Padrucco
Signature of Board Secretary

[Handwritten Signature]
Signature of Board President

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for Bullard Independent School District (the "District"), as of and for the year ended August 31, 2016, 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.

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, 2016, 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, and Teacher's Retirement schedules 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.

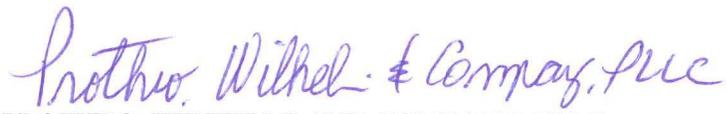
The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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.

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

Bullard Independent School District
Board of Trustees

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, 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.

A handwritten signature in purple ink that reads "Prothro, Wilhelmi & Company, PLLC".

PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
November 28, 2016

BULLARD INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Bullard Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

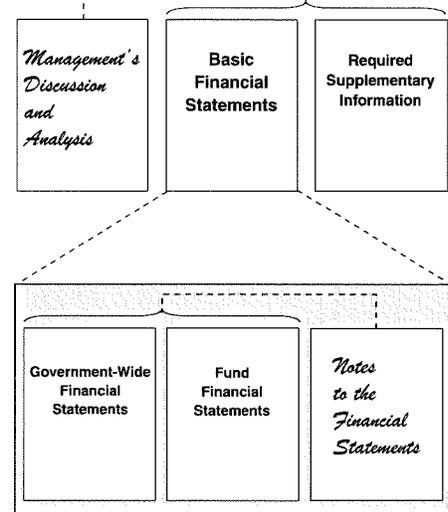
- The District's total combined net position was approximately \$15.8 million at August 31, 2016.
- The General Fund reported a fund balance this year of approximately \$6.9 million, which is a decrease in fund balance of approximately \$1.1 million from the prior year.
- The District completed a bond project which added a new Primary Campus and provided additions/renovations to four other campuses and a maintenance/transportation building.
- The District purchased approximately 100 acres for a future building site.
- The District changed to Chromebook computers at High School and Middle School campuses as a more cost effective means to address the one to one initiative.
- The District anticipates staying within its budget during the 2016-2017 school year even though the growth of students may be greater than expected.
- Over the past 10 years the District's student enrollment increased at a rate of 4% to 5%.
- In 2016, total property value of Bullard ISD increased over 8%, which is the largest increase in the Smith county area.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements, notes to those statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the District's operations in more detail than the Government-Wide Statements.
 - The Governmental Fund Statements tell how general government services were financed in the short term as well as what remains for future spending.
 - The Proprietary Fund Statements offer financial information about the internal service fund used to report activities that provide services to organizations within the District.
 - The Fiduciary Fund Statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 on page v shows how the required parts of this annual report are arranged and related to one another.

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

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

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

Government-Wide Financial Statements

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

The two government-wide statements report the District’s net position and how it has changed. Net position, the District’s assets and deferred outflows of resources less its liabilities and deferred inflows of resources, is one way to measure the District’s financial health or position.

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

In the government-wide financial statements, all of the District’s activities are reported as governmental activities. Governmental activities include the District’s basic services, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

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

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

The District has three types of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District’s combined net position was approximately \$15.8 million at August 31, 2016. (See Table A-1).

Table A-1

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

	Governmental Activities	
	2016	2015
Current and Other Assets	\$ 13,856	\$ 45,263
Capital and Non-Current Assets	83,587	47,592
Total Assets	97,443	92,855
Deferred Charge for Refunding	1,823	1,585
Deferred Outflow Related to TRS	2,181	399
Total Deferred Outflows of Resources	4,004	1,984
Current Liabilities	7,292	2,821
Long Term Liabilities	78,089	77,213
Total Liabilities	85,381	80,034
Deferred Inflow Related to TRS	264	388
Total Deferred Inflows of Resources	264	388
Net Position		
Invested in Capital Assets, Net of Related Debt	8,864	6,578
Restricted	174	178
Unrestricted	6,764	7,661
Total Net Position	\$ 15,802	\$ 14,417

The \$6.8 million of unrestricted net position represents resources available to fund the programs and the remaining construction projects of the District next year.

Change in Net Position. The District’s total revenues were \$27.9 million. A significant portion, 51%, of the District’s revenue comes from taxes. Another 32% comes from state aid – formula grants, while only 7% relates to operating grants and contributions and 4% relates to charges for services.

The total cost of all programs and services was \$26.5 million; 65% of these costs are for instructional and student services.

Governmental Activities

- Property tax assessment increased to \$1.67 which was comprised of \$1.17 for maintenance and operation and \$0.50 for interest and sinking.

Table A-2

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

	Governmental Activities	
	2016	2015
Revenues		
Program Revenues:		
Charges for Services	\$ 1,203	\$ 1,218
Operating Grants and Contributions	2,035	2,055
General Revenues:		
Property Taxes	14,257	12,672
Grants and Contributions Not Restricted	10,202	8,587
Investment Earnings	111	52
Other	59	49
Total Revenues	27,867	24,633
Expenses		
Instruction and Instructional Related	13,615	11,997
Instructional/School Leadership	1,730	1,434
Guidance, Social Work, Health, Transportation	1,402	1,398
Food Services	955	936
Extracurricular Activities	1,630	1,817
General Administration	1,074	885
Facilities Maintenance and Security	2,738	2,477
Data Processing Services	629	414
Community Services	36	12
Debt Service	2,401	2,702
Payments to Fiscal Agent Member Districts - Shared Service	270	259
Payments to Juvenile Justice Alternative Ed. Prg.	2	-
Total Expenses	26,482	23,787
Change in Net Position	1,385	302
Beginning Net Position	14,417	15,553
Reclassification – Prior Period GASB 68	-	(1,438)
Ending Net Position	\$ 15,802	\$ 14,417

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

- The cost of all governmental activities this year was \$26.5 million.
- The amount that our taxpayers paid for these activities through property taxes was \$14.3 million.
- Some of the cost was paid by those who directly benefited from the programs (\$1.2 million), or through grants and contributions (\$2.0 million).

Table A-3

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

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$ 13,615	\$ 11,997	\$ 12,301	\$ 10,600
School Leadership	231	921	222	872
Food Services	955	936	545	526
Student (Pupil) Transportation	652	740	627	716
Extracurricular Activities	1,630	1,817	1,521	1,699
General Administration	1,074	885	1,051	861
Facilities Maintenance and Operations	2,668	2,392	2,575	2,319
Debt Service – Interest on Long-Term Debt	2,337	1,828	2,337	1,828

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Revenues from governmental fund types totaled \$27.5 million (See Exhibit C-3 of the audit report), an increase of \$2.9 million or 12% more than the preceding year. The increase in local revenues is a result of an increase in property tax revenue and the increase in state program revenue is due to an increase in Foundation School Program Act entitlements and student growth.

General Fund Budgetary Highlights

Over the course of the year, the District amended its budgeted revenues and expenditures several times. As a result of the budget changes, the District’s General Fund projected balance decreased approximately \$1.6 million.

Resources available were approximately \$108 thousand below the final budgeted amount:

- Local and intermediate revenues were below the final budgeted amount by \$48 thousand.
- State funding was below the final budgeted amount by \$42 thousand.
- Federal funding was below the final budgeted amount by \$13 thousand.

Resources consumed were approximately \$531 thousand below the final budgeted amount:

- Instruction costs were below the final budgeted amount by \$31 thousand.
- Facilities acquisition and construction costs were below the final budgeted amount by \$402 thousand.

The resources from the net change in fund balance were \$452 thousand better than the final budget projections.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had invested approximately \$107 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

Table A-4

District's Capital Assets
(in thousands of dollars)

	Governmental Activities	
	2016	2015
Land	\$ 2,432	\$ 829
Construction in Progress	-	3,206
Buildings and Improvements	99,078	58,484
Furniture and Equipment	5,599	4,676
Totals at Historical Cost	107,109	67,195
Less Accumulated Depreciation	(23,522)	(22,140)
Net Capital Assets	\$ 83,587	\$ 45,055

Long Term Debt

Table A-5

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

	Governmental Activities	
	2016	2015
Due within one year	\$ 2,004	\$ 1,511
Due in more than one year	74,543	75,944
	\$ 76,547	\$ 77,455

During the year ended August 31, 2016, the District issued refunding bonds in the amount of \$8 million. Proceeds from bonds have been and will continue to be used to construct school facilities. At year-end, the District had approximately \$75.6 million in bonds outstanding as shown in Table A-5. Additionally, at year-end, the District had about \$900 thousand outstanding related to the purchase of 100 acres for future expansion. More detailed information about the District's debt is presented in the Notes to the Financial Statements on page 25.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised property value used for the 2016 budget preparation will be up \$85.3 million, or 9%. The total tax rate will remain at \$1.67.
- The District's 2016-17 school year refined average daily attendance is expected to be 2,428, up approximately 3.5% from 2015-16.

These indicators were taken into account when adopting the General Fund budget for 2017. Amounts available for appropriation in the General Fund budget are \$21,788,000, a decrease in expenditures of approximately \$1.9 million over the final 2016 budget of \$23,688,471. Property tax revenue will increase due to increased property values. State revenue is expected to increase due to increased ADA and Special Program FTE's. The largest expenditure increases will be for payroll expenses.

If these estimates are realized, the District's budgetary General Fund balance is expected to remain the same at the close of 2017. The Board of Trustees has carefully planned to maintain the three month operating costs fund balance as suggested by TEA.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

BULLARD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 4,404,583
1120 Current Investments	6,943,842
1220 Property Taxes Receivable (Delinquent)	1,436,774
1230 Allowance for Uncollectible Taxes	(21,552)
1240 Due from Other Governments	1,056,990
1290 Other Receivables, net	10,150
1300 Inventories	25,107
Capital Assets:	
1510 Land	2,432,107
1520 Buildings, Net	79,121,600
1530 Furniture and Equipment, Net	2,033,411
1000 Total Assets	97,443,012
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	1,823,200
1705 Deferred Outflow Related to TRS	2,181,373
1700 Total Deferred Outflows of Resources	4,004,573
LIABILITIES	
2110 Accounts Payable	4,013,622
2140 Interest Payable	116,869
2160 Accrued Wages Payable	1,004,523
2200 Accrued Expenses	23,342
2300 Unearned Revenue	28,752
2400 Payable from Restricted Assets	101,685
Noncurrent Liabilities	
2501 Due Within One Year	2,004,038
2502 Due in More Than One Year	74,542,686
2540 Net Pension Liability (District's Share)	3,546,214
2000 Total Liabilities	85,381,731
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	263,797
2600 Total Deferred Inflows of Resources	263,797
NET POSITION	
3200 Net Investment in Capital Assets	8,863,601
3820 Restricted for Federal and State Programs	123,370
3850 Restricted for Debt Service	51,287
3900 Unrestricted	6,763,799
3000 Total Net Position	\$ 15,802,057

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, 2016

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Position

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 13,615,340	\$ 149,595	\$ 1,164,504	\$ (12,301,241)
12 Instructional Resources and Media Services	231,471	-	9,270	(222,201)
13 Curriculum and Staff Development	352,935	-	48,284	(304,651)
21 Instructional Leadership	41,477	-	1,085	(40,392)
23 School Leadership	1,102,679	-	53,154	(1,049,525)
31 Guidance, Counseling and Evaluation Services	514,762	-	23,530	(491,232)
32 Social Work Services	2,862	-	139	(2,723)
33 Health Services	231,035	-	12,425	(218,610)
34 Student (Pupil) Transportation	652,357	-	25,492	(626,865)
35 Food Services	955,227	958,397	541,733	544,903
36 Extracurricular Activities	1,630,312	79,494	29,977	(1,520,841)
41 General Administration	1,074,082	-	23,304	(1,050,778)
51 Facilities Maintenance and Operations	2,667,550	15,141	77,059	(2,575,350)
52 Security and Monitoring Services	70,431	-	139	(70,292)
53 Data Processing Services	629,404	-	23,276	(606,128)
61 Community Services	36,260	-	1,306	(34,954)
72 Debt Service - Interest on Long Term Debt	2,337,248	-	-	(2,337,248)
73 Debt Service - Bond Issuance Cost and Fees	64,123	-	-	(64,123)
93 Payments related to Shared Services Arrangements	270,233	-	-	(270,233)
95 Payments to Juvenile Justice Alternative Ed. Prg.	2,086	-	-	(2,086)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 26,481,874	\$ 1,202,627	\$ 2,034,677	(23,244,570)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	10,001,486
DT	Property Taxes, Levied for Debt Service	4,255,143
SF	State Aid - Formula Grants	9,041,966
GC	Grants and Contributions not Restricted	1,160,788
IE	Investment Earnings	110,796
MI	Miscellaneous Local and Intermediate Revenue	59,348
TR	Total General Revenues	24,629,527
CN	Change in Net Position	1,384,957
NB	Net Position - Beginning	14,417,100
NE	Net Position--Ending	\$ 15,802,057

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

BULLARD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,157,954	\$ 74,504	\$ 3,149,772
1120 Investments - Current	6,943,842	-	-
1220 Property Taxes - Delinquent	1,106,657	330,117	-
1230 Allowance for Uncollectible Taxes (Credit)	(16,600)	(4,952)	-
1240 Receivables from Other Governments	665,618	65	-
1260 Due from Other Funds	25,766	-	-
1290 Other Receivables	7,367	1,718	666
1300 Inventories	-	-	-
1000 Total Assets	<u>\$ 9,890,604</u>	<u>\$ 401,452</u>	<u>\$ 3,150,438</u>
LIABILITIES			
2110 Accounts Payable	\$ 821,394	\$ -	\$ 3,149,772
2160 Accrued Wages Payable	944,946	-	-
2170 Due to Other Funds	-	25,000	666
2300 Unearned Revenues	28,752	-	-
2400 Payable from Restricted Assets	101,685	-	-
2000 Total Liabilities	<u>1,896,777</u>	<u>25,000</u>	<u>3,150,438</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,090,058	325,165	-
2600 Total Deferred Inflows of Resources	<u>1,090,058</u>	<u>325,165</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3445 Other Non-Spendable Fund Balance	-	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	51,287	-
Committed Fund Balance:			
3510 Construction	2,000,000	-	-
3545 Other Committed Fund Balance	1,001,826	-	-
Assigned Fund Balance:			
3560 Claims and Judgments	101,685	-	-
3600 Unassigned Fund Balance	3,800,258	-	-
3000 Total Fund Balances	<u>6,903,769</u>	<u>51,287</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 9,890,604</u>	<u>\$ 401,452</u>	<u>\$ 3,150,438</u>

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

Other Funds	Total Governmental Funds
\$ 22,253	\$ 4,404,483
-	6,943,842
-	1,436,774
-	(21,552)
391,307	1,056,990
-	25,766
399	10,150
25,107	25,107
<u>\$ 439,066</u>	<u>\$ 13,881,560</u>
\$ 42,456	\$ 4,013,622
59,577	1,004,523
-	25,666
-	28,752
-	101,685
<u>102,033</u>	<u>5,174,248</u>
-	1,415,223
-	1,415,223
25,107	25,107
86,731	86,731
-	51,287
-	2,000,000
225,195	1,227,021
-	101,685
-	3,800,258
<u>337,033</u>	<u>7,292,089</u>
<u>\$ 439,066</u>	<u>\$ 13,881,560</u>

BULLARD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	7,292,089
1 Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Details of these assets are included in the notes to the financial statements and can be found in Note II: F. The net effect of including capital assets (net of depreciation) is to increase net position.		83,587,118
2 Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet. Interest payable is comprised of \$116,869 plus the accrued interest on the current year refunding bond of \$23,342, The net effect of including interest payable is to decrease net position. See Exhibit A-1.		(140,211)
3 Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Details of these liabilities are included in the notes to the financial statements and can be found in Note II:G. The net effect of including long term liabilities is to decrease net position.		(76,546,724)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$3,546,214, a Deferred Resource Outflow related to TRS in the amount of \$2,181,373 and a Deferred Resource Inflow related to TRS in the amount of \$263,797. This amounted to a decrease in Net Position in the amount of \$1,628,638.		(1,628,638)
5 Taxes from current and prior year levies assumed to be collectible are reclassified from deferred inflows of resources. The net effect of this reclassification is to increase net position.		1,415,223
6 Refunding gains/losses are reclassified from long-term debt to deferred outflows of resources. The net effect of these reclassification is to increase net position.		1,823,200
19 Net Position of Governmental Activities	\$	15,802,057

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

BULLARD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 10,481,414	\$ 4,255,291	\$ 41,490
5800	State Program Revenues	10,371,788	92,060	-
5900	Federal Program Revenues	147,294	-	-
5020	Total Revenues	<u>21,000,496</u>	<u>4,347,351</u>	<u>41,490</u>
EXPENDITURES:				
Current:				
0011	Instruction	11,441,364	-	-
0012	Instructional Resources and Media Services	200,497	-	-
0013	Curriculum and Instructional Staff Development	272,626	-	-
0021	Instructional Leadership	20,427	-	-
0023	School Leadership	980,163	-	-
0031	Guidance, Counseling and Evaluation Services	447,701	-	-
0032	Social Work Services	2,862	-	-
0033	Health Services	209,982	-	-
0034	Student (Pupil) Transportation	621,075	-	-
0035	Food Services	864	-	-
0036	Extracurricular Activities	889,505	-	-
0041	General Administration	1,012,745	-	-
0051	Facilities Maintenance and Operations	2,442,413	-	-
0052	Security and Monitoring Services	55,569	-	-
0053	Data Processing Services	620,170	-	-
0061	Community Services	22,980	-	-
Debt Service:				
0071	Principal on Long Term Debt	95,612	1,510,791	-
0072	Interest on Long Term Debt	9,973	3,086,416	-
0073	Bond Issuance Cost and Fees	-	155,231	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	3,269,036	-	36,835,677
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	270,233	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	2,086	-	-
6030	Total Expenditures	<u>22,887,883</u>	<u>4,752,438</u>	<u>36,835,677</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,887,387)</u>	<u>(405,087)</u>	<u>(36,794,187)</u>
OTHER FINANCING SOURCES (USES):				
7901	Refunding Bonds Issued	-	8,320,000	-
7914	Non-Current Loans	1,000,000	-	-
7915	Transfers In	-	225,000	-
7916	Premium or Discount on Issuance of Bonds	-	668,864	-
7917	Prepaid Interest	-	23,342	-
8911	Transfers Out (Use)	(225,000)	-	-
8949	Other (Uses)	-	(8,835,883)	-
7080	Total Other Financing Sources (Uses)	<u>775,000</u>	<u>401,323</u>	<u>-</u>
1200	Net Change in Fund Balances	<u>(1,112,387)</u>	<u>(3,764)</u>	<u>(36,794,187)</u>
0100	Fund Balance - September 1 (Beginning)	<u>8,016,156</u>	<u>55,051</u>	<u>36,794,187</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 6,903,769</u>	<u>\$ 51,287</u>	<u>\$ -</u>

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

Other Funds	Total Governmental Funds
\$ 992,560	\$ 15,770,755
237,812	10,701,660
890,859	1,038,153
2,121,231	27,510,568
599,680	12,041,044
-	200,497
36,931	309,557
-	20,427
-	980,163
-	447,701
-	2,862
-	209,982
-	621,075
877,477	878,341
612,706	1,502,211
-	1,012,745
-	2,442,413
-	55,569
-	620,170
-	22,980
-	1,606,403
-	3,096,389
-	155,231
-	40,104,713
-	270,233
-	2,086
2,126,794	66,602,792
(5,563)	(39,092,224)
-	8,320,000
-	1,000,000
-	225,000
-	668,864
-	23,342
-	(225,000)
-	(8,835,883)
-	1,176,323
(5,563)	(37,915,901)
342,596	45,207,990
\$ 337,033	\$ 7,292,089

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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	(37,915,901)
Current year capital outlays are expenditures in the fund statements, but they should be shown as increases in capital assets in the government wide statement of activities. Refer to Note II:F.		40,277,582
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. See Note II:F.		(1,741,013)
Governmental funds report the effect of bond issuance and related repayments, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This adjustment increases net position. This amount includes the total of principal payments of \$893,509, amortization and accretion of capital bonds \$192,041, and amortization of bond premium \$107,297, issuance of refunding bond \$(53,005,000), payments to bond refunding escrow agent \$15,907,735, premium on issuance of refunding bond \$(3,789,235), amortization of deferred charge on refunding and expense of debt issuance costs \$(112,192).		1,146,047
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because the interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the decrease in accrued interest from the beginning of the period to the end of the period.		134,280
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include adjusting current year revenue to show the revenue earned for the current year's tax levy (\$140,742) and loss on disposal of capital assets (4,950). The net effect of these reclassifications is to decrease net position.		(145,692)
Current year changes due to GASB 68 required credits to expenses in the amount of \$1,108,332 and debits to expenses in the amount of \$1,975,683 and debits to revenues in the amount of \$703,897 and credits to revenues in the amount of \$1,200,902. This results in a decrease in the change in ending net position of 370,346.		(370,346)
Change in Net Position of Governmental Activities	\$	1,384,957

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, 2016

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 100
Total Assets	100
LIABILITIES	
Current Liabilities:	
Due to Other Funds	100
Total Liabilities	100

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, 2016

	Governmental Activities -	
	Internal Service Fund	
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 38,114	
Total Operating Revenues	38,114	
OPERATING EXPENSES:		
Professional and Contracted Services	38,114	
Total Operating Expenses	38,114	

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, 2016

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 38,114
Cash Payments for Insurance Claims	(38,114)
Net Cash Provided by Operating Activities	-
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	100
Cash and Cash Equivalents at End of Year	\$ 100
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss):	\$ -

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, 2016

EXHIBIT E-1

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 89,541
Total Assets	<u>\$ 89,541</u>
LIABILITIES	
Due to Student Groups	\$ 89,541
Total Liabilities	<u>\$ 89,541</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, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bullard Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas and is governed by a seven member Board of Trustees (the "Board"). The District prepares its basic financial statements in conformity with United States generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in *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.

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.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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.

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

D. FUND ACCOUNTING

The District reports the following major governmental funds:

- **The General Fund** - The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program, and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.
- **Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a Debt Service Fund, which is a budgeted fund. Revenues include collections on property taxes and earnings on investments of the fund. The fund balance represents amounts that will be used for retirement of bonds and payment of interest in the future.
- **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund types:

Governmental Funds:

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. FUND ACCOUNTING, continued

Proprietary Funds:

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

Fiduciary Funds:

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

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

- **Nonspendable fund balance** - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact. As of August 31, 2016, nonspendable fund balance was \$25,107.
- **Restricted fund balance** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** - amounts constrained to specific purposes by the Board, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint. At August 31, 2016, committed fund balance consisted of the following:

	General Fund	Nonmajor Funds
Construction	\$ 2,000,000	\$ -
Other:		
Technology	1,000,000	-
Campus activity	-	225,195
Other	1,826	-
	\$ 3,001,826	\$ 225,195

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. FUND BALANCE CLASSIFICATION, continued

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

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

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

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

F. OTHER ACCOUNTING POLICIES

1. Cash and Cash Equivalents

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

2. Inventories

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. OTHER ACCOUNTING POLICIES, continued

3. 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.

4. 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.

5. 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.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. OTHER ACCOUNTING POLICIES, continued

6. 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.

7. Grant Revenue

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

8. 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.

9. 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 (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 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 (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 J). 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.

10. 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.

11. 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.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

I. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

F. OTHER ACCOUNTING POLICIES, continued

12. 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.

13. Data Control Codes

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

14. New Accounting Standards Adopted

In fiscal year 2016, the District adopted three new statements of financial accounting standards issued by GASB;

Statement No. 72, Fair Value Measurement and Application which requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the statement generally requires restatement of prior period balances in the year of implementation, the nature of the District's investments was such that their carrying amount was not affected.

Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Government prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.

Statement No. 77, Tax Abatement Disclosures requires governments granting tax abatements to individuals and business to disclose program information in the notes to the financial statement through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue. Prior year balances were not restated because there are not tax abatements associated with the District or any other government which affect the District's tax revenue.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

A. DEPOSITS AND INVESTMENTS, continued

At August 31, 2016, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$1,331,875, and the bank balance was \$2,073,071. The difference between the District's deposits and the bank balance are outstanding checks.

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

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

The carrying amount of investments at August 31, 2016, was \$10,106,092, of which \$3,162,251 is held by Lone Star Investment Pool (the Pool), \$3,088,322 is invested in certificates of deposit through Texas National Bank in conjunction with the Certificate of Deposit Account Registry Service, and \$3,855,520 is invested with Texas National Bank 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.

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 \$2,073,071 was exposed to custodial credit risk as follows: \$595,099 was covered by federal depository insurance, and \$1,477,972 was covered by collateral held by the pledging financial institution. No amount was both uninsured and uncollateralized.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

A. DEPOSITS AND INVESTMENTS, continued

Custodial Credit Risk – Investments: To limit the risk 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. 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, 2016, 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, 2016, the Pool's investments credit quality rating was AAA (Standard & Poor's).

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year. However, amounts collected during the 60-day period after year-end are not considered material to the financial statements and are not reported.

C. DELINQUENT TAXES RECEIVABLE

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2016, consisted of the following amounts. All interfund balances are expected to be repaid within one year.

Due to General Fund from:	
Proprietary Fund	\$ 100
Debt Service Fund	25,000
Capital Projects Fund	666
	<u>\$ 25,766</u>

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

Interfund transfers are defined as flows of assets without equivalent flows of assets in return and without a requirement for repayment. Interfund transfers for the year ended August 31, 2016, consisted of the following amounts.

Transfer from General Fund to:	
Debt Service Fund	\$ 225,000

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

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2016, were as follows:

	Property Taxes	Receivables From Other Governments	Due From Other Funds	Other Receivables	Total Receivables
Governmental Activities					
General Fund	\$ 1,106,657	\$ 665,618	\$ 25,766	\$ 7,367	\$ 1,805,408
Major Governmental Fund	330,117	65	-	2,384	332,566
Nonmajor Governmental Funds	-	391,307	-	399	391,706
Total – Governmental Activities	<u>\$ 1,436,774</u>	<u>\$ 1,056,990</u>	<u>\$ 25,766</u>	<u>\$ 10,150</u>	<u>\$ 2,519,680</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 21,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,552</u>

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES, continued

Payables at August 31, 2016 were as follows:

	Accounts Payable	Accrued Wages Payable	Due to Other Funds	Payable From Restricted Assets	Total Payables
Governmental Activities					
General Fund	\$ 821,394	\$ 944,946	\$ -	\$ 101,685	\$ 1,868,025
Major Governmental Fund	3,149,772	-	25,666	-	3,175,388
, Nonmajor Governmental Funds	42,456	59,577	-	-	102,033
Total – Governmental Activities	<u>\$ 4,013,622</u>	<u>\$ 1,004,523</u>	<u>\$ 25,666</u>	<u>\$ 101,685</u>	<u>\$ 5,145,426</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2016, was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental Activities:					
Non-depreciable assets					
Land	\$ 828,919	1,603,188	\$ -	\$ -	\$ 2,432,107
Construction in progress	3,206,414	-	-	(3,206,414)	-
Total non-depreciable assets	<u>4,035,333</u>	<u>1,603,188</u>	<u>-</u>	<u>(3,206,414)</u>	<u>2,432,107</u>
Depreciable assets					
Buildings and improvements	58,484,237	37,534,944	(147,600)	3,206,414	99,077,995
Furniture and equipment	4,676,404	1,139,450	(216,967)	-	5,598,887
Total depreciable assets	<u>63,160,641</u>	<u>38,674,394</u>	<u>(364,567)</u>	<u>3,206,414</u>	<u>104,676,882</u>
Totals at historic cost	<u>67,195,974</u>	<u>40,277,582</u>	<u>(364,567)</u>	<u>-</u>	<u>107,108,989</u>
Less Accumulated Depreciation:					
Buildings and improvements	(18,654,999)	(1,444,346)	(142,950)	-	(19,956,395)
Furniture and equipment	(3,485,476)	(296,667)	(216,667)	-	(3,565,476)
Total accumulated depreciation	<u>(22,140,475)</u>	<u>(1,741,013)</u>	<u>(359,617)</u>	<u>-</u>	<u>(23,521,871)</u>
Governmental Activities Capital Assets, Net	<u>\$45,055,499</u>	<u>\$38,536,569</u>	<u>\$ (4,950)</u>	<u>\$ -</u>	<u>83,587,118</u>

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

F. CAPITAL ASSET ACTIVITY, continued

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,060,122
Instructional resources and media services	17,330
Curriculum development and instructional staff development	12,484
Instructional and school leadership	56,832
Guidance, counseling and evaluation services	23,694
Health services	7,409
Student transportation	97,060
Food services	50,962
Extracurricular activities	119,427
General administration	35,109
Plant maintenance and operations	186,301
Security and monitoring service	1,218
Data processing services	63,491
Community services	9,574
Total Depreciation Expense	<u>\$ 1,741,013</u>

G. CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 72,271,324	\$ 8,320,000	\$ (10,085,791)	\$ 70,505,533	\$ 1,810,000
Bond premium (discount)	4,814,873	668,864	(465,020)	5,018,717	-
CAB accretion	368,173	69,122	(319,209)	118,086	-
Land Loan	-	1,000,000	(95,612)	904,388	194,038
Total Governmental Activities					
Long-term Liabilities	<u>\$ 77,454,370</u>	<u>\$ 10,057,986</u>	<u>\$ (10,965,632)</u>	<u>\$ 76,546,724</u>	<u>\$ 2,004,038</u>

H. BONDS PAYABLE

On February 22, 2007, the District issued \$28,499,300 of Unlimited Tax School Building Bonds, Series 2007. The Series 2007 issue included \$6,635,000 of serial current interest bonds, \$21,905,000 of term current interest bonds (CIBs) and \$229,300 of capital appreciation bonds (CABs). The CABs portion of the bond issue are bonds issued at a discount. The interest on these bonds accretes each year but is paid with the principal at maturity of the bonds. The CABs for the 2007 series mature in the school years ending August 31, 2015 and 2016. During 2015, the District refunded \$7,865,000 of the outstanding \$17,080,000 bond, in addition to the issuance of new bonds based on approval by the voters of the District and created the Unlimited Tax School Building and Refunding bonds, Series 2015.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

H. BONDS PAYABLE, continued

Refunding Bonds

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

In June 2014, the District issued \$8,835,000 of Unlimited Tax Refunding Bonds, Series 2014. In addition, the District contributed 225,856 to reduce current debt obligations. Of those amounts, \$8,835,000 was used to defease a portion of the District's Unlimited Tax and Refunding Bonds, Series 2007, and the remaining funds were utilized to satisfy the current interest obligations. The new bonds bear interest from 0.00% to 4.00% and are due in annual installments ranging from \$384,238 to \$1,667,700 through August 15, 2030. The new issue will decrease debt service payments for the District by roughly \$1,115,655 with an economic 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 will decrease 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 will decrease 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 will decrease debt service payments for the District by roughly \$1,877,103 with an economic loss of \$351,991.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

H. BONDS PAYABLE, continued

Defeased Debt

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

In June 2014, the District defeased a portion of the 2007 Series bonds by placing the proceeds of refunding bonds in an irrevocable escrow account held and managed by bank trustees, and invested in U.S. Treasury obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds scheduled to mature in 2017. Accordingly, the escrow account and the defeased bonds are not included in the District's financial statements. The total amount of defeased bonds were \$8,835,000.

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, 2016, 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, 2016, 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, 2016, 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%.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

H. BONDS PAYABLE, continued

Debt service requirements are as follows:

Year Ended August 31,	Bonds		Total Requirements
	Principal	Interest	
2017	\$ 1,810,000	\$ 2,667,975	\$ 4,477,975
2018	1,850,000	2,627,075	4,477,075
2019	1,895,000	2,584,650	4,479,650
2020	1,945,000	2,536,150	4,481,150
2021	1,995,000	2,486,725	4,481,725
2022-2026	10,280,533	12,114,373	22,394,906
2027-2031	13,060,000	9,320,325	22,380,325
2032-2036	13,265,000	6,636,155	19,901,155
2037-2041	12,375,000	3,891,465	16,266,475
2042-2045	12,030,000	986,400	13,016,400
Totals	\$ 70,505,533	\$ 45,851,303	\$ 116,356,836

Principal and interest paid during the year ended August 31, 2016, totaled \$1,510,791 and \$3,086,416, respectively.

Bond activity for the year ended August 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
CIB Series 2007	\$ 9,665,000	\$ -	\$ (8,575,000)	\$ 1,090,000	\$ 430,000
CAB Series 2007	105,791	-	(105,791)	-	-
CIB Series 2011	460,000	-	-	460,000	-
CAB Series 2011	200,533	-	-	200,533	-
CIB Series 2014	8,485,000	-	(55,000)	8,430,000	60,000
CAB Series 2014	350,000	-	-	350,000	-
CIB Series 2015	7,865,000	-	(850,000)	7,015,000	870,000
CIB Series 2015	45,140,000	-	(500,000)	44,640,000	450,000
CIB Series 2016	-	8,320,000	-	8,320,000	-
Subtotal	72,271,324	8,320,000	(10,085,791)	70,505,533	1,810,000
CAB Accretion	368,173	69,122	(319,209)	118,086	-
Bond Premium	4,814,873	668,864	(465,020)	5,018,717	-
Total Bonds Payable	\$ 77,454,370	\$ 9,057,986	\$ (10,870,020)	\$ 75,642,336	\$ 1,810,000

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

I. NOTE PAYABLE

During fiscal year 2016, the District entered into a loan with Texas National Bank for the financing of land which bears an interest rate of 2% and matures in February of 2021. The loan is secured by the land.

The future minimum payments for the next five years is as follows:

2017	\$ 194,038
2018	197,938
2019	201,917
2020	205,964
2021	104,531
Total	<u>\$ 904,388</u>

Interest paid during the year related to the loan was \$9,973.

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$163,887,375,172
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$ 35,348,668,960</u>
 Net Position as percentage of Total Pension Liability	 78.43%

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

J. DEFINED BENEFIT PENSION PLAN, continued

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.

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 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	2015	2016
Member	6.7%	6.7%
Non-Employer Contributing Entity (State)	6.7%	6.7%
Employers	6.8%	6.8%
Bullard ISD 2015 Employer Contributions		\$ 297,054
Bullard ISD 2015 Member Contributions		\$ 1,015,391
Bullard ISD 2015 NECE On-Behalf Contributions		\$ 706,224

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.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

J. DEFINED BENEFIT PENSION PLAN, continued

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.

Actuarial Assumptions. The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

J. DEFINED BENEFIT PENSION PLAN, continued

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

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

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

J. DEFINED BENEFIT PENSION PLAN, continued

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
BISD's proportionate share of the net pension liability:	\$ 5,556,249	\$ 3,546,214	\$ 1,871,980

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2016, BISD reported a liability of \$3,546,214 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Bullard Independent School District. The amount recognized by Bullard Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Bullard Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 3,546,214
State's proportionate share that is associated with the District	<u>8,428,334</u>
Total	<u>\$ 11,974,548</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .000100321% which was an increase of .000955694% from its proportion measured as of August 31, 2014.

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

Economic Assumptions

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

J. DEFINED BENEFIT PENSION PLAN, continued

Mortality Assumptions

- The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

- Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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, 2015, BISD recognized pension expense of \$1,200,902 and revenue of \$706,224 for support provided by the State in the Government Wide Statement of Activities.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

J. DEFINED BENEFIT PENSION PLAN, continued

At August 31, 2015, Bullard Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actuarial experience	\$ 16,325	\$136,284
Changes in actuarial assumptions	68,613	126,513
Difference between projected and actual investment earnings	582,409	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,206,628	1,000
Contributions paid to TRS subsequent to the measurement date	307,398	-
Total	\$ 2,181,373	\$ 263,797

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	
2017	\$ 298,264	
2018	298,264	
2019	298,264	
2020	395,245	
2021	193,887	
Thereafter	144,254	

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, 2016, the State made contributions of \$905,625 related to on-behalf retirement contributions and \$38,502 related to Medicare part D payments and the Early Retiree Reinsurance Program. These equal 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, 2016**

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.

For the year ended August 31, 2016, the District's fixed cost was \$40,021 and its loss fund maximum was \$121,407.

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

	<u>Year Ended August 31, 2016</u>	<u>Year Ended August 31, 2015</u>
Unpaid claims at September 1	\$ 90,870	\$ 103,491
Incurred claims (including IBNR)	48,174	6,904
Total Payments	<u>(37,359)</u>	<u>(19,525)</u>
Total Unpaid Claims at August 31	<u>\$ 101,685</u>	<u>\$ 90,870</u>

Health Care Coverage

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2015, and terms of coverage and premium costs are included in the contractual provisions. Other Districts and/or their employees contributed to the self-insurance pool which was operated under contractual provisions of Article 4413(32c), Interlocal Cooperation Act.

Latest financial statements for the Blue Cross/Blue Shield plan for the year ended December 31, 2015, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

M. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2016, 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	\$ 665,618	\$ -	\$ 665,618
Major Governmental Fund	65	-	65
Special Revenue	-	391,307	391,307
Total	<u>\$ 665,683</u>	<u>\$ 391,307</u>	<u>\$ 1,056,990</u>

N. UNEARNED REVENUE

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

	General Fund
Athletic receipts	\$ 9,025
Tuition receipts	19,727
Total	<u>\$ 28,752</u>

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Property Taxes	\$ 9,946,588	\$ 4,194,196	\$ -	\$ -	\$ 14,140,784
Penalties, Interest, and Other					
Tax-Related Income	200,222	56,364	-	-	256,586
Investment Income	64,575	4,731	41,490	613	111,409
Food Sales	-	-	-	337,310	337,310
Co-Curricular Student Activities	75,095	-	-	621,087	696,182
Foundations, Gifts, and Bequests	37,684	-	-	31,043	68,727
Other	157,250	-	-	2,507	159,757
Total	<u>\$ 10,481,414</u>	<u>\$ 4,255,291</u>	<u>\$ 41,490</u>	<u>\$ 992,560</u>	<u>\$ 15,770,755</u>

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016**

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

P. 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.

Q. JOINT VENTURE / SHARED SERVICE ARRANGEMENTS

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

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

	Special Education
Revenues	\$ 650,892
Expenditures:	
Payroll & Other Operating Expenditures	\$ 650,892
Total Funds Disbursed by All Participating School Districts	\$ 1,704,176
Percent Attributable to District	38%

R. RECLASSIFICATIONS

Certain reclassifications have been made to the 2015 financial information to conform to the current year financial statement presentation.

S. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 28, 2016, which is the date the financial statements were made available to management.

REQUIRED SUPPLEMENTARY INFORMATION

BULLARD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

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	\$ 10,322,100	\$ 10,529,600	\$ 10,481,414	\$ (48,186)
5800	State Program Revenues	10,259,701	10,414,128	10,371,788	(42,340)
5900	Federal Program Revenues	100,000	160,000	147,294	(12,706)
5020	Total Revenues	20,681,801	21,103,728	21,000,496	(103,232)
EXPENDITURES:					
Current:					
0011	Instruction	11,229,111	11,472,494	11,441,364	31,130
0012	Instructional Resources and Media Services	174,188	201,603	200,497	1,106
0013	Curriculum and Instructional Staff Development	290,301	285,425	272,626	12,799
0021	Instructional Leadership	36,342	36,342	20,427	15,915
0023	School Leadership	993,991	993,091	980,163	12,928
0031	Guidance, Counseling and Evaluation Services	447,793	447,793	447,701	92
0032	Social Work Services	300	2,940	2,862	78
0033	Health Services	203,383	211,088	209,982	1,106
0034	Student (Pupil) Transportation	620,116	634,116	621,075	13,041
0035	Food Services	300	864	864	-
0036	Extracurricular Activities	916,617	894,512	889,505	5,007
0041	General Administration	945,225	1,020,225	1,012,745	7,480
0051	Facilities Maintenance and Operations	2,467,462	2,451,812	2,442,413	9,399
0052	Security and Monitoring Services	84,000	60,020	55,569	4,451
0053	Data Processing Services	516,819	632,722	620,170	12,552
0061	Community Services	42,620	24,620	22,980	1,640
Debt Service:					
0071	Principal on Long Term Debt	-	95,612	95,612	-
0072	Interest on Long Term Debt	-	9,973	9,973	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	1,020,000	3,670,900	3,269,036	401,864
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	270,233	270,233	270,233	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	2,000	2,086	2,086	-
6030	Total Expenditures	20,260,801	23,418,471	22,887,883	530,588
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	421,000	(2,314,743)	(1,887,387)	427,356
OTHER FINANCING SOURCES (USES):					
7914	Non-Current Loans	-	1,000,000	1,000,000	-
8911	Transfers Out (Use)	(421,000)	(250,000)	(225,000)	25,000
7080	Total Other Financing Sources (Uses)	(421,000)	750,000	775,000	25,000
1200	Net Change in Fund Balances	-	(1,564,743)	(1,112,387)	452,356
0100	Fund Balance - September 1 (Beginning)	-	8,016,156	8,016,156	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 6,451,413	\$ 6,903,769	\$ 452,356

BULLARD 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, 2016

EXHIBIT G-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.000100321%	0.000047516%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,546,214	\$ 1,269,218
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	8,428,334	6,943,198
Total	<u>\$ 11,974,548</u>	<u>\$ 8,212,416</u>
District's Covered-Employee Payroll	\$ 12,732,153	\$ 11,944,803
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	27.85%	11.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two 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."

BULLARD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 307,398	\$ 297,054
Contribution in Relation to the Contractually Required Contribution	(307,398)	(297,054)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 13,487,072	\$ 12,732,153
Contributions as a Percentage of Covered-Employee Payroll	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, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two 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."

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2016**

BUDGETARY DATA AND GASB 68

Budgetary Data

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

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund, functional spending category, total revenue, or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, several budgetary amendments were necessary throughout the year. The amendments decreased the overall General Fund budget by approximately \$17 thousand, with the most significant changes occurring in instruction, student (pupil) transportation, extracurricular activities, and facilities acquisition and construction.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are amended by the Board. All budget appropriations lapse at year end.

Excess of expenditures over appropriations

No expenditures exceeded appropriations for the year ending August 31, 2016.

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.

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

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2016**

Economic Assumptions - continued

2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

COMBINING STATEMENTS

BULLARD INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	
ASSETS					
1110	Cash and Cash Equivalents	\$ (54,593)	\$ (81,801)	\$ 134,526	\$ -
1240	Receivables from Other Governments	76,195	90,824	17,020	-
1290	Other Receivables	-	-	399	-
1300	Inventories	-	-	25,107	-
1000	Total Assets	<u>\$ 21,602</u>	<u>\$ 9,023</u>	<u>\$ 177,052</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ 37,534	\$ -
2160	Accrued Wages Payable	21,602	9,023	27,680	-
2000	Total Liabilities	<u>21,602</u>	<u>9,023</u>	<u>65,214</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3445	Other Non-Spendable Fund Balance	-	-	25,107	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	86,731	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>111,838</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 21,602</u>	<u>\$ 9,023</u>	<u>\$ 177,052</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	492 Bullard Education Foundation	Total Nonmajor Governmental Funds
\$ (14,891)	\$ (186,052)	\$ (131)	\$ 225,195	\$ -	\$ 22,253
14,891	190,474	1,903	-	-	391,307
-	-	-	-	-	399
-	-	-	-	-	25,107
<u>\$ -</u>	<u>\$ 4,422</u>	<u>\$ 1,772</u>	<u>\$ 225,195</u>	<u>\$ -</u>	<u>\$ 439,066</u>
\$ -	\$ 4,422	\$ 500	\$ -	\$ -	\$ 42,456
-	-	1,272	-	-	59,577
<u>-</u>	<u>4,422</u>	<u>1,772</u>	<u>-</u>	<u>-</u>	<u>102,033</u>
-	-	-	-	-	25,107
-	-	-	-	-	86,731
-	-	-	225,195	-	225,195
-	-	-	225,195	-	337,033
<u>\$ -</u>	<u>\$ 4,422</u>	<u>\$ 1,772</u>	<u>\$ 225,195</u>	<u>\$ -</u>	<u>\$ 439,066</u>

BULLARD INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 340,430	\$ -
5800 State Program Revenues	-	-	20,145	-
5900 Federal Program Revenues	235,054	86,964	505,370	19,521
5020 Total Revenues	<u>235,054</u>	<u>86,964</u>	<u>865,945</u>	<u>19,521</u>
EXPENDITURES:				
Current:				
0011 Instruction	215,151	86,964	-	13,974
0013 Curriculum and Instructional Staff Development	19,903	-	-	5,547
0035 Food Services	-	-	877,477	-
0036 Extracurricular Activities	-	-	-	-
6030 Total Expenditures	<u>235,054</u>	<u>86,964</u>	<u>877,477</u>	<u>19,521</u>
1200 Net Change in Fund Balance	-	-	(11,532)	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>123,370</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,838</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	492 Bullard Education Foundation	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 621,087	\$ 31,043	\$ 992,560
-	215,532	1,903	-	232	237,812
43,950	-	-	-	-	890,859
<u>43,950</u>	<u>215,532</u>	<u>1,903</u>	<u>621,087</u>	<u>31,275</u>	<u>2,121,231</u>
32,600	215,532	1,772	-	33,687	599,680
11,350	-	131	-	-	36,931
-	-	-	-	-	877,477
-	-	-	612,706	-	612,706
<u>43,950</u>	<u>215,532</u>	<u>1,903</u>	<u>612,706</u>	<u>33,687</u>	<u>2,126,794</u>
-	-	-	8,381	(2,412)	(5,563)
-	-	-	216,814	2,412	342,596
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,195</u>	<u>\$ -</u>	<u>\$ 337,033</u>

REQUIRED TEA SCHEDULES

BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ 2,120,326,032
2008	1.040000	0.430000	610,249,106
2009	1.040000	0.430000	727,365,032
2010	1.040000	0.430000	757,037,682
2011	1.170000	0.300000	773,224,039
2012	1.170000	0.300000	816,197,386
2013	1.170000	0.300000	817,655,718
2014	1.170000	0.300000	851,433,902
2015	1.170000	0.300000	902,627,418
2016 (School year under audit)	1.170000	0.500000	918,367,475
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 427,384	\$ -	\$ 2,081	\$ 419	\$ (62,517)	\$ 362,367
48,142	-	913	377	(4,128)	42,724
52,343	-	1,235	511	(4,807)	45,790
63,590	-	1,704	705	(4,952)	56,229
102,178	-	25,714	6,593	(4,556)	65,315
125,924	-	29,244	7,498	(4,276)	84,906
155,324	-	44,378	11,379	(5,427)	94,140
233,933	-	73,165	18,760	(6,208)	135,800
370,842	-	130,929	33,572	(21,350)	184,991
-	14,154,822	9,634,804	4,117,438	(38,068)	364,512
<u>\$ 1,579,660</u>	<u>\$ 14,154,822</u>	<u>\$ 9,944,167</u>	<u>\$ 4,197,252</u>	<u>\$ (156,289)</u>	<u>\$ 1,436,774</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, 2016

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	\$ 366,300	\$ 352,300	\$ 340,430	\$ (11,870)
5800 State Program Revenues	15,100	20,600	20,145	(455)
5900 Federal Program Revenues	540,285	520,285	505,370	(14,915)
5020 Total Revenues	921,685	893,185	865,945	(27,240)
EXPENDITURES:				
0035 Food Services	921,685	906,685	877,477	29,208
6030 Total Expenditures	921,685	906,685	877,477	29,208
1200 Net Change in Fund Balances	-	(13,500)	(11,532)	1,968
0100 Fund Balance - September 1 (Beginning)	-	123,370	123,370	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 109,870	\$ 111,838	\$ 1,968

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, 2016

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	\$ 4,049,572	\$ 4,288,572	\$ 4,255,291	\$ (33,281)
5800	State Program Revenues	132,720	112,720	92,060	(20,660)
5020	Total Revenues	4,182,292	4,401,292	4,347,351	(53,941)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	4,603,292	1,839,291	1,510,791	328,500
0072	Interest on Long Term Debt	-	2,760,501	3,086,416	(325,915)
0073	Bond Issuance Cost and Fees	-	157,000	155,231	1,769
6030	Total Expenditures	4,603,292	4,756,792	4,752,438	4,354
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(421,000)	(355,500)	(405,087)	(49,587)
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	-	8,320,000	8,320,000
7911	Capital Related Debt Issued (Regular Bonds)	-	8,320,000	-	(8,320,000)
7915	Transfers In	-	250,000	225,000	(25,000)
7916	Premium or Discount on Issuance of Bonds	-	669,000	668,864	(136)
7917	Prepaid Interest	-	23,500	23,342	(158)
8949	Other (Uses)	-	(8,835,885)	(8,835,883)	2
7080	Total Other Financing Sources (Uses)	-	426,615	401,323	(25,292)
1200	Net Change in Fund Balances	(421,000)	71,115	(3,764)	(74,879)
0100	Fund Balance - September 1 (Beginning)	-	55,051	55,051	-
3000	Fund Balance - August 31 (Ending)	\$ (421,000)	\$ 126,166	\$ 51,287	\$ (74,879)

FEDERAL AWARDS SECTION



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

The Board of Trustees
Bullard Independent School District
Bullard, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullard Independent School District (the District), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2016.

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 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*.

We noted a deficiency in internal control that we reported to management of the District in a separate letter dated November 28, 2016.

Purpose of this Report

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



PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
November 28, 2016

**INDEPENDENT AUDITOR'S 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, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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, 2016.

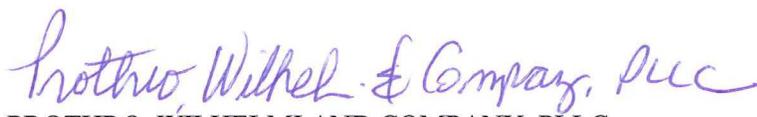
Report on Internal Control Over Compliance

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
November 28, 2016

**BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(s) identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified that are not considered to be material weaknesses? None reported

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

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	School Breakfast Program
10.555	National School Lunch Program – Cash Assistance
10.555	National School Lunch Program – Non-Cash Assistance

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

The District was classified as a low-risk auditee in accordance with 2 CFR section 200.516(a).

**BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016**

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

BULLARD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2016

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101212902	\$ 213,452
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101212902	21,602
Total CFDA Number 84.010A			235,054
*IDEA - Part B, Formula	84.027	166600010379076600	77,942
*IDEA - Part B, Formula	84.027	176600010379076600	9,023
Total CFDA Number 84.027			86,965
Total Special Education Cluster (IDEA)			86,965
Career and Technical - Basic Grant	84.048	16420006212902	19,521
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501212902	43,950
Total Passed Through State Department of Education			\$ 385,490
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 385,490
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	212902	\$ 101,265
*National School Lunch Program - Cash Assistance	10.555	212902	348,285
*National School Lunch Prog. - Non-Cash Assistance	10.555	212902	55,820
Total CFDA Number 10.555			404,105
Total Child Nutrition Cluster			505,370
Total Passed Through the State Department of Agriculture			\$ 505,370
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 505,370
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 890,860

*Clustered Programs

BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016

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

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

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement – Provisional 6/97.
4. Catalog of Federal Domestic Assistance (CFDA) number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), and the Food Distribution Program on Indian Reservations (10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering the District fiscal year beginning September 1, 2014, and future audits will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.