

**BULLARD INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

AUGUST 31, 2013

**BULLARD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2013**

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CERTIFICATE OF BOARD

BULLARD INDEPENDENT SCHOOL DISTRICT
Name of School

SMITH
County

212-902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial report of the above-named school district was reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2013, at a meeting of the Board of Trustees of such school district on the ____ day of _____, 2013.

Signature of Board Secretary

Signature of Board President

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

INDEPENDENT AUDITOR'S 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, 2013, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages v through xii and page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

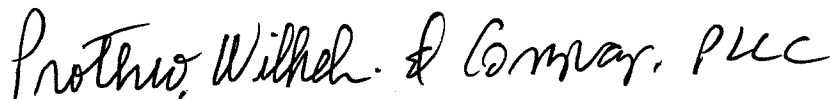
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is identified in the Table of Contents as Exhibits J-1 through J-4. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
December 2, 2013

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, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

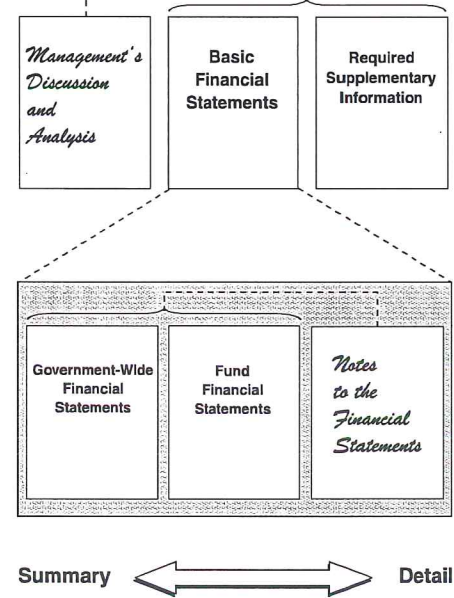
- The District's total combined net position was approximately \$14.5 million at August 31, 2013.
- The General Fund reported a fund balance this year of approximately \$7 million, which is an increase in fund balance of approximately \$1 million from the prior year.
- The District committed money in its fund balance for a road improvement project that will be performed during the 2013-2014 school and budget year. It also divided the fund balance into four other committed uses including technology improvements, roofing improvements, instructional improvement, and capital outlay. The District anticipates expending some money this year to begin laying the groundwork for its next building phase to accommodate student growth.
- The District anticipates staying within its budget during the 2013-2014 school year even through the growth of students may be greater than expected.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three types of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was approximately \$14.5 million at August 31, 2013. (See Table A-1).

Table A-1

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

	Governmental Activities	
	2013	2012
Current and Other Assets	\$ 9,609	\$ 9,295
Capital and Non-Current Assets	43,026	44,482
Total Assets	52,635	53,777
Current Liabilities	1,067	1,177
Long Term Liabilities	37,044	38,091
Total Liabilities	38,111	39,268
Net Position		
Invested in Capital Assets, Net of Related Debt	5,883	6,639
Restricted	171	257
Unrestricted	8,470	7,613
Total Net Position	\$ 14,524	\$ 14,509

The \$8.5 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 \$20.8 million. A significant portion, 54%, of the District's revenue comes from taxes. Another 27% comes from state aid – formula grants, while only 5% relates to charges for services.

The total cost of all programs and services was \$20.4 million; 61% of these costs are for instructional and student services.

Governmental Activities

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

Table A-2

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

	Governmental Activities	
	2013	2012
Revenues		
Program Revenues:		
Charges for Services	\$ 1,106	\$ 1,056
Operating Grants and Contributions	1,624	2,397
General Revenues:		
Property Taxes	11,363	11,372
Grants and Contributions Not Restricted	6,614	6,604
Investment Earnings	28	31
Other	106	14
Total Revenues	<u>20,841</u>	<u>21,474</u>
Expenses		
Instruction and Instructional Related	9,711	11,532
Instructional /School Leadership	904	908
Guidance, Social Work, Health, Transportation	1,144	1,010
Food Services	881	833
Extracurricular Activities	1,484	1,541
General Administration	731	707
Plant Maintenance and Security	2,233	2,444
Data Processing Services	592	478
Community Services	10	10
Facilities Acquisition and Construction	818	-
Debt Service	1,742	1,785
Payments to Fiscal Agent Member Districts - Shared Service	178	164
Total Expenses	<u>20,428</u>	<u>21,412</u>
Change in Net Position	413	62
Beginning Net Position	14,509	14,447
Reclassification – Prior Period Debt Issuance Cost	(398)	-
Ending Net Position	<u>\$ 14,524</u>	<u>\$ 14,509</u>

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

- The cost of all governmental activities this year was \$20.4 million.
- The amount that our taxpayers paid for these activities through property taxes was \$11.4 million.
- Some of the cost was paid by those who directly benefited from the programs (\$1.1 million), or through grants and contributions (\$1.6 million).

Table A-3

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

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$ 9,253	\$ 11,062	\$ 8,282	\$ 9,438
School Leadership	904	908	856	842
Food Services	881	833	(5)	(17)
Extracurricular Activities	1,484	1,541	854	918
General Administration	731	707	717	674
Plant Maintenance and Operations	2,170	2,388	2,099	2,263
Debt Service – Interest on Long-Term Debt	1,740	1,785	1,740	1,785
Capital Outlay	819	-	819	-

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$20.8 million (See Exhibit C-3 of the audit report), a decrease of \$501 thousand or 2% less than the preceding year. The decrease in local revenues is a result of lower federal awards expended during the year.

General Fund Budgetary Highlights

Over the course of the year, the District altered its budgeted revenues and expenditures several times. As a result of the budget changes, the District's General Fund projected balance increased approximately \$254 thousand.

Resources available were \$29 thousand above the final budgeted amount:

- Local and intermediate revenues were below the final budgeted amount by \$4 thousand.
- State funding was above the final budgeted amount by \$33 thousand.

Resources consumed were \$386 thousand below the final budgeted amount:

- Instruction costs were below the final budgeted amount by \$62 thousand.
- Extracurricular activity costs were below the final budgeted amount by \$52 thousand.
- Facilities maintenance and operations costs were below the final budgeted amount by \$83 thousand.
- Data processing costs were below the final budgeted amount by \$48 thousand.

The resources from the net change in fund balance were \$515 thousand better than the final budget projections.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had invested approximately \$62 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	
	2013	2012
Land	\$ 829	\$ 829
Construction in Progress	13	-
Buildings and Improvements	56,715	56,715
Furniture and Equipment	4,239	3,976
Totals at Historical Cost	61,796	61,520
Less Accumulated Depreciation	(18,770)	(17,038)
Net Capital Assets	\$ 43,026	\$ 44,482

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

Long Term Debt

Table A-5

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

	Governmental Activities	
	2013	2012
Bonds Payable	\$ 36,161	\$ 36,677

No bonds were issued by the District during the year ended August 31, 2013. Proceeds from bonds issued in prior years have been and will continue to be used to construct school facilities. At year-end, the District had approximately \$36 million in bonds outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the Notes to the Financial Statements on page 23.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised property value used for the 2014 budget preparation will be up \$38.6 million, or 6%. The total tax rate will remain the same as last year at \$1.47.
- The District's 2014 refined average daily attendance is expected to be 2,085, up approximately 2% in 2014.

These indicators were taken into account when adopting the General Fund budget for 2014. Amounts available for appropriation in the General Fund budget are \$16,893,888, a decrease of approximately \$568,000 over the final 2013 budget of \$16,326,029. Property tax revenue will increase due to increased property values. State revenue will decrease due to increased local tax revenue. The largest expenditure increases will be for payroll and technology expenses.

If these estimates are realized, the District's budgetary General Fund balance is expected remain the same at the close of 2014. 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, 2013

EXHIBIT A-1

Data Control Codes		Primary Government
		Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	\$ 3,573,258
1120	Current Investments	4,034,430
1220	Property Taxes Receivable (Delinquent)	1,441,631
1230	Allowance for Uncollectible Taxes	(21,817)
1240	Due from Other Governments	565,249
1290	Other Receivables, net	16,598
	Capital Assets:	
1510	Land	828,919
1520	Buildings, Net	40,832,103
1530	Furniture and Equipment, Net	1,351,418
1580	Construction in Progress	13,400
1000	Total Assets	52,635,189
LIABILITIES		
2110	Accounts Payable	407,362
2140	Interest Payable	100,539
2150	Payroll Deductions & Withholdings	338
2160	Accrued Wages Payable	479,590
2300	Unearned Revenue	21,912
2400	Payable from Restricted Assets	57,092
	Noncurrent Liabilities	
2501	Due Within One Year	506,153
2502	Due in More Than One Year	36,538,355
2000	Total Liabilities	38,111,341
NET POSITION		
3200	Invested in Capital Assets, Net of Related Debt	5,882,710
3820	Restricted for Federal and State Programs	76,752
3850	Restricted for Debt Service	93,906
3900	Unrestricted	8,470,480
3000	Total Net Position	\$ 14,523,848

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, 2013

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for Services	Operating Grants and Contributions	
	Expenses			6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 9,252,862	\$ 110,350	\$ 860,665	\$ (8,281,847)
12 Instructional Resources and Media Services	175,201	-	7,711	(167,490)
13 Curriculum and Staff Development	283,351	9,804	22,907	(250,640)
23 School Leadership	904,078	-	47,776	(856,302)
31 Guidance, Counseling and Evaluation Services	420,588	-	23,344	(397,244)
32 Social Work Services	5,435	-	398	(5,037)
33 Health Services	156,494	-	8,063	(148,431)
34 Student (Pupil) Transportation	561,415	-	15,199	(546,216)
35 Food Services	880,650	363,977	521,719	5,046
36 Extracurricular Activities	1,484,408	604,440	26,067	(853,901)
41 General Administration	730,811	-	13,932	(716,879)
51 Facilities Maintenance and Operations	2,170,363	13,369	58,214	(2,098,780)
52 Security and Monitoring Services	62,226	-	-	(62,226)
53 Data Processing Services	591,797	3,565	18,284	(569,948)
61 Community Services	9,802	-	-	(9,802)
72 Debt Service - Interest on Long Term Debt	1,740,071	-	-	(1,740,071)
73 Debt Service - Bond Issuance Cost and Fees	2,000	-	-	(2,000)
81 Capital Outlay	818,510	-	-	(818,510)
93 Payments related to Shared Services Arrangements	175,815	-	-	(175,815)
95 Payments to Juvenile Justice Alternative Ed. Prg.	1,899	-	-	(1,899)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 20,427,776	\$ 1,105,505	\$ 1,624,279	(17,697,992)

Data
Control
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	9,058,617
DT	Property Taxes, Levied for Debt Service	2,304,364
SF	State Aid - Formula Grants	5,673,791
GC	Grants and Contributions not Restricted	939,910
IE	Investment Earnings	28,543
MI	Miscellaneous Local and Intermediate Revenue	105,807
TR	Total General Revenues	18,111,032
CN	Change in Net Position	413,040
NB	Net Position - Beginning	14,508,701
PA	Reclassification - Prior Period Debt Issuance Cost	(397,893)
NE	Net Position--Ending	\$ 14,523,848

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

BULLARD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 3,303,777	\$ 91,648	\$ 177,733	\$ 3,573,158
1120 Investments - Current	4,034,430	-	-	4,034,430
1220 Property Taxes - Delinquent	1,135,321	306,310	-	1,441,631
1230 Allowance for Uncollectible Taxes (Credit)	(17,222)	(4,595)	-	(21,817)
1240 Receivables from Other Governments	326,230	-	239,019	565,249
1260 Due from Other Funds	100	-	-	100
1290 Other Receivables	13,889	2,259	450	16,598
1000 Total Assets	<u>\$ 8,796,525</u>	<u>\$ 395,622</u>	<u>\$ 417,202</u>	<u>\$ 9,609,349</u>
LIABILITIES				
2110 Accounts Payable	\$ 370,327	\$ -	\$ 37,035	\$ 407,362
2150 Payroll Deductions and Withholdings Payable	338	-	-	338
2160 Accrued Wages Payable	446,130	-	33,460	479,590
2300 Unearned Revenues	21,912	-	-	21,912
2400 Payable from Restricted Assets	57,092	-	-	57,092
2000 Total Liabilities	<u>895,799</u>	<u>-</u>	<u>70,495</u>	<u>966,294</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,118,099	301,716	-	1,419,815
2600 Total Deferred Inflows of Resources	<u>1,118,099</u>	<u>301,716</u>	<u>-</u>	<u>1,419,815</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	136,604	136,604
3480 Retirement of Long-Term Debt	-	93,906	-	93,906
Committed Fund Balance:				
3510 Construction	1,400,000	-	-	1,400,000
3545 Other Committed Fund Balance	1,600,000	-	210,103	1,810,103
Assigned Fund Balance:				
3560 Claims and Judgments	57,092	-	-	57,092
3600 Unassigned Fund Balance	3,725,535	-	-	3,725,535
3000 Total Fund Balances	<u>6,782,627</u>	<u>93,906</u>	<u>346,707</u>	<u>7,223,240</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 8,796,525</u>	<u>\$ 395,622</u>	<u>\$ 417,202</u>	<u>\$ 9,609,349</u>

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

BULLARD INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2013

Total Fund Balances - Governmental Funds	\$ 7,223,240
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.	43,025,840
2 Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet. The net effect of including interest payable is to decrease net position. See Exhibit A-1.	(100,539)
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.	(37,044,508)
4 Taxes from current and prior year levies assumed to be collectible are reclassified from deferred inflows of resources. The net effect of this reclassification is to increase net position.	1,419,815
19 Net Position of Governmental Activities	\$ 14,523,848

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, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 9,326,412	\$ 2,309,964	\$ 901,036	\$ 12,537,412
5800 State Program Revenues	7,281,994	-	33,647	7,315,641
5900 Federal Program Revenues	-	-	921,980	921,980
5020 Total Revenues	<u>16,608,406</u>	<u>2,309,964</u>	<u>1,856,663</u>	<u>20,775,033</u>
EXPENDITURES:				
Current:				
0011 Instruction	8,406,493	-	466,133	8,872,626
0012 Instructional Resources and Media Services	163,950	-	47	163,997
0013 Curriculum and Instructional Staff Development	275,107	-	11,104	286,211
0023 School Leadership	886,242	-	1,250	887,492
0031 Guidance, Counseling and Evaluation Services	416,599	-	564	417,163
0032 Social Work Services	5,302	-	133	5,435
0033 Health Services	155,887	-	-	155,887
0034 Student (Pupil) Transportation	534,458	-	-	534,458
0035 Food Services	113	-	874,660	874,773
0036 Extracurricular Activities	909,236	-	482,913	1,392,149
0041 General Administration	715,282	-	-	715,282
0051 Facilities Maintenance and Operations	2,124,832	-	2,903	2,127,735
0052 Security and Monitoring Services	61,008	-	-	61,008
0053 Data Processing Services	557,681	-	-	557,681
Debt Service:				
0071 Principal on Long Term Debt	-	516,075	-	516,075
0072 Interest on Long Term Debt	-	2,268,299	-	2,268,299
0073 Bond Issuance Cost and Fees	-	2,000	-	2,000
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	175,815	-	-	175,815
0095 Payments to Juvenile Justice Alternative Ed. Prg.	1,899	-	-	1,899
6030 Total Expenditures	<u>15,389,904</u>	<u>2,786,374</u>	<u>1,839,707</u>	<u>20,015,985</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,218,502</u>	<u>(476,410)</u>	<u>16,956</u>	<u>759,048</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	450,000	-	450,000
8911 Transfers Out (Use)	(450,000)	-	-	(450,000)
7080 Total Other Financing Sources (Uses)	<u>(450,000)</u>	<u>450,000</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	768,502	(26,410)	16,956	759,048
0100 Fund Balance - September 1 (Beginning)	<u>6,014,125</u>	<u>120,316</u>	<u>329,751</u>	<u>6,464,192</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 6,782,627</u>	<u>\$ 93,906</u>	<u>\$ 346,707</u>	<u>\$ 7,223,240</u>

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

BULLARD INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ 759,048
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.	276,357
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.	(1,732,449)
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 \$516,075, amortization of capital bonds \$638,925, and amortization of bond premium \$149,203 less the total of issuance discount \$(4,666), refunding loss \$(30,102), and accretion of capital bonds \$(223,215).	1,046,220
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 increase in accrued interest from the beginning of the period to the end of the period.	(1,917)
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. The net effect of these reclassifications is to increase net position.	65,781
Change in Net Position of Governmental Activities	\$ 413,040

BULLARD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2013

EXHIBIT D-1

	Governmental Activities -
	Internal Service Fund
<hr/>	
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, 2013

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 17,333
Total Operating Revenues	17,333
OPERATING EXPENSES:	
Professional and Contracted Services	17,333
Total Operating Expenses	17,333

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, 2013

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 17,333
Cash Payments for Insurance Claims	(17,333)
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, 2013

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 40,686
Total Assets	<u>\$ 40,686</u>
LIABILITIES	
Due to Student Groups	\$ 40,686
Total Liabilities	<u>\$ 40,686</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, 2013**

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 *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, continued

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

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

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, 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 deferred 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, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund types:

Governmental Funds:

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. FUND ACCOUNTING, continued

Proprietary Funds:

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

Fiduciary Funds:

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

E. FUND BALANCE CLASSIFICATION

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

- **Nonspendable fund balance** - amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact. There were no nonspendable fund balance amounts as of August 31, 2013.
- **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 of Trustees, 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.
- **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 of Trustees has delegated the authority.
- **Unassigned fund balance** - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. FUND BALANCE CLASSIFICATION, continued

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

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

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

F. OTHER ACCOUNTING POLICIES

1. Cash and Cash Equivalents

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

2. Bond Premiums and Discounts

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

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. OTHER ACCOUNTING POLICIES, continued

3. Compensated Absences

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

4. Capital Assets

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

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

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

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

Land and Construction in Progress are not depreciated.

5. Internal Service Funds

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

6. Grant Revenue

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

7. Interfund Transactions

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. OTHER ACCOUNTING POLICIES, continued

8. Self-Funded Health Insurance Plan

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

9. 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.

10. 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.

11. 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.

12. GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"

During the year, the District implemented GASB 63 which changes the Statement of Net Assets to the Statement of Net Position. In addition, Exhibit C-1 (Balance Sheet), has been modified to segregate the reporting amounts involving deferred inflows and outflows.

13. GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities"

During the year, the District early implemented GASB Statement No. 65 which established accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities. See Note II : I related to the adoption of GASB Statement No 65.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013**

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

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

At August 31, 2013, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$1,056,272, and the bank balance was \$1,991,386. 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, 2013, was \$6,592,090, of which \$2,557,660 is held by Lone Star Investment Pool and \$4,034,430 is invested in certificates of deposit through Texas National Bank in conjunction with the Certificate of Deposit Account Registry Service. The portion invested with Lone Star investment pool is included with the District's deposits as the funds can be converted to cash within 90 days. Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position of these pools is the same as the value of the shares in each pool.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013**

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

A. DEPOSITS AND INVESTMENTS, continued

Lone Star Investment 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. Lone Star Investment 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 of Trustees. The independent consultants, RBC Dain Rauscher, Inc., Dallas, Texas, reviews the daily operations of the Pool, analyzes all investment transactions for compliance with the Investment Policy, monitors activities of the custodian bank, and compares the investment advisor's performance with benchmarks and a peer group of similarly managed funds. The Pool also employs an independent, third-party bank, The Bank of New York, headquartered in New York, New York, to perform custody and valuation services. The Lone Star Investment Pool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Ernst & Young, 700 Lavaca St., Suite 1400, Austin, Texas 78701, performs the annual audit.

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 \$1,991,386 was exposed to custodial credit risk as follows: \$750,000 was covered by federal depository insurance, and \$1,241,386 was covered by collateral held by the pledging financial institution. No amount was both uninsured and uncollateralized.

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

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

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

Interest Rate Risk: To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires any internally created pool fund group of the District to have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District may not exceed one year from the time of purchase. All of the District's investments at August 31, 2013, had a maturity of one year or less.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013**

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

A. DEPOSITS AND INVESTMENTS, continued

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, Lone Star Investment Pool invests only in investments authorized under the Public Funds Investment Act. As of August 31, 2013, Lone Star Investment 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.

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2013, consisted of the following amounts. All interfund balances are expected to be repaid within one year.

Due to General Fund from:	
Proprietary Fund	\$ 100

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, 2013, consisted of the following amounts.

Transfer from General Fund to:	
Debt Service Fund	\$ 450,000

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013**

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

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2013, were as follows:

	Property Taxes	Receivables From Other Governments	Due From Other Funds	Other Receivables	Total Receivables
Governmental Activities					
General Fund	\$ 1,135,321	\$ 326,230	\$ 100	\$ 13,889	\$ 1,475,540
Major Governmental Fund	306,310	-	-	2,259	308,569
Nonmajor Governmental Funds	-	239,019	-	450	239,469
Total – Governmental Activities	<u>\$ 1,441,631</u>	<u>\$ 565,249</u>	<u>\$ 100</u>	<u>\$ 16,598</u>	<u>\$ 2,023,578</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 21,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,817</u>

Payables at August 31, 2013 were as follows:

	Accounts Payable	Payroll Deductions and Withholdings Payable	Accrued Wages Payable	Payable From Restricted Assets	Total Payables
Governmental Activities					
General Fund	\$ 370,327	\$ 338	\$ 446,130	\$ 57,092	\$ 873,887
Nonmajor Governmental Funds	37,035	-	33,460	-	70,495
Total – Governmental Activities	<u>\$ 407,362</u>	<u>\$ 338</u>	<u>\$ 479,590</u>	<u>\$ 57,092</u>	<u>\$ 944,382</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013**

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

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2013, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciable assets				
Land	\$ 828,919	\$ -	\$ -	\$ 828,919
Construction in progress	-	13,400	-	13,400
Total non-depreciable assets	828,919	13,400	-	842,319
Depreciable assets				
Buildings and improvements	56,715,374	-	-	56,715,374
Furniture and equipment	3,975,872	262,957	-	4,238,829
Total depreciable assets	60,691,246	262,957	-	60,954,203
Totals at historic cost	61,520,165	276,357	-	61,796,522
Less Accumulated Depreciation:				
Buildings and improvements	14,513,934	1,369,337	-	15,883,271
Furniture and equipment	2,524,299	363,112	-	2,887,411
Total accumulated depreciation	17,038,233	1,732,449	-	18,770,682
Governmental Activities Capital Assets, Net	<u>\$ 44,481,932</u>	<u>\$ (1,456,092)</u>	<u>\$ -</u>	<u>\$43,025,840</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 502,714
Instructional resources and media services	11,204
Curriculum development and instructional staff development	13,953
Instructional and school leadership	16,586
Guidance, counseling and evaluation services	3,425
Health services	607
Student transportation	101,272
Food services	28,099
Extracurricular activities	98,759
General administration	15,529
Plant maintenance and operations	69,044
Security and monitoring service	1,218
Data processing services	41,727
Community services	9,802
Facilities acquisition and construction	818,510
Total Depreciation Expense	<u>\$ 1,732,449</u>

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013**

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

G. CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and notes payable					
General obligation bonds	\$36,677,061	\$ -	\$ 516,075	\$36,160,986	\$ 506,153
Bond premium (discount)	(87,691)	-	114,435	(202,126)	-
CAB accretion	1,501,358	223,215	638,925	1,085,648	-
Total Governmental Activities					
Long-term Liabilities	<u>\$38,090,728</u>	<u>\$ 223,215</u>	<u>\$ 1,269,435</u>	<u>\$37,044,508</u>	<u>\$ 506,153</u>

H. BONDS PAYABLE

On July 1, 2005, the District issued \$11,515,068 of Unlimited Tax Refunding Bonds, Series 2005. Of that amount, \$6,995,079 was used to defease a portion of the District's Unlimited Tax and Refunding Bonds, Series 1998, and \$4,520,000 was used to defease a portion of the District's Unlimited Tax School Building Bonds, Series 1999. The Unlimited Tax Refunding Bonds, Series 2005, include \$10,990,000 of current interest bonds and \$525,068 of capital appreciation bonds (CABs). The CABs portion of the bonds are issued at a discount. The interest on these bonds accretes each year but is paid with the principal at maturity of the bonds. The CABs for the 2005 series mature in the school years ending August 31, 2011 through 2014.

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

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.

Defeased Debt

In November 2011, the District defeased the 1998 Series bonds by placing the proceeds of refunding bonds in an irrevocable escrow account held and managed by bank trustees, and invested in U.S. Treasury obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds scheduled to mature in 2017. Accordingly, the escrow account and the defeased bonds are not included in the District's financial statements. The total amount of defeased bonds that remain outstanding at August 31, 2013, is \$957,280.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013**

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

H. BONDS PAYABLE, continued

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

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

Debt service requirements are as follows:

Year Ended August 31,	Bonds		Total Requirements
	Principal	Interest	
2014	\$ 506,153	\$ 2,276,722	\$ 2,782,875
2015	893,509	1,890,564	2,784,073
2016	905,791	1,876,883	2,782,674
2017	1,265,000	1,516,373	2,781,373
2018	1,320,000	1,464,674	2,784,674
2019-2023	7,450,000	6,451,548	13,901,548
2024-2028	9,190,533	4,738,030	13,928,563
2029-2033	11,905,000	2,024,812	13,929,812
2033-2034	2,725,000	61,313	2,786,313
Totals	<u>\$ 36,160,986</u>	<u>\$ 22,300,919</u>	<u>\$ 58,461,905</u>

Principal and interest paid during the year ended August 31, 2013, totaled \$516,075 and \$2,268,299, respectively.

Bond activity for the year ended August 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
CIB Series 2005	\$8,850,000	\$ -	\$ -	\$ 8,850,000	\$ -
CAB Series 2005	197,228	-	111,075	86,153	86,153
CIB Series 2007	26,740,000	-	405,000	26,335,000	420,000
CAB Series 2007	229,300	-	-	229,300	-
CIB Series 2011	460,000	-	-	460,000	-
CAB Series 2011	200,533	-	-	200,533	-
Subtotal	36,677,061	-	516,075	36,160,986	506,153
CAB Accretion	1,501,358	223,215	638,925	1,085,648	-
Bond Premium	343,871	-	149,203	194,668	-
Less Deferred Amounts:					
For Issuance Discount	(58,124)	-	(4,666)	(53,458)	-
For Refunding Loss	(373,438)	-	(30,102)	(343,336)	-
Total Bonds Payable	<u>\$38,090,728</u>	<u>\$ 223,215</u>	<u>\$ 1,269,435</u>	<u>\$37,044,508</u>	<u>\$ 506,153</u>

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013**

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

I. DEBT ISSUANCE COSTS

Early implementation of GASB Statement No. 65 has been adopted as of August 31, 2013. Henceforth, the debt issuance costs, which were previously capitalized, have been expensed. Exhibit B-1, the Statement of Activities, reflects the expense of the debt issuance costs of \$397,893 as a reclassification related to prior period debt issuance costs.

J. DEFINED BENEFIT PENSION PLAN

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

Funding Policy. State law provides for fiscal years 2011, 2012 and 2013 a state contribution rate of 6.64%, 6.00%, and 6.00%, respectively, and a member contribution rate of 6.40%, 6.40% and 6.40% respectively. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.00% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.00% of the member's annual compensation and a state contribution rate of not less than 6.00% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. The District's employees' contributions to the System for the year ended August 31, 2013, were \$756,750. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2011, 2012 and 2013 were \$657,497, \$684,601, and \$627,750, respectively. State contributions to Medicare Part D on behalf of Bullard Independent School District's employees for the years ended August 31, 2011, 2012 and 2013 were \$24,244, \$49,737, and \$40,542, respectively. The District reports these TRS and Medicare Part D on behalf payments made by the state as revenues and expenditures in an equal amount in the general fund. The District paid additional state contributions for the years ended August 31, 2011, 2012 and 2013, in the amount of \$175,890, \$160,257, and \$172,013, respectively on the portion of the employees' salaries that exceeded the statutory minimum.

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013**

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

K. 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, 2013, the District's fixed cost was \$36,294 and its loss fund maximum was \$57,092.

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

	<u>Year Ended August 31, 2013</u>	<u>Year Ended August 31, 2012</u>
Unpaid claims at September 1	\$ 99,031	\$ 87,410
Incurred claims (including IBNR)	(24,514)	30,721
Total Payments	<u>(17,425)</u>	<u>(19,100)</u>
Total Unpaid Claims at August 31	<u>\$ 57,092</u>	<u>\$ 99,031</u>

Health Care Coverage

During the year ended August 31, 2013, 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, 2013, 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, 2012, 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, 2013**

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

L. 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, 2013, 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	\$ 326,230	\$ -	\$ 326,230
Special Revenue	-	239,019	239,019
Total	<u>\$ 326,230</u>	<u>\$ 239,019</u>	<u>\$ 565,249</u>

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	Other Funds	Total
Property Taxes	\$ 8,866,109	\$ 2,277,322	\$ -	\$ 11,143,431
Penalties, Interest, and Other Tax- Related Income	122,029	31,738	-	153,767
Investment Income	27,639	904	359	28,902
Food Sales	-	-	358,629	358,629
Co-Curricular Student Activities	106,875	-	495,814	602,689
Insurance Recovery	21,102	-	-	21,102
Foundations, Gifts, and Bequests	43,545	-	41,160	84,705
Other	139,113	-	5,074	144,187
Total	<u>\$ 9,326,412</u>	<u>\$ 2,309,964</u>	<u>\$ 901,036</u>	<u>\$ 12,537,412</u>

N. COMMITMENTS AND CONTINGENCIES

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013**

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

O. JOINT VENTURE / SHARED SERVICE ARRANGEMENTS

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

	<u>Special Education</u>
Revenues	<u>\$ 574,549</u>
Expenditures:	
Payroll & Other Operating Expenditures	<u>\$ 574,549</u>
 Total Funds Disbursed to All Participating School Districts	 \$ 1,616,588
 Percent Attributable to District	 35%

P. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 2, 2013, 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, 2013

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	\$ 8,937,728	\$ 9,330,278	\$ 9,326,412	\$ (3,866)
5800	State Program Revenues	6,892,694	7,249,399	7,281,994	32,595
5020	Total Revenues	15,830,422	16,579,677	16,608,406	28,729
EXPENDITURES:					
Current:					
0011	Instruction	8,431,145	8,468,639	8,406,493	62,146
0012	Instructional Resources and Media Services	169,346	169,346	163,950	5,396
0013	Curriculum and Instructional Staff Development	263,855	278,105	275,107	2,998
0023	School Leadership	910,259	909,614	886,242	23,372
0031	Guidance, Counseling and Evaluation Services	415,975	419,050	416,599	2,451
0032	Social Work Services	14,161	14,161	5,302	8,859
0033	Health Services	150,054	164,746	155,887	8,859
0034	Student (Pupil) Transportation	380,698	566,498	534,458	32,040
0035	Food Services	-	150	113	37
0036	Extracurricular Activities	785,556	960,868	909,236	51,632
0041	General Administration	733,391	731,841	715,282	16,559
0051	Facilities Maintenance and Operations	2,212,097	2,207,629	2,124,832	82,797
0052	Security and Monitoring Services	56,200	62,500	61,008	1,492
0053	Data Processing Services	463,170	605,770	557,681	48,089
Capital Outlay:					
0081	Facilities Acquisition and Construction	116,700	39,297	-	39,297
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	175,815	175,815	175,815	-
0095	Payments to Juvenile Justice Alternative Ed.	2,000	2,000	1,899	101
6030	Total Expenditures	15,280,422	15,776,029	15,389,904	386,125
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	550,000	803,648	1,218,502	414,854
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(550,000)	(550,000)	(450,000)	100,000
7080	Total Other Financing Sources (Uses)	(550,000)	(550,000)	(450,000)	100,000
1200	Net Change in Fund Balances	-	253,648	768,502	514,854
0100	Fund Balance - September 1 (Beginning)	6,014,125	6,014,125	6,014,125	-
3000	Fund Balance - August 31 (Ending)	\$ 6,014,125	\$ 6,267,773	\$ 6,782,627	\$ 514,854

**BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2013**

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for 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-3 and J-4.

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 increased the overall General Fund budget by approximately \$254 thousand, with the most significant changes occurring in student (pupil) transportation, extracurricular activities, data processing services, and facilities acquisition and construction.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are amended by the Board. All budget appropriations lapse at year end.

Excess of expenditures over appropriations

For the year ended August 31, 2013, no expenditures exceeded appropriations.

COMBINING STATEMENTS

BULLARD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2013

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	\$ (61,245)	\$ (120,923)	\$ 169,307	\$ -
1240	Receivables from Other Governments	74,966	127,268	10,712	-
1290	Other Receivables	-	-	450	-
1000	Total Assets	<u>\$ 13,721</u>	<u>\$ 6,345</u>	<u>\$ 180,469</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ 2,244	\$ -	\$ 29,976	\$ -
2160	Accrued Wages Payable	11,477	6,345	13,889	-
2000	Total Liabilities	<u>13,721</u>	<u>6,345</u>	<u>43,865</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	136,604	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>136,604</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 13,721</u>	<u>\$ 6,345</u>	<u>\$ 180,469</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	404 Student Success Initiative	410 State Textbook Fund	429 Ready to Read Funds	461 Campus Activity Funds	492 Bullard Education Foundation	Total Nonmajor Governmental Funds
\$ (9,604)	\$ (6,239)	\$ (3,842)	\$ -	\$ 203,702	\$ 6,577	\$ 177,733
11,353	6,239	8,481	-	-	-	239,019
-	-	-	-	-	-	450
<u>\$ 1,749</u>	<u>\$ -</u>	<u>\$ 4,639</u>	<u>\$ -</u>	<u>\$ 203,702</u>	<u>\$ 6,577</u>	<u>\$ 417,202</u>
\$ -	\$ -	\$ 4,639	\$ -	\$ -	\$ 176	\$ 37,035
1,749	-	-	-	-	-	33,460
<u>1,749</u>	<u>-</u>	<u>4,639</u>	<u>-</u>	<u>-</u>	<u>176</u>	<u>70,495</u>
-	-	-	-	-	-	136,604
-	-	-	-	203,702	6,401	210,103
-	-	-	-	203,702	6,401	346,707
<u>\$ 1,749</u>	<u>\$ -</u>	<u>\$ 4,639</u>	<u>\$ -</u>	<u>\$ 203,702</u>	<u>\$ 6,577</u>	<u>\$ 417,202</u>

BULLARD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ -	\$ -	\$ 364,062	\$ -
5800	State Program Revenues	-	-	15,495	-
5900	Federal Program Revenues	240,865	121,251	495,213	19,227
5020	Total Revenues	<u>240,865</u>	<u>121,251</u>	<u>874,770</u>	<u>19,227</u>
EXPENDITURES:					
Current:					
0011	Instruction	238,932	121,251	-	18,663
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	1,800	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	564
0032	Social Work Services	133	-	-	-
0035	Food Services	-	-	874,660	-
0036	Extracurricular Activities	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
6030	Total Expenditures	<u>240,865</u>	<u>121,251</u>	<u>874,660</u>	<u>19,227</u>
1200	Net Change in Fund Balance	-	-	110	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>136,494</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,604</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	404 Student Success Initiative	410 State Textbook Fund	429 Ready to Read Funds	461 Campus Activity Funds	492 Bullard Education Foundation	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 495,814	\$ 41,160	\$ 901,036
-	6,648	11,457	47	-	-	33,647
45,424	-	-	-	-	-	921,980
<u>45,424</u>	<u>6,648</u>	<u>11,457</u>	<u>47</u>	<u>495,814</u>	<u>41,160</u>	<u>1,856,663</u>
34,870	6,648	11,882	-	-	33,887	466,133
-	-	-	47	-	-	47
9,304	-	-	-	-	-	11,104
1,250	-	-	-	-	-	1,250
-	-	-	-	-	-	564
-	-	-	-	-	-	133
-	-	-	-	-	-	874,660
-	-	-	-	482,913	-	482,913
-	-	-	-	-	2,903	2,903
<u>45,424</u>	<u>6,648</u>	<u>11,882</u>	<u>47</u>	<u>482,913</u>	<u>36,790</u>	<u>1,839,707</u>
-	-	(425)	-	12,901	4,370	16,956
-	-	425	-	190,801	2,031	329,751
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,702</u>	<u>\$ 6,401</u>	<u>\$ 346,707</u>

REQUIRED TEA SCHEDULES

BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ 706,082,246
2005	1.370000	0.220000	371,991,294
2006	1.430000	0.160000	482,034,034
2007	1.307000	0.180000	560,218,458
2008	1.040000	0.430000	610,249,106
2009	1.040000	0.430000	727,365,032
2010	1.040000	0.430000	757,037,682
2011	1.170000	0.300000	773,224,039
2012	1.170000	0.300000	816,197,386
2013 (School year under audit)	1.170000	0.300000	817,655,718
1000 TOTALS			

EXHIBIT J-1

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 391,349	\$ -	\$ 3,471	\$ 883	\$ (38,981)	\$ 348,014
53,026	-	531	85	(3,391)	49,019
52,425	-	1,434	161	(2,728)	48,102
55,690	-	1,718	236	(2,645)	51,091
63,873	-	2,813	1,164	(3,584)	56,312
80,096	-	10,236	4,232	(2,892)	62,736
108,676	-	13,677	5,655	(1,414)	87,930
182,597	-	33,425	8,571	(1,128)	139,473
387,618	-	122,211	31,336	1,373	235,444
-	11,285,542	8,686,707	2,227,361	(7,964)	363,510
<u>\$ 1,375,350</u>	<u>\$ 11,285,542</u>	<u>\$ 8,876,223</u>	<u>\$ 2,279,684</u>	<u>\$ (63,354)</u>	<u>\$ 1,441,631</u>

BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2013

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 218,157	\$ 178,871	\$ -	\$ -	\$ 397,028
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	21,672	-	-	-	21,672
6212	Audit Services	-	-	-	24,400	-	-	24,400
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	200,906	-	-	-	-	200,906
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	39,309	-	-	39,309
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	2,525	1,463	-	-	3,988
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	4,714	-	-	-	4,714
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	26	-	-	-	26
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	864	5,556	-	-	6,420
6410	Travel, Subsistence, Stipends	7,762	-	7,941	2,977	-	-	18,680
6420	Ins. and Bonding Costs	8,151	125	2,714	-	-	-	10,990
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	9,663	-	8,194	7,701	-	-	25,558
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 25,576	\$ 201,031	\$ 266,807	\$ 260,277	\$ -	\$ -	\$ 753,691

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 17,229,611

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 276,357
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	2,101,319
Food (Function 35, 6341 and 6499)	(13)	393,110
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		260,277

SubTotal:

3,031,064

Net Allowed Direct Cost

\$ 14,198,547

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 56,715,374
Historical Cost of Building over 50 years old	(16)	\$ 8,100
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 4,238,829
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 635,390
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 189,754

(8) NOTE A: \$38,409 in Function 53 expenditures are included in this report on administrative costs.

No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

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, 2013

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	\$ 365,500	\$ 365,500	\$ 364,062	\$ (1,438)
5800	State Program Revenues	5,100	19,100	15,495	(3,605)
5900	Federal Program Revenues	474,000	492,000	495,213	3,213
5020	Total Revenues	844,600	876,600	874,770	(1,830)
EXPENDITURES:					
0035	Food Services	844,600	875,050	874,660	390
6030	Total Expenditures	844,600	875,050	874,660	390
1200	Net Change in Fund Balances	-	1,550	110	(1,440)
0100	Fund Balance - September 1 (Beginning)	136,494	136,494	136,494	-
3000	Fund Balance - August 31 (Ending)	\$ 136,494	\$ 138,044	\$ 136,604	\$ (1,440)

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, 2013

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,236,500	\$ 2,339,500	\$ 2,309,964	\$ (29,536)
5020	Total Revenues	2,236,500	2,339,500	2,309,964	(29,536)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	2,786,500	1,155,000	516,075	638,925
0072	Interest on Long Term Debt	-	1,629,400	2,268,299	(638,899)
0073	Bond Issuance Cost and Fees	-	2,100	2,000	100
6030	Total Expenditures	2,786,500	2,786,500	2,786,374	126
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(550,000)	(447,000)	(476,410)	(29,410)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	550,000	550,000	450,000	(100,000)
7080	Total Other Financing Sources (Uses)	550,000	550,000	450,000	(100,000)
1200	Net Change in Fund Balances	-	103,000	(26,410)	(129,410)
0100	Fund Balance - September 1 (Beginning)	120,317	120,317	120,316	(1)
3000	Fund Balance - August 31 (Ending)	\$ 120,317	\$ 223,317	\$ 93,906	\$ (129,411)

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basis financial statements, and have issued our report thereon dated December 2, 2013.

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.

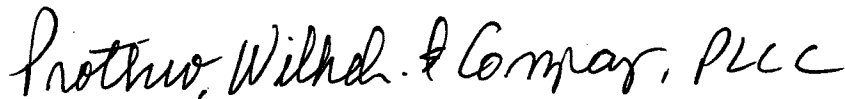
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Prothro, Wilhelmi & Company, PLLC". The signature is written in a cursive, flowing style.

PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
December 2, 2013

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

The Board of Trustees
Bullard Independent School District
Bullard, Texas

Report on Compliance for Each Major Federal Program

We have audited Bullard Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
December 2, 2013

**BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013**

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>FEDERAL</u>	<u>Name of Federal Program or Cluster</u>
<u>CFDA Numbers</u>	
84.010	Title I Part A

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

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

**BULLARD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013**

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, 2013

(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	13610101212902	\$ 229,387
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101212902	11,477
Total CFDA Number 84.010A			240,864
Total Title I, Part A Cluster			240,864
*IDEA - Part B, Formula	84.027	136600010379076000	114,906
*IDEA - Part B, Formula	84.027	146600010379076000	6,345
Total CFDA Number 84.027			121,251
Total Special Education Cluster (IDEA)			121,251
Career and Technical - Basic Grant	84.048	13420006212902	19,227
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501212902	43,675
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501212902	1,750
Total CFDA Number 84.367A			45,425
Total Passed Through State Department of Education			\$ 426,767
TOTAL DEPARTMENT OF EDUCATION			\$ 426,767
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401301	\$ 116,967
*National School Lunch Program - Cash Assistance	10.555	71301301	330,720
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301301	47,526
Total CFDA Number 10.555			378,246
Total Child Nutrition Cluster			495,213
Total Passed Through the State Department of Agriculture			\$ 495,213
TOTAL DEPARTMENT OF AGRICULTURE			\$ 495,213
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 921,980

*Clustered Programs

BULLARD INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2013

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

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

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement – Provisional 6/97.
4. Catalog of Federal Domestic Assistance (CFDA) number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), and the Food Distribution Program on Indian Reservations (10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering the District fiscal year beginning September 1, 2011, and future audits will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.