

**BLANCO INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019



INTRODUCTORY SECTION

BLANCO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION	ii	
CERTIFICATE OF BOARD	1	
FINANCIAL SECTION	2	
INDEPENDENT AUDITOR'S REPORT	3	
MANAGEMENT'S DISCUSSION AND ANALYSIS	6	
BASIC FINANCIAL STATEMENTS	13	
STATEMENT OF NET POSITION	14	A-1
STATEMENT OF ACTIVITIES	15	B-1
BALANCE SHEET	16	C-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	17	C-1R
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	18	C-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	19	C-3
STATEMENT OF NET POSITION - PROPRIETARY FUNDS	20	D-1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS	21	D-2
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	22	D-3
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS	23	E-1
NOTES TO THE FINANCIAL STATEMENTS	24	
REQUIRED SUPPLEMENTARY INFORMATION	50	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	51	G-1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	52	
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	53	G-2
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS – TEACHER RETIREMENT SYSTEM	54	G-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON PENSIONS	55	
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	56	G-4
SCHEDULE OF DISTRICTS OPEB CONTRIBUTIONS – TEACHER RETIREMENT SYSTEM	57	G-5
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON OPEBS	58	

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>	<u>Exhibit</u>
SUPPLEMENTARY INFORMATION.....	59	
COMBINING BALANCE SHEET	60	H-1
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	62	H-2
SCHEDULE OF DELINQUENT TAXES RECEIVABLE.....	64	J-1
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - BUDGETARY COMPARISON SCHEDULE	66	J-2
DEBT SERVICE FUND - BUDGETARY COMPARISON SCHEDULE	67	J-3
COMPLIANCE SECTION	68	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING</i> <i>STANDARDS</i>	69	
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	71	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	73	
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	75	
CORRECTIVE ACTION PLAN	76	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	77	K-1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	78	
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS	79	L-1

CERTIFICATE OF BOARD

Blanco Independent School District
Name of School District

Blanco
County

016902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended June 30, 2019, at a meeting of the board of trustees of such school district on the 14th day of October, 2019



Signature of Board Secretary



Signature of Board President

FINANCIAL SECTION



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

Deborah F. Fraser

Phil S. Vaughan

Nancy L. Vaughan

Kimberly J. Roach

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Blanco Independent School District
814 11th Street
Blanco, Texas 78606

Members of the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blanco Independent School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Blanco Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Blanco Independent School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements which collectively comprise Blanco Independent School District's financial statements. The supplementary information (individual budgetary comparison schedules for the national school breakfast and lunch program and the debt service funds required by Texas Education Agency); the schedule of expenditures of federal awards required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and other information (combining schedules, schedule of delinquent taxes receivable, and the schedule of required responses to selected school first indicators) are presented for purposes of additional analysis and are not a required part of the financial statements.


The supplementary information and 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 financial statements. The supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019 on our consideration of Blanco Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Blanco Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

September 27, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Blanco Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal period ended June 30, 2019. Please read it in conjunction with the Independent Auditor's Report, which precedes this Analysis and the District's financial statements, which follow this section.

Note: The District changed its fiscal year end to June 30 in the prior period. The current period information referenced below is for twelve months, while the comparative information is for ten months.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$2.0 million as a result of this year's operations.
- Total cost of all of the District's programs increased 75.3% this year to \$12.7 million with no new programs added and with no old programs deleted this year. The main reason for the increase was related to the prior year showing an unusual decrease in expenses as a result of adjustments in the presented other post-employment benefit expense that was paid by the state on-behalf of the District.
- The expenditures for the fiscal year were \$1.0 million less than budgeted in the General Fund.
- The District's unassigned fund balance at year end was \$7.5 million or 71.8% of General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

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.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the 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 they have changed. Net position—the difference between the District's assets and liabilities is one way to measure the District's financial health or position.

- Viewed over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

- *Governmental funds*—All of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* 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 fund* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*.
- *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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$6.9 million at June 30, 2019 (See Table A-1). Of this amount, \$6.9 is invested in capital assets and \$2.2 million is restricted, leaving a deficit in unrestricted net position of \$2.2 million.

Changes in Net Position

The District's total revenues were \$14.6 million. A significant portion of the District's revenue came from local taxes of \$11.0 million or 75.5% ; \$3.1 million or 21.2% came from Federal, State, and Local aid – formula grants, while another \$482 thousand or 3.3% related to charges for services.

The total cost of all programs and services was \$12.7 million; instruction, instruction related, and student service costs were \$10.1 million or 80.2%. Other important services are general administration, facilities operation and maintenance, and interest on long term debt.

Table A-2 presents the cost of each of the District's functions with a comparison to the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$14.2 million, an increase of 7.1% over the preceding year revenue of \$13.3 million. Local program and federal revenues increased while state revenues decreased. Total governmental fund expenditures of \$12.9 million increased 26.0% which was primarily because of the prior year change in fiscal year-end.

BUDGETARY HIGHLIGHTS

The General Fund's expenditures were \$1.0 million less than the final budgeted expenditures, primarily in instruction, extracurricular activities, and facilities maintenance and operations. Combined with revenues that exceeded the budget by \$701 thousand, the General Fund ended the fiscal year \$1.7 million better than the budget anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had invested \$26.7 million in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-3). Additions for the 2019 school year included a new engine for one of the buses as well as other equipment for the buildings. After depreciation, the book value of these assets at June 30, 2019 was \$15.7 million.

Long Term Debt

S&P Global rates the District's bonds in 2019 as AAA.

At year-end the District owed \$10.1 million in principal for outstanding bonds and maintenance tax notes. The District did not issue any new debt during 2019. More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND TAX RATES

The District is pleased that the General Fund Balance increased by over \$1 million as of June 30, 2019. The additional fund balance allowed Blanco ISD to pay-off the remaining balance on the District's maintenance tax note in July of 2019. In last year's audit report, it was cited that the maintenance tax note was not scheduled to be paid off until August of 2020, if regularly payments had been made according to the note's three year term. Estimated savings in paying-off the note prior to full-term is over \$25,000.

Following the severe financial crisis, with reduction-in-force, in 2017, the District is continuing to improve its allocation of resources to meet mandated targets. It is projected at this time that all special program targets will be exceeded with the 2019-2020 school year including both state and federal Special Education Maintenance of Effort, Career and Technical Education, and Bilingual programs; as well as other newly mandated programs cited in recent legislation.

As added evidence of recovery following the financial crisis in 2017, the S&P Global Rating outlook was upgraded from negative to stable for the District at the beginning of the 2018-2019 fiscal year.

For the 2019-2020 fiscal year, the District's Board of Trustees have, to date, approved a General Fund budget of \$11,259,344 in revenues and \$12,699,932 in expenditures. This budget, as mentioned previously, included an amendment to pay-off the remaining maintenance tax note in the amount of \$1,247,736, including principal and interest, in July of 2019. Of further note for the 2019-2020 fiscal year, revenues are predicated on tax compression passed by the state legislature in the spring of 2019. For Blanco ISD, this tax compression will result in a decline in the District's Maintenance & Operations tax rate from \$1.06 to \$0.99 per \$100 in property valuation. The Interest and Sinking portion of the tax rate is anticipated to remain the same at \$0.1362 per \$100 property valuation. Still the overall tax rate for the 2019 tax year will decline from \$1.1962 to \$1.1262 per \$100 valuation for Blanco ISD property owners.

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, we invite you to contact the District's Finance Office, 814 11th Street, Blanco, Texas 78606.

Table A-1
Blanco Independent School District's Net Position

	Governmental Activities		Percentage
	2019	2018	Change
Current and Other Assets	\$ 11,458,362	\$ 10,113,423	13.3%
Capital Assets	15,710,052	16,312,015	-3.7%
<i>Total Assets</i>	<u>27,168,414</u>	<u>26,425,438</u>	2.8%
<i>Deferred Outflows of Resources</i>	<u>2,412,970</u>	<u>887,570</u>	171.9%
Current Liabilities	1,014,694	1,051,920	-3.5%
Long-Term Liabilities	18,470,722	18,809,846	-1.8%
<i>Total Liabilities</i>	<u>19,485,416</u>	<u>19,861,766</u>	-1.9%
<i>Deferred Inflows of Resources</i>	<u>3,162,012</u>	<u>2,509,697</u>	26.0%
Net Investment in Capital Assets	6,887,569	6,710,233	2.6%
Restricted	2,199,756	1,747,697	25.9%
Unrestricted (Deficit)	(2,153,369)	(3,516,385)	-38.8%
<i>Total Net Position</i>	<u>\$ 6,933,956</u>	<u>\$ 4,941,545</u>	40.3%

Table A-2
Changes in Blanco Independent School District's Net Position

	Governmental Activities		Percentage
	2019	2018*	Change
<i>Program Revenues:</i>			
Charges for Services	\$ 482,387	\$ 470,298	2.6%
Operating Grants & Contributions	1,039,928	835,830	24.4%
<i>General Revenues:</i>			
Property Taxes	11,052,502	10,175,755	8.6%
State Aid - Formula Grants	1,694,855	(359,510)	571.4%
Investment Earnings	207,431	101,723	103.9%
Miscellaneous	168,492	120,501	39.8%
<i>Total Revenues</i>	<u>14,645,595</u>	<u>11,344,597</u>	29.1%
<i>Expenses:</i>			
Instruction	6,386,928	3,244,209	96.9%
Instructional Resources and Media Services	113,622	129,617	-12.3%
Curriculum and Staff Development	161,085	139,154	15.8%
Instructional Leadership	717,517	43,849	1536.3%
School Leadership	639,968	317,146	101.8%
Guidance, Counseling, & Evaluation Services	322,400	287,968	12.0%
Health Services	93,001	87,577	6.2%
Student (Pupil) Transportation	354,438	338,172	4.8%
Food Services	620,621	351,283	76.7%
Extracurricular Activities	735,756	573,314	28.3%
General Administration	668,087	367,914	81.6%
Facilities Maintenance and Operations	1,091,801	896,496	21.8%
Security and Monitoring Services	34,864	39,412	-11.5%
Data Processing Services	205,937	(49,044)	519.9%
Community Services	19,693	21,005	-6.2%
Debt Service - Interest on Long-Term Debt	284,792	247,553	15.0%
Other Intergovernmental Charges	202,673	180,694	12.2%
<i>Total Expenses</i>	<u>12,653,183</u>	<u>7,216,319</u>	75.3%
<i>Increase (Decrease) in Net Position</i>	<u>\$ 1,992,412</u>	<u>\$ 4,128,278</u>	-51.7%

* represents only 10 months due to change in fiscal year end

Table A-3
Changes in Blanco Independent School District's Capital Assets

	Beginning Balance	Additions	Disposals	Ending Balance
Land and Improvements	\$ 656,364	\$ -	\$ -	\$ 656,364
Buildings and Improvements	23,091,393	-	-	23,091,393
Vehicles, Furniture, and Equipment	2,939,862	53,556	-	2,993,418
Less: Accumulated Depreciation	(10,386,321)	(644,802)	-	(11,031,123)
Total Capital Assets	<u>\$ 16,301,298</u>	<u>\$ (591,246)</u>	<u>\$ -</u>	<u>\$ 15,710,052</u>

Land is not depreciated.

BASIC FINANCIAL STATEMENTS

BLANCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

1

Data Control Codes		Governmental Activities
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 8,553,270
1120	Current Investments	1,840,817
1225	Property Taxes Receivable, Net	468,571
1240	Due from Other Governments	495,341
1290	Other Receivables	86,754
1300	Inventories	13,609
	<i>Capital Assets:</i>	
1510	Land and Improvements	656,364
1520	Buildings and Improvements, Net	14,609,189
1530	Furniture and Equipment, Net	444,499
1000	<i>Total Assets</i>	<u>27,168,414</u>
	DEFERRED OUTFLOW OF RESOURCES:	
1700	Deferred Loss on Debt Refunding	52,599
1705	Deferred Pension Related Outflows	1,957,575
1706	Deferred OPEB Related Outflows	402,796
	<i>Total Deferred Outflows</i>	<u>2,412,970</u>
	LIABILITIES:	
2110	Accounts Payable	131,500
2140	Interest Payable	93,751
2150	Payroll Deductions & Withholding	2,767
2160	Accrued Wages Payable	786,676
	<i>Noncurrent Liabilities:</i>	
2501	Due Within One Year	1,430,000
2502	Due in More Than One Year	8,625,000
2516	Premium on Issuance of Bonds	55,082
2540	Net Pension Liability	3,453,947
2545	Total OPEB Liability	4,906,693
2000	<i>Total Liabilities</i>	<u>19,485,416</u>
	DEFERRED INFLOW OF RESOURCES:	
2605	Deferred Pension Related Inflows	671,909
2606	Deferred OPEB Related Inflows	2,490,103
	<i>Total Deferred Inflows</i>	<u>3,162,012</u>
	NET POSITION:	
3200	Net Investment in Capital Assets	6,887,569
	Restricted For:	
3820	Federal and State Programs	22,425
3850	Debt Service	2,028,522
3890	Other Restrictions	148,809
3900	Unrestricted (Deficit)	(2,153,369)
3000	<i>Total Net Position</i>	<u>\$ 6,933,956</u>

The accompanying notes are an integral part of this statement

BLANCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Functions/Programs	1	3	4	6
		Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Governmental Activities
	Primary Government				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	\$ 6,386,928	\$ 16,700	\$ 148,441	\$ (6,221,787)
12	Instructional Resources and Media Services	113,622	-	-	(113,622)
13	Curriculum and Staff Development	161,085	-	5,331	(155,754)
21	Instructional Leadership	717,517	-	184,643	(532,874)
23	School Leadership	639,968	-	-	(639,968)
31	Guidance, Counseling, & Evaluation Services	322,400	-	-	(322,400)
33	Health Services	93,001	-	-	(93,001)
34	Student (Pupil) Transportation	354,438	-	2,445	(351,993)
35	Food Services	620,621	197,101	561,421	137,901
36	Extracurricular Activities	735,756	259,076	103,426	(373,254)
41	General Administration	668,087	-	248	(667,839)
51	Facilities Maintenance and Operations	1,091,801	9,510	-	(1,082,291)
52	Security and Monitoring Services	34,864	-	-	(34,864)
53	Data Processing Services	205,937	-	-	(205,937)
61	Community Services	19,693	-	9,352	(10,341)
72	Debt Service - Interest on Long-Term Debt	284,792	-	24,621	(260,171)
99	Other Intergovernmental Charges	202,673	-	-	(202,673)
TG	Total Governmental Activities	12,653,183	482,387	1,039,928	(11,130,868)
TP	Total Primary Government	\$ 12,653,183	\$ 482,387	\$ 1,039,928	(11,130,868)
<i>General Revenues:</i>					
MT	Property Taxes, Levied for General Purposes				9,789,370
DT	Property Taxes, Levied for Debt Service				1,263,132
SF	State Aid - Formula Grants				1,694,855
IE	Investment Earnings				207,431
MI	Miscellaneous Local and Intermediate Revenue				168,492
TR	Total General Revenues				13,123,280
CN	Change in Net Position				1,992,412
NB	Net Position - Beginning				4,941,545
NE	Net Position - Ending				\$ 6,933,957

The accompanying notes are an integral part of this statement

BLANCO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
JUNE 30, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Nonmajor Governmental Funds	98 Total Governmental Funds
ASSETS:					
1110 Cash and Cash Equivalents	\$ 6,052,358	\$ 1,816,711	\$ -	\$ 176,659	\$ 8,045,728
1120 Current Investments	1,591,477	249,340	-	-	1,840,817
1225 Taxes Receivable, Net	415,182	53,389	-	-	468,571
1240 Receivables from Other Governments	278,546	-	-	216,795	495,341
1260 Due from Other Funds	216,018	-	-	-	216,018
1290 Other Receivables	83,921	2,833	-	-	86,754
1300 Inventories	2,132	-	-	11,477	13,609
1000 <i>Total Assets</i>	<u>\$ 8,639,634</u>	<u>\$ 2,122,273</u>	<u>\$ -</u>	<u>\$ 404,931</u>	<u>\$ 11,166,838</u>
LIABILITIES:					
2110 Accounts Payable	\$ 96,774	\$ -	\$ -	\$ 17,679	\$ 114,453
2150 Payroll Deductions & Withholding	2,767	-	-	-	2,767
2160 Accrued Wages Payable	786,676	-	-	-	786,676
2170 Due to Other Funds	-	-	-	216,018	216,018
2000 <i>Total Liabilities</i>	<u>886,217</u>	<u>-</u>	<u>-</u>	<u>233,697</u>	<u>1,119,914</u>
DEFERRED INFLOWS OF RESOURCES:					
2600 Unavailable Revenue - Property Taxes	272,543	34,839	-	-	307,382
<i>Total Deferred Inflows of Resources</i>	<u>272,543</u>	<u>34,839</u>	<u>-</u>	<u>-</u>	<u>307,382</u>
FUND BALANCES:					
<i>Nonspendable Fund Balance:</i>					
3410 Inventories	2,132	-	-	11,477	13,609
<i>Restricted Fund Balances:</i>					
3450 Federal/State Funds Grant					
Restrictions	-	-	-	10,948	10,948
3480 Retirement of Long-Term Debt	-	2,087,434	-	-	2,087,434
3490 Other Restricted Fund Balance	-	-	-	148,809	148,809
3600 <i>Unassigned</i>	<u>7,478,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,478,742</u>
3000 <i>Total Fund Balances</i>	<u>7,480,874</u>	<u>2,087,434</u>	<u>-</u>	<u>171,234</u>	<u>9,739,542</u>
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 8,639,634</u>	<u>\$ 2,122,273</u>	<u>\$ -</u>	<u>\$ 404,931</u>	<u>\$ 11,166,838</u>

The accompanying notes are an integral part of this statement

BLANCO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 9,739,542

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in governmental activities are not financial resources and therefore, 15,710,052
are not reported in the funds.

Internal service funds are used by management to charge costs related to employee unemployment costs. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. 490,495

Other long-term assets are not available to pay for current-period expenditures and therefore, 307,382
are deferred in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, not reported in the funds.

Bonds Payable	10,055,000	
Deferred Loss on Debt Refunding	(52,599)	
Unamortized Bond Premium	<u>55,082</u>	(10,057,483)

Net pension liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.

Net Pension Liability	3,453,947	
Pension Related Deferred Inflows	671,909	
Pension Related Deferred Outflows	<u>(1,957,575)</u>	(2,168,281)

Net OPEB liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.

Net OPEB Liability	4,906,693	
OPEB Related Deferred Inflows	2,490,103	
OPEB Related Deferred Outflows	<u>(402,796)</u>	(6,994,000)

Accrued interest payable on long-term bonds is not due and payable in the current period, (93,751)
and therefore, not reported in the funds.

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 6,933,956

BLANCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Nonmajor Governmental Funds	98 Total Governmental Funds
REVENUES:						
5700	Total Local and Intermediate Sources	\$ 10,079,579	\$ 1,300,076	\$ 65	\$ 427,972	\$ 11,807,692
5800	State Program Revenues	1,389,345	24,621	-	56,919	1,470,885
5900	Federal Program Revenues	-	-	-	958,388	958,388
5020	<i>Total Revenues</i>	<u>11,468,924</u>	<u>1,324,697</u>	<u>65</u>	<u>1,443,279</u>	<u>14,236,965</u>
EXPENDITURES:						
<i>Current:</i>						
0011	Instruction	5,425,820	-	-	296,310	5,722,130
0012	Instructional Resources and Media Services	102,803	-	-	-	102,803
0013	Curriculum and Instructional Staff Development	148,447	-	-	10,641	159,088
0021	Instructional Leadership	246,575	-	-	368,574	615,149
0023	School Leadership	584,068	-	-	170	584,238
0031	Guidance, Counseling, & Evaluation Services	305,739	-	-	2,254	307,993
0033	Health Services	63,086	-	-	-	63,086
0034	Student (Pupil) Transportation	336,920	-	16,661	4,880	358,461
0035	Food Service	59,915	-	1,054	501,758	562,727
0036	Cocurricular/Extracurricular	501,102	-	-	206,453	707,555
0041	General Administration	544,222	-	-	495	544,717
0051	Plant Maintenance and Operations	1,061,030	-	4,109	-	1,065,139
0052	Security and Monitoring Services	32,897	-	1,595	-	34,492
0053	Data Processing Services	168,290	-	-	-	168,290
0061	Community Services	-	-	-	18,668	18,668
<i>Debt Service:</i>						
0071	Principal on Long-Term Debt	595,000	780,000	-	-	1,375,000
0072	Interest on Long-Term Debt	34,258	266,815	-	-	301,073
0073	Bond Issuance Costs and Fees	-	1,500	-	-	1,500
<i>Intergovernmental:</i>						
0099	Other Intergovernmental Charges	202,673	-	-	-	202,673
6030	<i>Total Expenditures</i>	<u>10,412,845</u>	<u>1,048,315</u>	<u>23,419</u>	<u>1,410,203</u>	<u>12,894,782</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,056,079</u>	<u>276,382</u>	<u>(23,354)</u>	<u>33,076</u>	<u>1,342,183</u>
Other Financing Sources and (Uses)						
8949	Other Financing Use	(14,792)	-	-	-	(14,792)
7080	Total Other Financing Sources and (Uses)	<u>(14,792)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,792)</u>
1200	Net Change in Fund Balances	1,041,287	276,382	(23,354)	33,076	1,327,391
0100	Fund Balances - Beginning	<u>6,439,587</u>	<u>1,811,052</u>	<u>23,354</u>	<u>138,158</u>	<u>8,412,151</u>
3000	Fund Balances - Ending	<u>\$ 7,480,874</u>	<u>\$ 2,087,434</u>	<u>\$ -</u>	<u>\$ 171,234</u>	<u>\$ 9,739,542</u>

The accompanying notes are an integral part of this statement

BLANCO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 1,327,391**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay. (591,246)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. This is the net decrease in those revenues over the year. 22,822

The issuance of long-term debt (e.g. bonds & notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal Payments	1,375,000	
Amortization of Bond Premiums & Refunding Losses	4,419	
Accrued Interest	13,362	
	1,392,781	1,392,781

Governmental funds report required contributions to employee pensions as expenditures. However in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that the actuarially determined pension expense exceeded contributions. (232,118)

Governmental funds report required contributions to employee other post employment benefits as expenditures. However in the Statement of Activities the cost of the OPEB is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined OPEB expense. 64,907

Internal service funds are used by management to charge the costs related to employee unemployment costs to individual funds. The net revenue (loss) is reported with governmental activities. 7,876

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 1,992,413**

BLANCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Governmental Activities
	<u>Total</u>
	Internal Service Funds
	<u></u>
<i>ASSETS:</i>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 507,542
<i>Total Assets</i>	<u>\$ 507,542</u>
<i>LIABILITIES:</i>	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 17,047
<i>Total Liabilities</i>	<u>17,047</u>
<i>NET POSITION:</i>	
Unrestricted	490,495
<i>Total Net Position</i>	<u><u>\$ 490,495</u></u>

The accompanying notes are an integral part of this statement

BLANCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 65,455
<i>Total Operating Revenues</i>	<u>65,455</u>
OPERATING EXPENSES:	
Other Operating Costs	72,424
<i>Total Operating Expenses</i>	<u>72,424</u>
<i>Operating Income (Loss)</i>	<u>(6,969)</u>
NON-OPERATING REVENUES (EXPENSES)	
Earnings from Temporary Deposits & Investments	14,845
<i>Total Non-Operating Revenues (Expenses)</i>	<u>14,845</u>
Change in Net Position	7,876
Total Net Position - September 1 Beginning	482,619
Total Net Position - August 31 Ending	<u>\$ 490,495</u>

The accompanying notes are an integral part of this statement

BLANCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities
	Total Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from Assessments - Other Funds	\$ 65,455
Cash Payments for Insurance Claims	(75,050)
Net Cash Provided (Used) by Operating Activities	<u>(9,595)</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	14,845
Redemption of Investments	247,690
Net Cash Provided (Used) by Investing Activities	<u>262,535</u>
Net Increase (Decrease) in Cash and Cash Equivalents	252,940
Cash and Cash Equivalents at Beginning of Year	254,602
Cash and Cash Equivalents at End of Year	<u><u>\$ 507,542</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities	
Operating Income (Loss)	\$ (6,969)
Change in Assets and Liabilities:	
Increase (Decrease) in Other Accounts Payable	(2,626)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (9,595)</u></u>

The accompanying notes are an integral part of this statement

BLANCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Agency Funds
<i>ASSETS:</i>	
Cash and Cash Equivalents	\$ 24,442
Current Investments	22,406
<i>Total Assets</i>	<u>\$ 46,848</u>
<i>LIABILITIES:</i>	
<i>Current Liabilities</i>	
Due to Student Groups	\$ 46,848
<i>Total Liabilities</i>	<u>\$ 46,848</u>

The accompanying notes are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board") has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

a. Basis of Presentation (Continued)

The District reports the following major governmental funds:

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

Debt Service Fund: Is used to account for all funds collected and disbursed for the retirement of governmental debt.

Capital Projects Fund: The District reports transfers from the General Fund and proceeds from bond issuances related to capital acquisition and construction in this fund.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for revenues and expenditures related to specific federal, state, or local programs.

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

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

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

b. Measurement Focus, Basis of Accounting

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

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

b. Measurement Focus, Basis of Accounting (Continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Investments

The District reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool maintains a consistent net asset value per share that approximates the fair value of the underlying securities. These investments are reported at net asset value.

c. Property Taxes

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

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

c. Property Taxes (Continued)

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Taxes Receivable in the governmental funds are stated net of allowance for uncollectible tax receivables in the amount of \$18,898 and \$2,421 for the General and Debt Service Funds, respectively.

d. Inventories and Prepaid Items

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

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

e. Receivable and Payable Balances

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

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

f. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. 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 two years.

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

<u>Asset Class</u>	<u>Estimated Useful Lives (Years)</u>
Buildings and Improvements	20 - 50
Vehicles, Furniture, and Equipment	5 - 10

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

g. Interfund Activity

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

h. Deferred Inflows and Outflows of Resources

A deferred outflow of resources is a consumption of net position by the district that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in a separate section following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

i. Pensions

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

j. Other Post-Employment Benefits

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

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

k. Use of Estimates

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

l. Data Control Codes

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

m. Net Position – Government-wide Statement of Net Position

Net position is classified as follows:

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

Net Investment in Capital Assets – represents the balances of capital assets and unspent bond proceeds less the outstanding balances of debt related to the acquisition of the capital assets. This amount is separated from unrestricted net position so that the unrestricted classification represents net position more readily available to operations.

Unrestricted – represents the residual net position that is not restricted or capital in nature.

n. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

n. Fund Balances - Governmental Funds (Continued)

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

B. Deposits and Investments

1. Cash Deposits:

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

At June 30, 2019, the District's cash deposits were entirely covered by FDIC insurance and pledged securities by the agent bank. Therefore, the District was not exposed to custodial credit risk.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

B. Deposits and Investments

2. Investments:

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

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

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

The District's investments at June 30, 2019 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Rating</u>	<u>Face Value</u>	<u>Fair Value</u>
<i>Reported as Cash Equivalents</i>				
Lone Star Investment Pool	Demand	AAA-m	\$ 8,089,617	\$ 8,089,617
<i>Reported as Current Investments</i>				
Commercial Paper	180 days	A1/P1	506,000	499,182
Commercial Paper	235 days	A1/P1	509,000	499,963
Commercial Paper	258 days	A1/P1	254,000	249,340
Commercial Paper	262 days	A1/P1	305,000	298,474
Commercial Paper	268 days	A1/P1	300,000	293,858
Total Investments			<u>\$ 9,963,617</u>	<u>\$ 9,930,434</u>

All of the District's investments are valued using Level 1 inputs.

The District participates in the First Public Local Government Pool ("Lone Star"), an external investment pool. A Board of Trustees composed of participants of Lone Star is responsible for the overall management of Lone Star. The funds are managed by two separate advisors - American Beacon and BNY Mellon. The funds within Lone Star are not registered mutual funds under the Investment Company Act of 1940 and are not available to individual investors. The pool seeks to maintain a net asset value of \$1.00. Lone Star Investment Pool has a Standard & Poor's rating of AAA.

The commercial paper is with two entities: GE Capital and ING Funding. The commercial paper was purchased at a discount and is reported at fair value.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

B. Deposits and Investments (Continued)

Investment Accounting Policy

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

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

C. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases/ Adjustments	Decreases/ Adjustments	Ending Balances
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 656,364	\$ -	\$ -	\$ 656,364
<i>Total Capital Assets Not Being Depreciated</i>	<u>656,364</u>	<u>-</u>	<u>-</u>	<u>656,364</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings and Improvements	23,091,393	-	-	23,091,393
Vehicles, Furniture, and Equipment	2,939,862	53,556	-	2,993,418
<i>Total Capital Assets Being Depreciated</i>	<u>26,031,255</u>	<u>53,556</u>	<u>-</u>	<u>26,084,811</u>
<i>Less Accumulated Depreciation For:</i>				
Buildings and Improvements	(7,973,101)	(509,103)	-	(8,482,204)
Furniture and Equipment	(2,413,220)	(135,699)	-	(2,548,919)
<i>Total Accumulated Depreciation</i>	<u>(10,386,321)</u>	<u>(644,802)</u>	<u>-</u>	<u>(11,031,123)</u>
Total Capital Assets Being Depreciated, Net	15,644,934	(591,246)	-	15,053,688
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 16,301,298</u>	<u>\$ (591,246)</u>	<u>\$ -</u>	<u>\$ 15,710,052</u>

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

C. Capital Assets (Continued)

Depreciation was charged to functions as follows:

11 Instruction	\$ 358,337
12 Instructional Resources and Media Services	10,819
13 Curriculum and Instructional Staff Development	1,997
21 Instructional Leadership	30,331
23 School Leadership	27,495
31 Guidance, Counseling, & Evaluation Services	14,407
33 Health Services	29,915
34 Student (Pupil) Transportation	16,618
35 Food Services	34,023
36 Cocurricular/Extracurricular Activities	28,200
41 General Administration	25,765
51 Plant Maintenance and Operations	59,576
52 Security and Monitoring Services	372
53 Data Processing Services	5,922
61 Community Services	1,025
	<u>\$ 644,802</u>

D. Interfund Balances and Activities

Balances due to and due from other funds at June 30, 2019, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Nonmajor Funds	\$ 216,018	Short-term pooled cash loans
	Total	<u>\$ 216,018</u>	

E. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Long-term obligations include debt and other long-term liabilities. 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.

The District issued \$7,995,000 Unlimited Tax School Building Bonds, Series 2011 for construction, renovation, and equipping school buildings, technology upgrades, and purchasing school buses. The bonds mature on August 15, in each of the years 2013 through 2031, bearing interest at rates from 2.0% to 3.5%.

The District issued \$3,425,000 Unlimited Tax Refunding Bonds, Series 2015 for the purpose of providing funds to refund the outstanding Unlimited Tax Refunding Bonds, Series 2006. The 2015 bonds mature on August 15, in each year of the years 2016 through 2021, bearing interest at rates from 2% to 4%. The economic gain on these refunding bonds was \$227,735.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

E. Long-Term Obligations (Continued)

The District also issued \$1,830,000 Maintenance Tax Notes, Series 2017 for working capital. These notes were a direct borrowing from Frost Bank. The notes included no significant terms related events of default, termination events with finance-related consequences, or subjective acceleration clauses. The notes mature on August 15, in each of the years 2018 through 2020, bearing interest at rates from 2.25%. Subsequent to year-end but as of the date of this report, the District paid the remaining balance in full with no penalty for early repayment.

A summary of changes in long-term debt for the year ended June 30, 2019, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Unlimited Tax School					
Building Bonds, Series 2011	\$ 7,240,000	\$ -	\$ (225,000)	\$ 7,015,000	\$ 240,000
Unlimited Tax School					
Refunding Bonds, Series 2015	2,360,000	-	(555,000)	1,805,000	580,000
Premiums on Issuance	83,803	-	(28,721)	55,082	28,721
Maintenance Tax Note, Series 2017	1,830,000	-	(595,000)	1,235,000	610,000
<i>Total Governmental Activities</i>	<u>\$ 11,513,803</u>	<u>\$ -</u>	<u>\$ (1,403,721)</u>	<u>\$ 10,110,082</u>	<u>\$ 1,458,721</u>

The total deferred loss on debt refunding is \$52,599 as of June 30, 2019 and is shown on the Statement of Net Position as deferred outflow of resources. This amount is amortized over the life of the bonds.

Debt Service requirements on all long-term obligations at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,430,000	\$ 260,390	\$ 1,690,390
2021	1,490,000	223,846	1,713,846
2022	900,000	198,465	1,098,465
2023	525,000	182,203	707,203
2024	545,000	168,828	713,828
2025-2029	3,040,000	601,490	3,641,490
2030-2032	2,125,000	111,742	2,236,742
Totals	<u>\$ 10,055,000</u>	<u>\$ 1,746,964</u>	<u>\$ 11,801,964</u>

Debt Service requirements on direct borrowing obligations at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 610,000	\$ 20,925	\$ 630,925
2021	625,000	7,031	632,031
Totals	<u>\$ 1,235,000</u>	<u>\$ 27,956</u>	<u>\$ 1,262,956</u>

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

G. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

G. Pension Plan (Continued)

4. Contributions

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

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

	Contribution Rates	
	Plan fiscal year	
	2018	2019
Member (Employee)	7.7%	7.7%
Non-employer Contributing Entity (State)	6.8%	6.8%
Employer	6.8%	6.8%

	Contributions Required and Made
Member (Employee)	\$ 539,815
Non-employer contributing agency (State)	355,142
District	218,091
	<u>\$ 1,113,048</u>

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

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

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

G. Pension Plan (Continued)

4. Contributions (Continued)

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

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

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

5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05% including inflation
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

G. Pension Plan (Continued)

6. Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return
Global Equity			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	0.0%	0.0%
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.7%	0.0%
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%
Commodities	0%	0.0%	0.0%
Risk Parity			
Risk Parity	5%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag			-0.8%
Total	100%		7.1%

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

G. Pension Plan (Continued)

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's Proportionate Share of Net Pension Liability	\$ 5,212,834	\$ 3,453,947	\$ 2,030,023

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

At June 30, 2019, the District reported a liability of \$3,453,947 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District Proportionate Share	\$ 3,453,947
State's Proportionate Share	5,806,335
	<u>\$ 9,260,282</u>

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

At August 31, 2018, the employer's proportion of the collective net pension liability was 0.0062750631% which was a decrease of -0.0008515260% from its proportion measured as of August 31, 2017.

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

G. Pension Plan (Continued)

8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

For the year ended June 30, 2019, the District recognized pension expense of \$647,869 and revenue of \$574,672 for support provided by the State.

At June 30, 2019, the District reported its proportionate share of the TRS's deferred outflows resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 21,529	\$ 84,746
Changes in actuarial assumptions	1,245,314	38,916
Difference between projected and actual investment earnings	179,499	245,035
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	327,618	303,212
Contributions paid to TRS subsequent to the measurement date	183,615	-
	<u>\$ 1,957,575</u>	<u>\$ 671,909</u>

The \$183,615 in deferred outflows of resources related to pensions from District contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year ending June 30:	Pension Expense Amount
2020	\$ 327,031
2021	189,113
2022	148,654
2023	164,130
2024	165,926
Thereafter	107,197
	<u>\$ 1,102,051</u>

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

H. Other Post-Employment Benefits

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees		
January 1, 2018 thru December 31, 2018		
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

H. Other Post-Employment Benefits (Continued)

4. Contributions

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

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

	Contribution Rates	
	Plan fiscal year	
	2018	2019
Member (Employee)	0.65%	0.65%
Non-employer Contributing Entity (State)	1.25%	1.25%
Employer	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%

	Contributions Required and Made
Member (Employee)	\$ 45,568
Non-employer contributing agency (State)	81,001
District	70,861
	<u>\$ 197,430</u>

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY 2018-19 biennium to continue to support the program. This was also received in FY 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

H. Other Post-Employment Benefits (Continued)

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69%. Sourced from fixed Income municipal bonds with 20 years to maturity that include only Federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	8.50%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of .27 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

H. Other Post-Employment Benefits (Continued)

7. Discount Rate Sensitivity Analysis

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

	<u>1% Decrease in Discount Rate (2.69%)</u>	<u>Discount Rate (3.69%)</u>	<u>1% Increase in Discount Rate (4.69%)</u>
District's Proportionate Share of Net OPEB Liability	\$ 5,840,650	\$ 4,906,693	\$ 4,167,872

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2019, the District reported a liability of \$4,906,693 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District Proportionate Share	\$ 4,906,693
State's Proportionate Share	5,871,134
	<u>\$ 10,777,827</u>

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

At August 31, 2018, the employer's proportion of the collective net OPEB liability was 0.0098269632%, which was a decrease of -0.0017108077% from its proportion measured as of August 31, 2017.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's Proportionate Share of Net OPEB Liability	\$ 4,075,088	\$ 4,906,693	\$ 6,001,934

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

H. Other Post-Employment Benefits (Continued)

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

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

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

Changes in Benefit Terms Since the Prior Measurement Date – The following were changes to the benefits provided since the prior measurement period by the 85th Legislature in House Bill 3976 which became effective on September 1, 2017.

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$2,249,873 and revenue of \$213,557 for support provided by the State.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

H. Other Post-Employment Benefits (Continued)

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

At June 30, 2019, the District reported its proportionate share of the TRS's deferred outflows resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 260,380	\$ 77,435
Changes in actuarial assumptions	81,879	1,474,180
Difference between projected and actual investment earnings	858	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	19	938,488
Contributions paid to TRS subsequent to the measurement date	59,660	-
	<u>\$ 402,796</u>	<u>\$ 2,490,103</u>

The \$59,660 in deferred outflows of resources related to OPEB from District contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Fiscal Year ending June 30:	OPEB Expense Amount
2020	\$ (309,860)
2021	(309,860)
2022	(309,860)
2023	(310,022)
2024	(310,115)
Thereafter	(597,250)
	<u>\$ (2,146,967)</u>

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the last three fiscal years, the subsidy payments received by TRS-Care on behalf of the District were \$22,290, \$23,852, and \$22,718, respectively. These payments are recorded as equal revenues and expenditures in the financial statements of the District.

I. State Unemployment Coverage

The District utilizes TRS-Active Care, the statewide health coverage program for public education employees established by the 77th Texas Legislature in 2002. Of the more than one thousand school districts/entities eligible to participate in TRS-Active Care, over 90 percent do so. The District employees are eligible to participate in one of three PPO plan options administered by Aetna, WellSystems, and Caremark.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

I. State Unemployment Coverage (Continued)

TRS-Active Care is a self-funded program, not an insured plan. Rates and benefits are not determined by the vendors administering the program, but are established by the TRS Trustees based on the claims experience of the plan.

J. Internal Service Funds

1. Workers Compensation

The District has established a self-funded workers compensation fund (through School Comp, a product of Texas Public Schools Workers' Compensation Project). Costs are allocated to other funds and the retained earnings are fully restricted for self-funded insurance.

Estimates of claims payable and of claims incurred, but not reported at June 30, 2019 are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the fund as they become due.

Changes in the balances of the claims liabilities during the past year are as follows:

Unpaid claims, beginning of year	\$ 19,673
Incurred claims (including IBNR's)	547
Claim payments	(3,173)
Unpaid claims, end of year	<u>\$ 17,047</u>

In accordance with Governmental Accounting Standards Board statement No. 10, the following disclosures are made:

- Plan year beginning September 1, 2018 and ending September 1, 2019.
- Blanco ISD maximum financial exposure for the plan year was \$16,879. Any costs above \$16,879 for the 18-19 plan year are the shared responsibility of the remaining School Comp members.
- Blanco ISD's self-insured retention, per occurrence was \$16,879. Costs for any one claim above the self-insured retention are the shared responsibility of the School Comp members.
- Excess insurance provided by Safety National Casualty Company, an admitted carrier, policy number AGC-4055642. Policy provides for specific stop-loss attachment at \$350,000 per occurrence and aggregate limit of \$5,000,000. Coverage provided to statutory limits.

2. Employee Dental Program

The District's dental program is self-funded through an Internal Service Fund as a voluntary program funded solely by employee contributions. Cost containment features include a graded benefit schedule to deter adverse selection into the plan, maximum annual benefit of \$1,000, and deductibles/coinsurance. The District and third-party administrator determine the projected claim costs and administrative fees. A liability for a claim is established if information indicates that it is probable that a liability has been incurred to date of the financial statements and the amount of the loss is reasonably estimable.

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

K. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.

2. Litigation

The District is subject to various claims through its normal course of business and employment practices. Management and legal counsel are not aware of any pending or threatened litigation against the District that would have a material financial impact on the District.

L. Subsequent Event

The District approved issuance of *School Building Bonds, Series 2019*, in the amount of \$1,350,000 for multiple projects including safety and security, drainage issues in the District's football facility, and replacement and renovation of flooring, HVAC systems, parking lots, and improvements in meeting ADA requirements. The bonds are to be repaid over 3 years at 2.26% interest.

REQUIRED SUPPLEMENTARY INFORMATION

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

BLANCO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES				
5700	Local and Intermediate Sources	\$ 9,472,217	\$ 9,729,311	\$ 10,079,579	\$ 350,268
5800	State Program Revenues	1,038,596	1,038,596	1,389,345	350,749
5020	Total Revenues	<u>10,510,813</u>	<u>10,767,907</u>	<u>11,468,924</u>	<u>701,017</u>
	EXPENDITURES				
	<i>Current:</i>				
0011	Instruction	5,764,278	5,767,986	5,425,820	342,166
0012	Instructional Resources and Media Services	172,803	174,803	102,803	72,000
0013	Curriculum and Instructional Staff Development	191,733	193,233	148,447	44,786
0021	Instructional Leadership	242,327	267,327	246,575	20,752
0023	School Leadership	578,570	596,070	584,068	12,002
0031	Guidance, Counseling and Evaluation Services	336,659	353,159	305,739	47,420
0033	Health Services	68,808	69,558	63,086	6,472
0034	Student (Pupil) Transportation	380,040	385,040	336,920	48,120
0035	Food Service	80,917	90,917	59,915	31,002
0036	Extracurricular Activities	573,638	593,638	501,102	92,536
0041	General Administration	606,737	611,737	544,222	67,515
0051	Facilities Maintenance and Operations	1,219,482	1,226,982	1,061,030	165,952
0052	Security and Monitoring Services	58,790	58,790	32,897	25,893
0053	Data Processing Services	177,207	177,957	168,290	9,667
	<i>Debt Service:</i>				
0071	Principal on Long-Term Debt	600,000	600,000	595,000	5,000
0072	Bond Issuance Costs and Fees	35,000	35,000	34,258	742
	<i>Intergovernmental:</i>				
0099	Other Intergovernmental Charges	250,000	250,000	202,673	47,327
6030	Total Expenditures	<u>11,336,989</u>	<u>11,452,197</u>	<u>10,412,845</u>	<u>1,039,352</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(826,176)</u>	<u>(684,290)</u>	<u>1,056,079</u>	<u>1,740,369</u>
	Other Financing Sources and (Uses)				
8949	Other Financing Use	-	(14,792)	(14,792)	-
7080	Total Other Financing Sources and (Uses)	<u>-</u>	<u>(14,792)</u>	<u>(14,792)</u>	<u>-</u>
1200	Net Change in Fund Balance	(826,176)	(699,082)	1,041,287	1,740,369
0100	Fund Balance - Beginning	<u>6,439,587</u>	<u>6,439,587</u>	<u>6,439,587</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 5,613,411</u>	<u>\$ 5,740,505</u>	<u>\$ 7,480,874</u>	<u>\$ 1,740,369</u>

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Budgetary Information - The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The District maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees and as such is a good management control device. The following funds have legally adopted annual budgets: General Fund, National School Breakfast and Lunch Program (Special Revenue), and Debt Service Fund.

Budgetary preparation and control is exercised at the function level. Actual expenditures may not legally exceed appropriations at the fund level.

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

BLANCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2019

	Measurement Periods Ending in Fiscal Year				
	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0062751%	0.0071266%	0.0070143%	0.0076285%	0.0049506%
District's proportionate share of the net pension liability	\$ 3,453,947	\$ 2,278,699	\$ 2,650,611	\$ 2,696,573	\$ 1,322,374
State's proportionate share of the net pension liability associated with the District	5,806,335	3,859,512	4,761,034	4,632,279	4,027,065
Total	<u>\$ 9,260,282</u>	<u>\$ 6,138,211</u>	<u>\$ 7,411,645</u>	<u>\$ 7,328,852</u>	<u>\$ 5,349,439</u>
District's covered-employee payroll (for measurement year)	\$ 6,951,416	\$ 7,623,284	\$ 7,660,750	\$ 7,501,326	\$ 7,571,097
District's proportionate share of the net pension liability as a percent of its covered-employee payroll	49.69%	29.89%	34.60%	35.95%	17.47%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Amounts presented for each fiscal period were determined as of the year ending August 31 of the previous calendar year.

BLANCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS –
TEACHER RETIREMENT SYSTEM
JUNE 30, 2019

	Fiscal Year				
	2019	2018*	2017	2016	2015
Contractually Required Contribution	\$ 218,091	\$ 179,458	\$ 233,568	\$ 219,837	\$ 218,218
Contributions Made	218,091	179,458	233,568	219,837	218,218
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll (for fiscal year)	\$ 7,010,588	\$ 5,792,729	\$ 7,623,284	\$ 7,660,750	\$ 7,501,326
Contributions as a percent of covered-employee payroll	3.11%	3.10%	3.06%	2.87%	2.91%

**2018 was a short year of 10 months.*

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON PENSIONS
JUNE 30, 2019

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

Changes of assumptions – The following were changes in actuarial assumptions that affected measurement of the total pension liability during the measurement period.

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

BLANCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2019

	Measurement Periods Ending in Fiscal Year	
	2019	2018
District's proportion of the net OPEB liability	0.0098270%	0.0115378%
District's proportionate share of the net OPEB liability	\$ 4,906,693	\$ 5,017,344
State's proportionate share of the net OPEB liability associated with the District	5,871,134	5,871,134
Total	<u>\$ 10,777,827</u>	<u>\$ 10,888,478</u>
District's covered-employee payroll (for measurement year)	\$ 6,951,416	\$ 7,623,284
District's proportionate share of the net OPEB liability as a percent of its covered-employee payroll	70.59%	65.82%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

Note: Amounts presented for each fiscal period were determined as of the year ending August 31 of the previous calendar year.

BLANCO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICTS OPEB CONTRIBUTIONS – TEACHER RETIREMENT SYSTEM
 JUNE 30, 2019

	Fiscal Year	
	2019	2018*
Contractually Required Contribution	\$ 70,861	\$ 56,417
Contributions Made	70,861	56,417
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll (for fiscal year)	\$ 7,010,588	\$ 5,792,729
Contributions as a percent of covered-employee payroll	1.01%	0.97%

**2018 was a short year of 10 months.*

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON OPEBS
JUNE 30, 2019

Changes in Benefit terms – The following were changes to the benefits provided since the prior measurement period by the 85th Legislature in House Bill 3976 which became effective on September 1, 2017.

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

Changes of assumptions – The following were changes in actuarial assumptions that affected measurement of the total OPEB liability during the measurement period.

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

SUPPLEMENTARY INFORMATION

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

BLANCO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2019

Data Control Codes		211 ESEA Title I, Part A Improving Basic Program	212 ESEA Title I, Part C Migrant	224 IDEA, Part B Formula	225 IDEA, Part B Preschool	226 IDEA, Part B Discretionary	240 National Breakfast and Lunch Program
ASSETS:							
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,282
1240	Due from Other Governments	12,024	27,818	56,767	-	77,517	777
1300	Inventories	-	-	-	-	-	11,477
1000	<i>Total Assets</i>	<u>\$ 12,024</u>	<u>\$ 27,818</u>	<u>\$ 56,767</u>	<u>\$ -</u>	<u>\$ 77,517</u>	<u>\$ 16,536</u>
LIABILITIES:							
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35
2170	Due to Other Funds	12,024	27,818	56,767	-	77,517	-
2000	<i>Total Liabilities</i>	<u>12,024</u>	<u>27,818</u>	<u>56,767</u>	<u>-</u>	<u>77,517</u>	<u>35</u>
FUND BALANCES:							
<i>Nonspendable Fund Balance</i>							
3410	Inventories	-	-	-	-	-	11,477
<i>Restricted Fund Balances:</i>							
3450	Federal/State Grant Restrictions	-	-	-	-	-	5,024
3490	Other Restricted Fund Balance	-	-	-	-	-	-
3000	<i>Total Fund Balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,501</u>
4000	Total Liabilities and Fund Balance	<u>\$ 12,024</u>	<u>\$ 27,818</u>	<u>\$ 56,767</u>	<u>\$ -</u>	<u>\$ 77,517</u>	<u>\$ 16,536</u>

EXHIBIT H-1

255 ESEA II, A Training and Recruiting	288 ESEA Title IV, Part A Subpart 1	289 Drug Free Grant	410 State Textbook Fund	429 Other State Special Revenue	461 Campus Activity Funds	499 Other Local Special Revenue Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 10,387	\$ -	\$ 149,520	\$ 12,470	\$ 176,659
5,255	550	36,087	-	-	-	-	216,795
-	-	-	-	-	-	-	11,477
<u>\$ 5,255</u>	<u>\$ 550</u>	<u>\$ 36,087</u>	<u>\$ 10,387</u>	<u>\$ -</u>	<u>\$ 149,520</u>	<u>\$ 12,470</u>	<u>\$ 404,931</u>
\$ -	\$ -	\$ -	\$ 4,463	\$ -	\$ 13,181	\$ -	\$ 17,679
5,255	550	36,087	-	-	-	-	216,018
<u>5,255</u>	<u>550</u>	<u>36,087</u>	<u>4,463</u>	<u>-</u>	<u>13,181</u>	<u>-</u>	<u>233,697</u>
-	-	-	-	-	-	-	11,477
-	-	-	5,924	-	-	-	10,948
-	-	-	-	-	136,339	12,470	148,809
-	-	-	<u>5,924</u>	<u>-</u>	<u>136,339</u>	<u>12,470</u>	<u>171,234</u>
<u>\$ 5,255</u>	<u>\$ 550</u>	<u>\$ 36,087</u>	<u>\$ 10,387</u>	<u>\$ -</u>	<u>\$ 149,520</u>	<u>\$ 12,470</u>	<u>\$ 404,931</u>

BLANCO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes		211 ESEA Title I, Part A Improving Basic Program	212 ESEA Title I, Part C Migrant	224 IDEA, Part B Formula	225 IDEA, Part B Preschool	226 IDEA, Part B Discretionary	240 National Breakfast and Lunch Program
REVENUES							
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 197,101
5800	State Program Revenues	-	-	-	-	-	2,497
5900	Federal Program Revenues	167,075	80,623	190,623	7,924	77,517	307,560
5020	Total Revenues	<u>167,075</u>	<u>80,623</u>	<u>190,623</u>	<u>7,924</u>	<u>77,517</u>	<u>507,158</u>
EXPENDITURES							
<i>Current:</i>							
0011	Instruction	134,233	30,891	-	7,924	72,637	-
0013	Curriculum & Instructional Staff Development	-	-	-	-	-	-
0021	Instructional Leadership	32,842	28,684	190,623	-	-	-
0023	School Leadership	-	-	-	-	-	-
0031	Guidance, Counseling, & Evaluation Services	-	-	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-	4,880	-
0035	Food Service	-	-	-	-	-	501,758
0036	Extracurricular Activities	-	21,048	-	-	-	-
0041	General Administration	-	-	-	-	-	-
0061	Community Services	-	-	-	-	-	-
6030	Total Expenditures	<u>167,075</u>	<u>80,623</u>	<u>190,623</u>	<u>7,924</u>	<u>77,517</u>	<u>501,758</u>
1200	Net Change in fund Balances	-	-	-	-	-	5,400
0100	Fund Balances - Beginning	-	-	-	-	-	11,101
3000	Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,501</u>

EXHIBIT H-2

255 ESEA II, A Training and Recruiting	288 ESEA Title IV, Part A Subpart 1	289 Drug Free Grant	410 State Textbook Fund	429 Other State Special Revenue	461 Campus Activity Funds	499 Other Local Special Revenue Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208,521	\$ 22,350	\$ 427,972
-	-	-	54,022	400	-	-	56,919
18,317	1,973	106,776	-	-	-	-	958,388
<u>18,317</u>	<u>1,973</u>	<u>106,776</u>	<u>54,022</u>	<u>400</u>	<u>208,521</u>	<u>22,350</u>	<u>1,443,279</u>
-	-	-	48,098	400	2,127	-	296,310
8,668	1,973	-	-	-	-	-	10,641
9,649	-	106,776	-	-	-	-	368,574
-	-	-	-	-	170	-	170
-	-	-	-	-	2,254	-	2,254
-	-	-	-	-	-	-	4,880
-	-	-	-	-	-	-	501,758
-	-	-	-	-	185,405	-	206,453
-	-	-	-	-	495	-	495
-	-	-	-	-	-	18,668	18,668
<u>18,317</u>	<u>1,973</u>	<u>106,776</u>	<u>48,098</u>	<u>400</u>	<u>190,451</u>	<u>18,668</u>	<u>1,410,203</u>
-	-	-	5,924	-	18,070	3,682	33,076
-	-	-	-	-	118,269	8,788	138,158
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,924</u>	<u>\$ -</u>	<u>\$ 136,339</u>	<u>\$ 12,470</u>	<u>\$ 171,234</u>

BLANCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

Year Ended August 31,	1	2	3
	Tax Rates		Assessed/Appraised
	Maintenance	Debt Service	Value for School
2009 and Prior Years	\$ Various	\$ Various	Tax Purposes*
2010	0.9791	0.1047	590,106,124
2011	1.0400	0.1117	597,055,207
2012	1.0400	0.1207	657,364,952
2013	1.0400	0.1660	671,779,685
2014	1.0400	0.1730	690,289,942
2015	1.0400	0.1543	730,517,290
2016	1.0400	0.1562	760,602,408
2017	1.0400	0.1562	794,816,034
2018	1.0600	0.1362	844,765,089
2019 (School Year Under Audit)*	1.0600	0.1362	919,241,849
1000 Totals			

*Net Taxable Value (\$967,760,098) - Freeze Adjusted Value (\$188,787,648)
+ Adjusted for Over 65 (\$140,269,399) = Adjusted Value (\$919,241,849)

EXHIBIT J-1

10 Beginning Balance 7/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/19
\$ 17,225	\$ -	\$ -	\$ -	\$ (764)	\$ 16,461
693	-	-	-	-	693
703	-	-	-	-	703
3,107	-	-	-	-	3,107
4,913	-	667	106	-	4,140
6,116	-	3,149	524	-	2,443
8,597	-	3,846	571	(132)	4,048
14,179	-	5,474	822	9,228	17,111
34,692	-	13,452	2,020	4,911	24,131
270,642	-	164,726	20,990	(8,746)	76,180
-	10,995,971	9,369,294	1,203,868	(81,935)	340,874
<u>\$ 360,867</u>	<u>\$ 10,995,971</u>	<u>\$ 9,560,609</u>	<u>\$ 1,228,901</u>	<u>\$ (77,438)</u>	<u>\$ 489,890</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BLANCO INDEPENDENT SCHOOL DISTRICT
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes		1 Budgeted Amounts Original	2 Final	3 Actual	Variance With Final Budget Positive or (Negative)
	REVENUES				
5700	Total Local and Intermediate Sources	\$ 170,000	\$ 185,000	\$ 197,101	\$ 12,101
5800	State Program Revenues	13,064	13,064	2,497	(10,567)
5900	Federal Program Revenues	285,000	306,081	307,560	1,479
5020	Total Revenues	<u>468,064</u>	<u>504,145</u>	<u>507,158</u>	<u>3,013</u>
	EXPENDITURES				
0035	Food Services	<u>476,240</u>	<u>512,321</u>	<u>501,758</u>	<u>10,563</u>
6030	Total Expenditures	<u>476,240</u>	<u>512,321</u>	<u>501,758</u>	<u>10,563</u>
1200	Net Change in Fund Balances	(8,176)	(8,176)	5,400	13,576
0100	Fund Balance - Beginning	<u>11,101</u>	<u>11,101</u>	<u>11,101</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 2,925</u>	<u>\$ 2,925</u>	<u>\$ 16,501</u>	<u>\$ 13,576</u>

BLANCO INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES				
5700	Local and Intermediate Sources	\$ 1,202,843	\$ 1,202,843	\$ 1,300,076	\$ 97,233
5800	State Program Revenues	-	-	24,621	24,621
5020	Total Revenues	<u>1,202,843</u>	<u>1,202,843</u>	<u>1,324,697</u>	<u>121,854</u>
	EXPENDITURES				
0071	Principal and Long-Term Debt	780,000	780,000	780,000	-
0072	Interest on Long-Term Debt	270,000	270,000	266,815	3,185
0073	Bond Issuance Costs and Fees	5,000	5,000	1,500	3,500
6030	Total Expenditures	<u>1,055,000</u>	<u>1,055,000</u>	<u>1,048,315</u>	<u>6,685</u>
1200	Net Change in Fund Balance	147,843	147,843	276,382	128,539
0100	Fund Balance - Beginning	<u>1,811,052</u>	<u>1,811,052</u>	<u>1,811,052</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 1,958,895</u>	<u>\$ 1,958,895</u>	<u>\$ 2,087,434</u>	<u>\$ 128,539</u>

COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT

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

Board of Trustees
Blanco Independent School District
814 11th Street Blanco,
Texas 78606

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blanco Independent School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Blanco Independent School District's basic financial statements and have issued our report thereon dated September 27, 2019.

Internal Control Over Financial Reporting

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

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

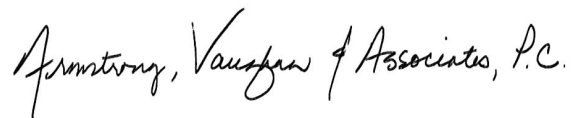
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blanco Independent School District's financial statements are free of 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 is not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

September 27, 2019



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

Deborah F. Fraser

Phil S. Vaughan

Nancy L. Vaughan

Kimberly J. Roach

INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Blanco Independent School District
814 11th Street
Blanco, Texas 78606

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Blanco Independent School District's compliance with the types of compliance requirements described in the *(OMB) Compliance Supplement* that could have a direct and material effect on each of Blanco Independent School District's major federal programs for the year ended June 30, 2019. Blanco Independent School 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 federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Blanco Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

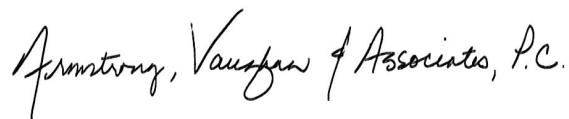
Management of Blanco Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Blanco Independent School District's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

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

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

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

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.

September 27, 2019

BLANCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified ☐ Yes ☒ No

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

Noncompliance material to financial Statements noted? ☐ Yes ☒ No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified ☐ Yes ☒ No

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

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

Any audit findings disclosed that are required to be reported in accordance with CFR Part 200 of the Uniform Guidance? ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027A, 84.173A	IDEA - B Cluster

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

BLANCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

BLANCO INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Explanation Finding/Recommendation</u>	<u>Current Status</u>	Management's Explanation <u>If Not Implemented</u>
Not applicable		

BLANCO INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019

Not Applicable

BLANCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

(1)	(2)	(3)	(4)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Texas Education Agency:</i>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101016902	\$ 167,075
ESEA, Title I, Part C - Migrant	84.011A	19615001016902	80,623
*IDEA-Part B, Formula	84.027A	196600010169026000	268,140
*IDEA-Part B, Preschool	84.173A	196610010169026000	7,924
Total Special Education Cluster (IDEA)			<u>276,064</u>
ESEA, Title II Part A, Teacher/Principal Training	84.367A	19694501016902	18,317
ESEA, Title IV Part A, Subpart 1	84.424A	19680101016902	1,973
Total Passed Through Texas Education Agency			<u>544,052</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>544,052</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Texas Education Agency:</i>			
*School Breakfast Program	10.553	71401901	56,912
*National School Lunch Program - Cash Assistance	10.555	71301901	215,616
Total Passed Through Texas Education Agency			<u>272,528</u>
<i>Passed Through Texas Department of Agriculture:</i>			
*National School Lunch Program - Non-Cash Assistance	10.555		35,032
Total Passed Through the Texas Department of Agriculture			<u>35,032</u>
Total Child Nutrition Cluster			<u>307,560</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>307,560</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Substance Abuse and Mental Health Services Administration:</i>			
Drug Free Communities	93.276	SP021510-01	106,776
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>106,776</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 958,388</u></u>

*Indicates clustered programs under the Uniform Guidance Compliance Supplement

BLANCO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special revenue funds are used to account for resources restricted, 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 the General Fund or Special Revenue Fund, which are Governmental Fund types. 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 and Agency Funds. This basis of accounting recognizes revenue 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 revenue until earned.

3. The District has not elected to use the 10% de minimis indirect cost rate as allowed by Uniform Guidance.

BLANCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF JUNE 30, 2019

Data Control Codes		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 3,453,947
SF13	Net OPEB Liabilities (2545) at fiscal year-end.	\$ 4,906,693