

BIRDVILLE
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION

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**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD**

<u>Birdville Independent School District</u>	<u>Tarrant</u>	<u>220-902</u>
Name of Local Education Agency	County	County-District Number

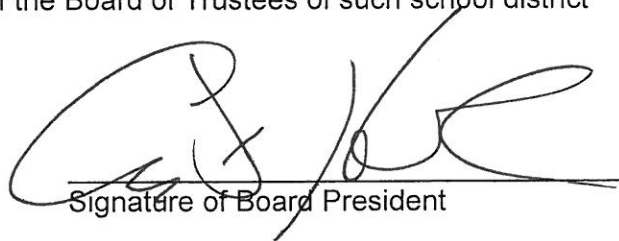
We, the undersigned, certify that the attached annual financial report of the above named school district was reviewed and

approved	disapproved
<u>7</u>	<u>0</u>

for the year ended June 30, 2014 at a meeting of the Board of Trustees of such school district on the 20th day of November, 2014.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved the auditor's report, the reason(s) for disapproving it are:

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FINANCIAL SECTION

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Independent Auditors' Report

To the Board of Trustees
Birdville Independent School District
Haltom City, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Birdville Independent School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Standard* 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 entity'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 Birdville Independent School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

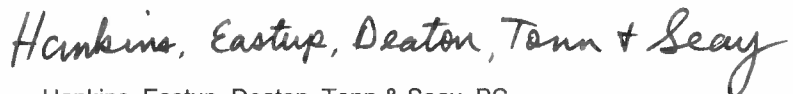
Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 11 through 23 and 61 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Birdville Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014 on our consideration of Birdville Independent School District's internal control over financial reporting and on our test 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 Birdville Independent School District's internal control over financial reporting and compliance.



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Birdville Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2014. It should be read in conjunction with the independent auditors' report and the basic financial statements.

FINANCIAL HIGHLIGHTS

- At June 30, 2014, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$79,807,081 (net position). The unrestricted portion of \$30,915,324 may be used to meet the District's ongoing obligations.
- The District's total net position increased by \$11,504,005 during the year ended June 30, 2014.
- At the close of the fiscal year, the District reported \$84,981,789 combined governmental fund balance, a decrease of \$568,389 from the prior year. Of the combined fund balance at year end, the District had \$46,071,919 of committed fund balance, \$6,500,000 in assigned fund balance, and \$14,976,559 of unassigned fund balance. The remainder pertained to non-spendable and restricted balances.
- As of June 30, 2014, the General Fund had \$52,712,684 in total fund balance, which represented 29.6% of fiscal 2014 expenditures. Of this total, the District committed \$27,896,133 (15.0% of fiscal year 2015 budgeted expenditures) and assigned \$6,500,000 to fund future needs. Of the remainder, \$14,976,559 was also available to fund future spending, and \$3,339,992 was comprised of other committed and non-spendable amounts.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two types of statements that present different views of the District: the government-wide financial statements and the fund financial statements.

Government-wide Financial Statements

The government-wide financial statements, including the *Statement of Net Position* and the *Statement of Activities*, report on the District as a whole and are designed to provide readers with a broad overview of the District's finances. These statements are presented on the accrual basis of accounting similar to the accounting basis used by most private-sector entities.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows and inflows of resources, and liabilities including capital assets and long-term debt. The value of assets and deferred outflows of resources less liabilities and deferred inflows of resources are reported as net position. The *Statement of Activities* presents the increases and decreases in net position for the current fiscal year regardless of when cash is received or paid. Increases and decreases in net position over time may serve as one indicator of whether the financial position of the District is improving or deteriorating but should be considered with additional factors as well.

Government-wide financial statements distinguish net position and the changes in net position between *governmental activities*, which are supported principally by taxes and intergovernmental revenues, and *business-type activities*, which are intended to recover all or a significant portion of their costs through user fees and charges. All of the District's activities are reported as *governmental activities* as they are primarily financed by property taxes, state aid, and federal grants. The District has no *business-type activities*. The government-wide financial statements can be found on pages 25-26 of this report.

Fund Financial Statements

The fund financial statements provide detailed information about the District's most significant funds as opposed to the District as a whole. Funds are accounting devices used to account for specific sources of funding and spending for particular purposes. State law and bond covenants require the District to establish some funds. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The District's funds include three types: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

Governmental funds

Most of the District's activities are reported in governmental funds. Governmental funds report on the modified accrual basis of accounting which focuses on 1) how cash and other financial resources can be readily converted to cash inflows and outflows and 2) the balances remaining at year end available for future spending. The governmental fund statements provide a detailed short-term view of the District's operations and funds available to finance future operations. Because the focus and accounting methods are different for the governmental fund statements and the government-wide statements, reconciliation schedules are presented following each of the fund financial statements. The governmental fund financial statements can be found on pages 27-31 of this report.

Proprietary funds

Proprietary funds are used to account for operations that provide services and or goods for a fee, whether to outside users or units within the District. Proprietary funds use the accrual basis of accounting similar to the government-wide financial statements. There are two types of proprietary funds, enterprise funds and internal service funds. The enterprise funds report the same functions presented as *business-type activities* in the government-wide financial statements. Internal service funds are an accounting tool used to accumulate and allocate costs internally among various functions. For a number of years, the District used an internal service fund to report activities for its self-funded workers' compensation insurance program. Beginning in 2013-14, this fund represents only the residual claims from 2012-13 and prior, since the District began participation in a fully-insured workers' compensation program on July 1, 2013. The District has no enterprise funds. The proprietary fund financial statements can be found on pages 32-34 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District uses fiduciary funds to account for money raised by student activities. The fiduciary fund financial statement can be found on page 35 of this report.

Table I below provides a concise view of the major features of the District's financial statements including the portion of the District they cover and types of information they contain.

Table I Major Features of the District's Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary funds	Fiduciary Funds
<i>Scope</i>	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary	Activities of the District that charge fee for services and or goods	Activities for which the District is the trustee/agent for other parties
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses & Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Assets and Liabilities
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities to be paid during the year or soon thereafter; no capital assets or long-term debt	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities to be paid during the year or soon thereafter; no capital assets or long-term debt
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	Agency funds do not report revenues and expenditures

Notes to the Financial Statements

The notes to the basic financial statements provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-59 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also includes certain *Required Supplementary Information* that further explains and supports the financial statements. Required supplementary information can be found on pages 61-62 of this report.

The combining statements for the District's various non-major funds are presented immediately following the required supplementary information beginning on page 64.

The Texas Education Agency (TEA) requires that certain information be included in this report and those schedules can be found on pages 76-79.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The District's net position was \$79.8 million at June 30, 2014 (see Table II). The largest portion of net position, approximately \$33.8 million or 42.4 percent, includes investment in capital assets less related outstanding debt to purchase those assets. The District's investment in capital assets includes land, buildings, and furniture/equipment. Due to the nature of these assets, they are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities. Unrestricted net position of \$30.9 million or 38.7 percent represents the second largest portion of the total. Unrestricted net position may be used for the District's future obligations. The remaining net position of \$15.1 million or 18.9 percent are restricted for use in food service and debt service.

Table II			
NET POSITION			
	Governmental Activities		
	2014	2013	% Change
ASSETS & DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 117,944,504	\$ 119,184,522	-1.0%
Capital assets	233,470,166	241,152,224	-3.2%
Total Assets	351,414,670	360,336,746	-2.5%
Deferred outflows of resources	1,292,508	2,042,186	-36.7%
Total assets and deferred outflows of resources	352,707,178	362,378,932	-2.7%
LIABILITIES & DEFERRED INFLOWS OF RESOURCES			
Other liabilities	53,539,006	51,415,613	4.1%
Long-term liabilities outstanding	219,361,091	242,660,243	-9.6%
Total Liabilities	272,900,097	294,075,856	-7.2%
Deferred Inflows of resources	-	-	0.0%
Total liabilities and deferred inflows of resources	272,900,097	294,075,856	-7.2%
NET POSITION			
Net Investment in Capital Assets	33,834,370	26,507,375	27.6%
Restricted	15,057,387	14,714,175	2.3%
Unrestricted	30,915,324	27,081,526	14.2%
Total Net Position	\$ 79,807,081	\$ 68,303,076	16.8%

Total net position of the District increased \$11,504,005 during the year ended June 30, 2014 from the prior year as a result of revenues exceeding expenses (see Table III).

Table III			
Changes in Net Position			
	Governmental Activities		
	2014	2013	% Change
Revenues:			
Program Revenues:			
Charges for services	\$ 8,052,008	\$ 8,712,608	-7.6%
Operating grants and contributions	38,552,150	39,104,546	-1.4%
General Revenues:			
Property taxes	103,901,380	101,495,042	2.4%
State aid and unrestricted grants	90,163,953	83,086,374	8.5%
Investment earnings	510,242	447,276	14.1%
Miscellaneous	2,053,141	662,434	209.9%
Total Revenues	243,232,874	233,508,280	4.2%
Expenses:			
Instruction, curriculum and media services	144,232,064	138,021,282	4.5%
Instructional and school leadership	14,792,351	14,880,152	-0.6%
Student support services	14,708,612	14,708,244	0.0%
Food services	10,844,703	11,027,068	-1.7%
Cocurricular/extracurricular activities	6,696,771	6,902,213	-3.0%
General administration	5,049,765	4,917,081	2.7%
Plant maintenance, security and data processing	23,423,180	21,258,504	10.2%
Community services	674,848	712,441	-5.3%
Debt service	10,498,752	13,538,476	-22.5%
Capital Outlay	16,085	649,473	-97.5%
Intergovernmental charges	791,738	896,717	-11.7%
Total Expenses	231,728,869	227,511,651	1.9%
Increase in net position	11,504,005	5,996,629	91.8%
Beginning net position (2013 as restated)	68,303,076	62,306,447	9.6%
Ending net assets	\$ 79,807,081	\$ 68,303,076	16.8%

Revenues

Overall revenues of the District were \$243.2 million, a \$9.7 million or 4.2 percent increase from the prior year. The majority of this increase came from property taxes and state aid which increased a total of \$9.5 million. A rise in the value of the District's property tax base created the increase in property tax revenues. Increases in state aid resulted from enrollment growth and changes in the Texas state aid funding formulas for the 2013-14 fiscal year. One other change of note relates to the increase in Miscellaneous Revenues. The change in this category reflects additional royalties the District received on its gas leases during the fiscal year.

Figures 1 and 2 depict the District's revenue sources for fiscal year 2014 and 2013. The graphs show that property taxes are the primary source of revenue for the District followed by state aid and operating grants. State aid and property taxes as a percentage of total revenues increased due to the factors mentioned above.

Figure 1

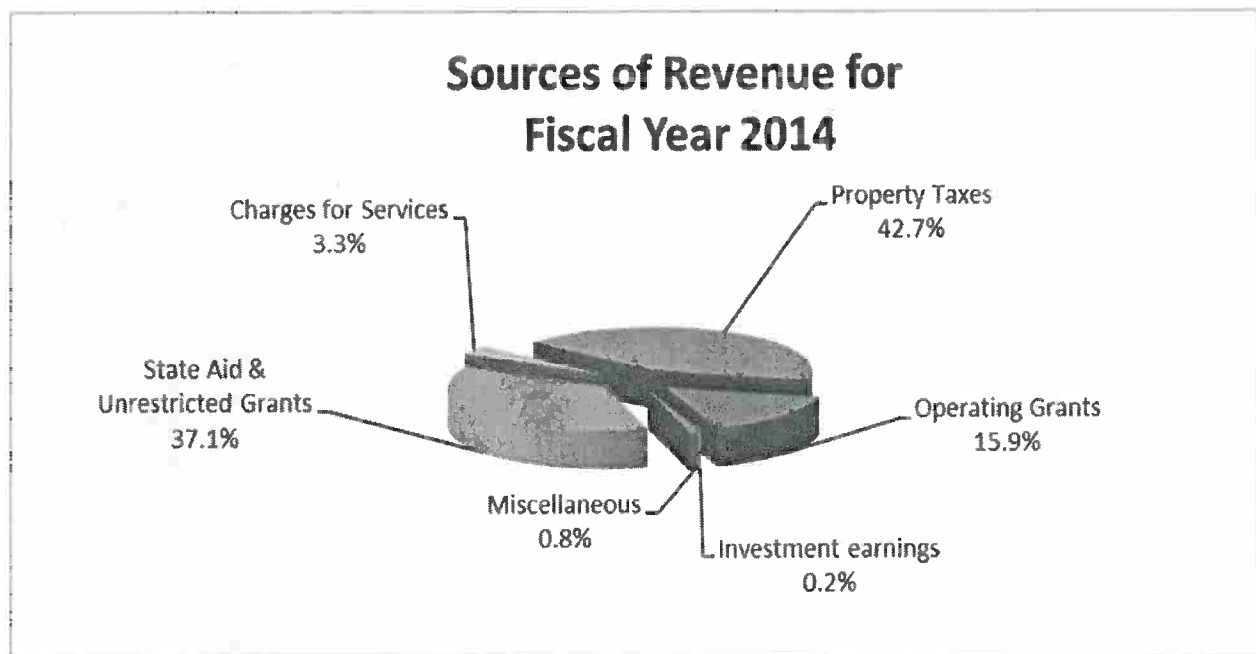
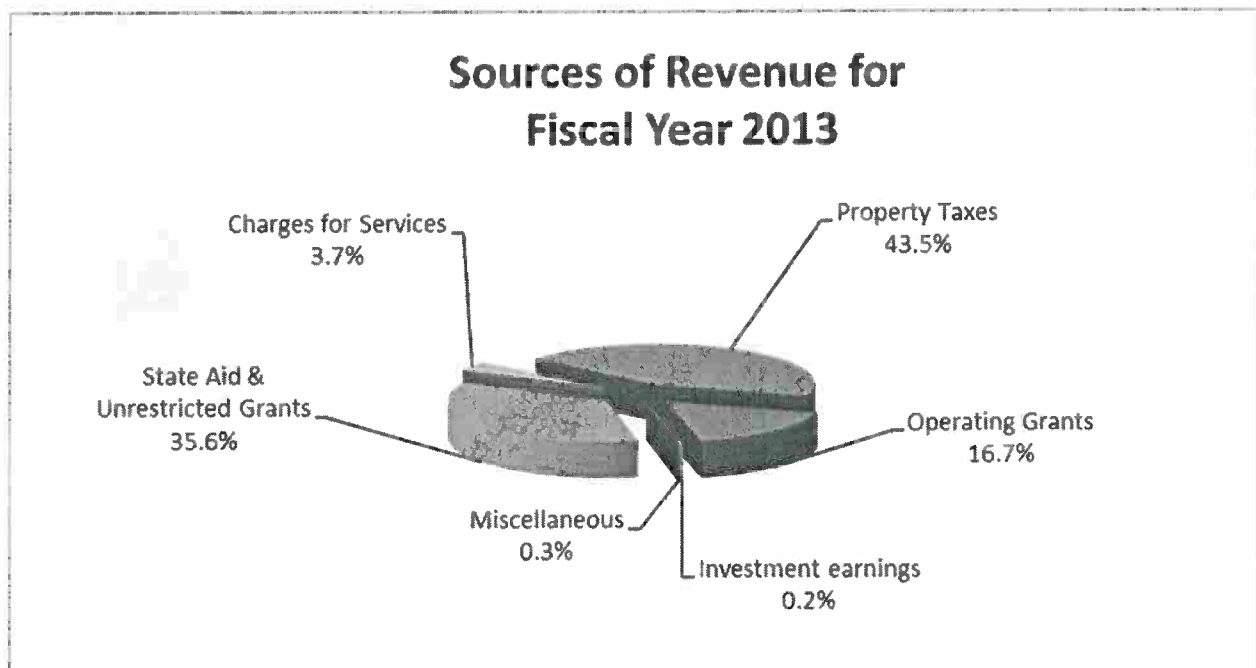


Figure 2

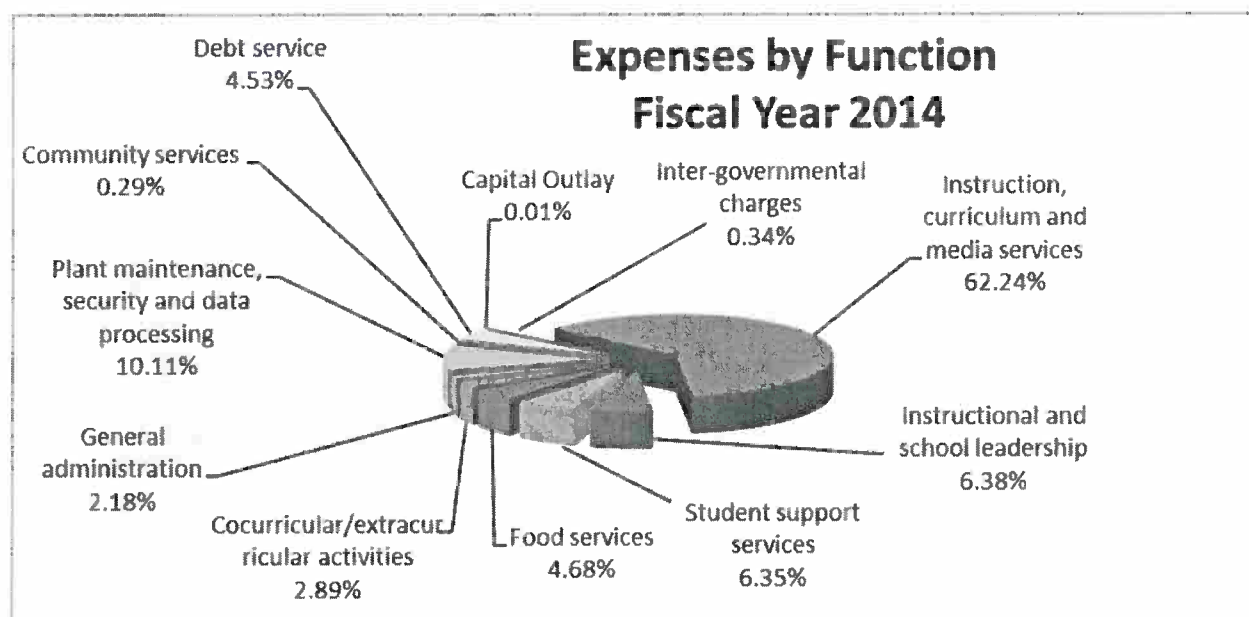


Expenses

Expenses are shown in Table III by functional categories that reflect the purpose of the transaction. Various operating expenses are reflected in each functional category. Total expenses in the current fiscal year were \$231.7 million, a \$4.2 million or 1.9 percent increase from the prior year. The District adopted a district-wide salary increase of 3 percent during fiscal year 2013-14. In addition, several positions were created in the instruction and curriculum areas to support the instructional programs of the District. Debt service expenses for interest declined approximately \$3 million due to recent bond refinancing and a \$4.4 million bond principal prepayment.

Figure 3 graphically depicts the total expenses of the District by function, while Table IV presents the cost of the District's largest programs and each program's net cost (total cost less fees generated by the activities and operating grants). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these programs.

Figure 3



**Table IV
Costs of Services for Major Functions**

	Total Cost of Services			Net Cost of Services		
	2014	2013	% Change	2014	2013	% Change
Instruction, Curriculum & Media Services	\$144,232,064	\$138,021,282	4.5%	\$119,685,245	\$112,846,361	6.1%
Maintenance, Security, & Data Processing	23,423,180	21,258,504	10.2%	22,752,442	20,210,428	12.6%
Instructional & School Leadership	14,792,351	14,880,152	-0.6%	13,221,577	13,253,638	-0.2%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements and may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$84,981,789 (as presented in the Balance Sheet on page 27), a decrease of \$568,389 from the prior year.

The following non-spendable and restricted items, which total \$17,433,311 or 20.5 percent of fund balance, are either unavailable for new spending or limited to specific types of expenditures due to legal restrictions:

• Inventories & Prepaid Items	\$ 883,088
• Food Service	4,099,838
• Other Restricted Grants	9,647
• Debt service	12,407,225
• Capital projects	33,513

An additional 54.2 percent of fund balance, or \$46,071,919, has been committed by the District's Board of Trustees for specific purposes. While technically not available for legal expenditures, these funds are nonetheless at the control of the District. The committed purposes are:

• General Fund Reserves	\$ 27,896,133
• Scholarship Fund	10,269,457
• Compensated Absences	2,600,000
• Local Projects	4,478,296
• Campus Activity	686,904
• Other Special Revenue Funds	141,129

The District has set aside \$6.5 million of the remaining fund balance as assigned for future contingencies and reserves. The remaining 17.62 percent of fund balance, or \$14,976,559, is available for expenditure at the District's discretion of any legal expenditure.

The General Fund is the primary operating fund of the District. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. At the end of the current fiscal year, the total fund balance of the General Fund was \$52,712,684 which represents 29.6 percent of fiscal year 2013-14 General Fund expenditures. Of the total fund balance, the District's Board of Trustees elected to commit 15 percent of the fiscal 2014-15 General Fund expenditure budget as the minimum reserve or committed fund balance. At June 30, 2014, this committed amount was \$27,896,133.

The fund balance of the General Fund decreased \$5,069,024 during the current fiscal year. This decrease was planned by the Board of Trustees and predominately related to a one-time \$6.5 million operating transfer out to a Local Special Projects fund. This fund was established to address critical facility and technology needs in the District. While the General Fund balance declined during the year, the end of year balance still maintains a healthy 29.6 percent of total expenditures for 2013-14.

The fund balance of the Debt Service Fund decreased \$384,612 from the prior year. Increased property values and bond refinancing opportunities allowed the District to prepay \$4.4 million of bond principal during the fiscal year. The entire ending fund balance of \$12,407,225 is reserved for the payment of debt service.

At year end, the Capital Projects Fund had a fund balance of \$33,513, a decrease of \$110,501 from the prior year. These funds are reserved for construction projects and represent the remaining balance of the 2006 voter approved bonds. The final expenditures were recorded early in fiscal year 2014-15.

The District's various special revenue funds ended the year with a combined fund balance of \$19,828,367. This represents an increase of \$4,995,748 from the prior year. Revenues typically approximate expenditures in the special revenue funds as grant monies are generally earned when expended. The Local Special Projects fund established by the Board of Trustees with the transfer of \$6.5 million from the General Fund is accounted for in a special revenue fund. The increase in the total special revenue fund balances is attributable to the unspent funds in this Local Special Projects Fund and an excess of mineral lease revenues over expenditures in the Scholarship Fund.

Proprietary Funds

The District's only proprietary fund is an internal service fund to process the remaining claims from a self-funded workers' compensation program that ended on June 30, 2013. On July 1, 2013, the District moved to a fully-insured workers' compensation plan. This internal service fund exists to handle the residual claims for accidents that occurred prior to July 1, 2013. At year end, the fund had \$644,319 in total net position representing a decrease from the prior year of \$1,724,262. During the fiscal year, the District transferred approximately \$2 million to the General Fund. These funds represented amounts no longer needed to cover outstanding, unpaid claims.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. In accordance with Board Policy CE (Local), the District submits amendments during the course of the budget year to the Board of Trustees for approval. The most significant General Fund amendment presented to the Board of Trustees for approval during the year included the transfer of \$6,477,757 out to a Local Special Projects Fund. This fund was established by the Board of Trustees to address various facility and technology critical needs. The Board of Trustees also approved \$3.1 million in other expenditure budget amendments for 2013-14. These amendments included 2012-13 incomplete facility projects and unspent campus budgets; budgets needed for the purchase of a new Ag facility; and funds for additional campus projectors and copier leases. Overall budget amendments for revenues and transfers into the General Fund resulted in a net increase of approximately \$1.2 million. These amendments included: a \$2.1 million reduction in property tax revenue based on lower than expected certified property values received in July 2013; a \$1.3 million increase in state aid from additional student enrollment; and a \$2 million transfer into the General Fund from the self-insured workers' compensation fund mentioned earlier.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the District had invested approximately \$233.5 million in a broad range of capital assets, including land, equipment, and buildings, less depreciation (see Table V). Net capital assets decreased approximately \$7.68 million from the prior year. The decrease was driven by higher accumulated depreciation. The increase in construction-in-progress related to the facility improvements in the Local Special Projects Fund established during the fiscal year.

Table V			
Capital Assets			
(Net of Depreciation)			
	Governmental Activities		
	2014	2013	% Change
Land	\$17,547,166	\$17,547,166	0.0%
Buildings and Improvements	205,815,212	217,660,858	-5.4%
Furniture and Equipment	8,114,764	5,877,331	38.1%
Construction-in-Progress	1,993,024	66,869	2880.5%
Totals	<u>\$233,470,166</u>	<u>\$241,152,224</u>	-3.2%

Long-Term Debt

The District had \$242.2 million in long-term debt at year end, a decrease of \$21.9 million from the prior year. The decrease was primarily composed of principal payments of \$14.2 million on the bonds during the fiscal year, including a \$4.4 million bond principal prepayment.

Table VI			
Long-Term Debt			
	Governmental Activities		
	2014	2013	% Change
Bonds Payable	\$ 189,105,198	\$ 203,760,361	-7.2%
Accreted Interest	38,694,295	44,379,607	-12.8%
Bond Premiums	11,416,163	12,880,884	-11.4%
Capital Leases	440,456	189,804	132.1%
Compensated Absences	2,572,572	2,919,422	-11.9%
Totals	\$ 242,228,684	\$ 264,130,078	-8.3%

More detailed information about the District's debt is presented in the Notes to Basic Financial Statements.

Bond Ratings

The bonds have a municipal bond rating of "AAA" by Standard & Poor's Ratings Services ("S&P") and "AAA" by Fitch Ratings (Fitch) based upon the Permanent School Fund Guarantee of the State of Texas ("PSF Guarantee"). The underlying or secondary credit ratings for the District are "AA" by S&P and "AA+" by Fitch.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Fiscal 2013-14 was a period of continued financial improvement for the District. Property values have increased over 2 percent for each of the past two fiscal years after remaining flat or declining for the few years prior. Student enrollment continues to increase with slightly more than 1 percent from the prior year. Additional increases in the Texas state funding formulas have provided significant additional funding for the District during the last two fiscal years. The District has been able to provide staff compensation increases and multiple personnel units in the instructional and curriculum areas. While the General Fund balance dropped approximately \$5 million for the 2013-14 fiscal year, \$6.5 million of the total decrease represented one-time costs for special facility and technology project needs. Prudent spending and careful monitoring of resources has allowed the District to continue to maintain a healthy General Fund balance.

The financial forecast for the 2014-15 fiscal year continues to show improvement. State funding formulas have been adjusted again by the Texas Legislature. District property values have risen almost 5 percent. Student enrollment is slightly up over the prior year. Compensation increases of 2.25 percent were approved by the Board of Trustees in addition to a number of new instructional positions. The M&O tax rate remains at \$1.04 per \$100 of property valuation, the maximum rate allowed without a tax rate election. The additional revenue allowed the District to include \$3.7 million dollars in the General Fund budget for facility and technology improvements which created a small deficit in the adopted budget.

In regard to the Debt Service Fund, the District adopted a tax rate of \$0.395 per \$100 of property value reflecting no change over the prior year. Because of the increase in property values, the District was able to approve the pre-payment of over \$5 million of the Birdville ISD Unlimited Tax School Building Bonds, Series 2008-A and the Birdville ISD Unlimited Tax School Building & Refunding Bonds, Series 2007. Over the last two years, the District has been able to prepay over \$9 million in bond principal.

In August 2014, the Board of Trustees called a \$163.2 million bond election to address facility replacement and major facility improvement needs around the District. The election will be held in November 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Finance Department.

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BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

Data Control Codes		Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	\$ 72,953,967
1120	Current Investments	2,237,796
1220	Property Taxes Receivable (Delinquent)	7,103,895
1230	Allowance for Uncollectible Taxes	(2,017,966)
1240	Due from Other Governments	26,108,143
1250	Accrued Interest Receivable	102,915
1290	Other Receivables, net	504,331
1300	Inventories	874,801
1410	Prepayments	59,122
Capital Assets:		
1510	Land	17,547,166
1520	Buildings, Net	205,815,212
1530	Furniture and Equipment, Net	8,114,764
1580	Construction in Progress	1,993,024
1910	Long Term Investments	10,017,500
1000	Total Assets	<u>351,414,670</u>
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Charge - Bond Refundings	<u>1,292,508</u>
1700	Total Deferred Outflows of Resources	<u>1,292,508</u>
LIABILITIES		
2110	Accounts Payable	3,506,510
2140	Interest Payable	2,400,342
2150	Payroll Deductions & Withholdings	1,170,655
2160	Accrued Wages Payable	21,294,812
2177	Due to Fiduciary Funds	856,417
2180	Due to Other Governments	33
2190	Due to Student Groups	88,032
2200	Accrued Expenses	365,103
2300	Unearned Revenue	989,509
Noncurrent Liabilities		
2501	Due Within One Year	22,867,593
2502	Due in More Than One Year	219,361,091
2000	Total Liabilities	<u>272,900,097</u>
NET POSITION		
3200	Net Investment in Capital Assets	33,834,370
3820	Restricted for Federal and State Programs	4,252,581
3850	Restricted for Debt Service	10,804,806
3900	Unrestricted	30,915,324
3000	Total Net Position	<u><u>\$ 79,807,081</u></u>

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 134,469,177	\$ 2,538,603	\$ 18,107,641	\$ (113,822,933)
12 Instructional Resources and Media Services	2,642,997	-	107,993	(2,535,004)
13 Curriculum and Staff Development	7,119,890	-	3,792,582	(3,327,308)
21 Instructional Leadership	2,980,892	-	1,010,902	(1,969,990)
23 School Leadership	11,811,459	-	559,872	(11,251,587)
31 Guidance, Counseling and Evaluation Services	8,298,055	-	781,769	(7,516,286)
32 Social Work Services	393,873	-	130,527	(263,346)
33 Health Services	2,487,222	-	97,940	(2,389,282)
34 Student (Pupil) Transportation	3,529,462	-	1,011,864	(2,517,598)
35 Food Services	10,844,703	3,282,593	8,378,434	816,324
36 Extracurricular Activities	6,696,771	2,167,940	127,120	(4,401,711)
41 General Administration	5,049,765	-	447,358	(4,602,407)
51 Facilities Maintenance and Operations	17,631,670	62,872	526,692	(17,042,106)
52 Security and Monitoring Services	1,414,269	-	3,911	(1,410,358)
53 Data Processing Services	4,377,241	-	77,263	(4,299,978)
61 Community Services	674,848	-	425,282	(249,566)
72 Debt Service - Interest on Long Term Debt	10,310,987	-	2,965,000	(7,345,987)
73 Debt Service - Bond Issuance Cost and Fees	187,765	-	-	(187,765)
81 Capital Outlay	16,085	-	-	(16,085)
95 Payments to Juvenile Justice Alternative Ed. Prg.	50,530	-	-	(50,530)
97 Payments to Tax Increment Fund	124,940	-	-	(124,940)
99 Other Intergovernmental Charges	616,268	-	-	(616,268)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 231,728,869	\$ 8,052,008	\$ 38,552,150	(185,124,711)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	75,374,802
DT	Property Taxes, Levied for Debt Service	28,526,578
SF	State Aid - Formula Grants	90,145,837
GC	Grants and Contributions not Restricted	18,116
IE	Investment Earnings	510,242
MI	Miscellaneous Local and Intermediate Revenue	2,053,141
TR	Total General Revenues	196,628,716
CN	Change in Net Position	11,504,005
NB	Net Position - Beginning	68,303,076
NE	Net Position--Ending	\$ 79,807,081

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 47,795,330	\$ 12,021,555	\$ 12,135,933	\$ 71,952,818
1120 Investments - Current	2,237,796	-	-	2,237,796
1220 Property Taxes - Delinquent	5,594,480	1,509,415	-	7,103,895
1230 Allowance for Uncollectible Taxes (Credit)	(1,589,194)	(428,772)	-	(2,017,966)
1240 Receivables from Other Governments	21,290,313	-	4,817,830	26,108,143
1250 Accrued Interest	24,178	-	78,737	102,915
1260 Due from Other Funds	103,793	664,321	3,157,947	3,926,061
1290 Other Receivables	234,548	38,367	223,048	495,963
1300 Inventories	731,705	-	143,096	874,801
1410 Prepayments	8,287	-	50,835	59,122
1910 Long-Term Investments	2,297,360	-	7,720,140	10,017,500
1000 Total Assets	<u>\$ 78,728,596</u>	<u>\$ 13,804,886</u>	<u>\$ 28,327,566</u>	<u>\$120,861,048</u>
LIABILITIES				
2110 Accounts Payable	\$ 1,789,707	\$ -	\$ 1,716,803	\$ 3,506,510
2150 Payroll Deductions and Withholdings Payable	1,170,655	-	-	1,170,655
2160 Accrued Wages Payable	19,125,501	-	2,169,311	21,294,812
2170 Due to Other Funds	677,984	-	4,100,786	4,778,770
2180 Due to Other Governments	33	-	-	33
2190 Due to Student Groups	-	-	88,032	88,032
2200 Accrued Expenditures	2,630	-	983	3,613
2300 Unearned Revenues	-	599,738	389,771	989,509
2000 Total Liabilities	<u>22,766,510</u>	<u>599,738</u>	<u>8,465,686</u>	<u>31,831,934</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	3,249,402	797,923	-	4,047,325
2600 Total Deferred Inflows of Resources	<u>3,249,402</u>	<u>797,923</u>	<u>-</u>	<u>4,047,325</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	731,705	-	143,096	874,801
3430 Prepaid Items	8,287	-	-	8,287
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	4,109,485	4,109,485
3470 Capital Acquisition and Contractual Obligation	-	-	33,513	33,513
3480 Retirement of Long-Term Debt	-	12,407,225	-	12,407,225
Committed Fund Balance:				
3545 Other Committed Fund Balance	30,496,133	-	15,575,786	46,071,919
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	6,500,000	-	-	6,500,000
3600 Unassigned Fund Balance	14,976,559	-	-	14,976,559
3000 Total Fund Balances	<u>52,712,684</u>	<u>12,407,225</u>	<u>19,861,880</u>	<u>84,981,789</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 78,728,596</u>	<u>\$ 13,804,886</u>	<u>\$ 28,327,566</u>	<u>\$120,861,048</u>

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances - Governmental Funds	\$ 84,981,789
1 The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	644,319
2 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.	470,579,263
3 Accumulated depreciation is not reported in the fund financial statements.	(237,109,097)
4 Bonds payable and capital leases payable are not reported in the fund financial statements.	(189,545,654)
5 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.	(38,694,295)
6 Bond premiums on outstanding bonds payable are not reported in the fund financial statements.	(11,416,163)
7 Revenue from property taxes reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	4,047,325
8 Accrued liabilities for compensated absences have not been recorded in the fund financial statements.	(2,572,572)
9 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are recorded when due.	(2,400,342)
10 The deferred charge on bond refundings is not recorded in the fund financial statements, but is shown as a deferred outflow of resources in the government-wide financial statements.	1,292,508
19 Net Position of Governmental Activities	\$ 79,807,081

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 76,442,988	\$ 28,506,167	\$ 8,517,917	\$ 113,467,072
5800 State Program Revenues	98,088,417	2,965,000	2,609,686	103,663,103
5900 Federal Program Revenues	2,572,056	-	23,510,757	26,082,813
5020 Total Revenues	177,103,461	31,471,167	34,638,360	243,212,988
EXPENDITURES:				
Current:				
0011 Instruction	110,570,964	-	14,259,664	124,830,628
0012 Instructional Resources and Media Services	2,438,484	-	26,991	2,465,475
0013 Curriculum and Instructional Staff Development	3,076,664	-	3,579,164	6,655,828
0021 Instructional Leadership	1,855,293	-	908,651	2,763,944
0023 School Leadership	10,708,253	-	83,239	10,791,492
0031 Guidance, Counseling and Evaluation Services	7,149,540	-	462,733	7,612,273
0032 Social Work Services	238,178	-	121,314	359,492
0033 Health Services	2,276,787	-	205	2,276,992
0034 Student (Pupil) Transportation	3,204,688	-	67,132	3,271,820
0035 Food Services	-	-	11,333,730	11,333,730
0036 Extracurricular Activities	4,709,548	-	1,729,354	6,438,902
0041 General Administration	4,674,522	-	24,970	4,699,492
0051 Facilities Maintenance and Operations	19,258,707	-	241,535	19,500,242
0052 Security and Monitoring Services	1,435,777	-	-	1,435,777
0053 Data Processing Services	4,221,234	-	2,283,653	6,504,887
0061 Community Services	222,603	-	402,947	625,550
Debt Service:				
0071 Principal on Long Term Debt	125,426	14,225,163	-	14,350,589
0072 Interest on Long Term Debt	5,603	17,624,714	-	17,630,317
0073 Bond Issuance Cost and Fees	-	187,765	-	187,765
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,125,378	-	705,588	1,830,966
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	50,530	-	-	50,530
0097 Payments to Tax Increment Fund	124,940	-	-	124,940
0099 Other Intergovernmental Charges	616,268	-	-	616,268
6030 Total Expenditures	178,089,387	32,037,642	36,230,870	246,357,899
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(985,926)	(566,475)	(1,592,510)	(3,144,911)
OTHER FINANCING SOURCES (USES):				
7911 Refunding Bonds Issued	-	20,245,000	-	20,245,000
7913 Capital Leases	376,078	-	-	376,078
7915 Transfers In	2,018,581	-	6,477,757	8,496,338
7916 Premium or Discount on Issuance of Bonds	-	735,340	-	735,340
8911 Transfers Out (Use)	(6,477,757)	-	-	(6,477,757)
8949 Other (Uses)	-	(20,798,477)	-	(20,798,477)
7080 Total Other Financing Sources (Uses)	(4,083,098)	181,863	6,477,757	2,576,522
1200 Net Change in Fund Balances	(5,069,024)	(384,612)	4,885,247	(568,389)
0100 Fund Balance - July 1 (Beginning)	57,781,708	12,791,837	14,976,633	85,550,178
3000 Fund Balance - June 30 (Ending)	\$ 52,712,684	\$ 12,407,225	\$ 19,861,880	\$ 84,981,789

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ (568,389)
The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net effect of this consolidation is to decrease net position.	(1,724,262)
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions increases government-wide net position.	8,203,125
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease government-wide net position.	(15,885,183)
Current year long-term debt principal payments on capital leases and bonds payable are expenditures in the fund financial statements, but are shown as reductions of long-term debt in the government-wide financial statements.	14,350,589
The current year decrease in accreted interest payable on capital appreciation bonds is not recorded in the fund financial statements. The net effect of the current year's change in accreted interest payable on capital appreciation bonds is to increase government-wide net position.	5,685,312
Current year amortization of the premium on bonds payable is not recorded in the fund financial statements, but is shown as a decrease in long-term debt in the government-wide financial statements.	1,896,081
Current year amortization of the deferred charge on bond refundings is not reflected in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.	(452,093)
The current year change in accrued liabilities for compensated absences has not been recorded in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	346,850
Interest is accrued on outstanding debt in the government-wide financial statements, but interest is expended as due in the fund financial statements.	307,112
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed net of an allowance for uncollectible amounts in the government-wide financial statements.	19,886
The current year issuance of refunding bonds is shown as other resources in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(20,245,000)

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

The premiums on the current year issuance of refunding bonds are recorded as other financing sources in the fund financial statements, but are shown as an increase in long-term debt in the government-wide financial statements.	(735,340)
The proceeds from a new capital lease is shown as other resources in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(376,078)
The current year payment to the escrow agent for refunding debt is an other financing use in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements. The payment of \$20,798,477 includes the payment to refund bonds of \$20,978,980 plus accrued interest of \$117,082 and a deferred gain on bond refundings of \$297,585.	20,681,395
Change in Net Position of Governmental Activities	<u><u>\$ 11,504,005</u></u>

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,001,149
Due from Other Funds	6,300
Other Receivables	8,368
	<hr/>
Total Assets	1,015,817
	<hr/>
LIABILITIES	
Current Liabilities:	
Due to Other Funds	10,008
Accrued Expenses	361,490
	<hr/>
Total Liabilities	371,498
	<hr/>
NET POSITION	
Unrestricted Net Position	644,319
	<hr/>
Total Net Position	\$ 644,319
	<hr/> <hr/>

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 312,253
Total Operating Revenues	312,253
OPERATING EXPENSES:	
Other Operating Costs	19,055
Total Operating Expenses	19,055
Operating Income	293,198
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	1,121
Total Nonoperating Revenues (Expenses)	1,121
Income Before Transfers	294,319
Transfers Out	(2,018,581)
Change in Net Position	(1,724,262)
Total Net Position - July 1 (Beginning)	2,368,581
Total Net Position - June 30 (Ending)	\$ 644,319

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Payments for Insurance Claims	\$ (205,868)
Cash Payments for Suppliers	(19,055)
Net Cash Used for Operating Activities	(224,923)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfer to General Fund	(2,018,581)
Payment of Due to Other Funds	(272,895)
Advance to Other Funds	(6,300)
Net Cash Used for Non-Capital Financing Activities	(2,297,776)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	1,121
Net Decrease in Cash and Cash Equivalents	(2,521,578)
Cash and Cash Equivalents at Beginning of Year	3,522,727
Cash and Cash Equivalents at End of Year	\$ 1,001,149
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	\$ 293,198
Operating Income:	
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Other Receivables	(8,368)
Increase (decrease) in Accounts Payable	(2,000)
Increase (decrease) in Accrued Expenses	(507,753)
Net Cash Used for Operating Activities	\$ (224,923)

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2014

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 19,345
Due from Other Funds	856,417
	<hr/>
Total Assets	\$ 875,762
	<hr/>
LIABILITIES	
Accounts Payable	\$ 7,453
Due to Student Groups	868,309
	<hr/>
Total Liabilities	\$ 875,762
	<hr/>

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The Birdville Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees that are elected by registered voters of the District. The District prepares its basic financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds. The following is a summary of the more significant accounting policies of the District:

A. Reporting Entity

For financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was considered by applying the criteria set forth in Governmental Accounting Standard Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB 39 "Determining Whether Certain Organizations are Component Units". Based on these standards, management has determined that the District has no component units.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Birdville Independent School District non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*.

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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.

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included in the fund Statement of Net Position. Net position is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

D. Fund Accounting

The District reports the following major governmental funds:

The General Fund – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Major program revenues include local property taxes, state funding under the Foundation School Program, and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects.

Debt Service Fund – The debt service fund is utilized to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs arising from general obligation bonds.

Additionally, the District reports the following non major fund type(s):

Governmental Funds:

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

Capital Projects Fund – The capital projects fund is utilized to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived from proceeds of General Obligation Bonds and interest earned on such monies and local sources designated for such purposes.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Fund Accounting – Continued

Proprietary Funds:

Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is a Worker's Compensation self-insurance fund.

Fiduciary Funds:

Agency Funds -The District accounts for resources held for others in a custodial capacity in an agency fund. The District's Agency Fund is the Student Activity Fund.

E. Cash and Cash Equivalents

The District's cash is comprised of demand accounts and imprest funds. All daily receipts are deposited to the demand accounts until the funds are invested under the terms of the District's depository contract. The District considers cash equivalents to be all highly liquid investments with initial maturities of ninety days or less from the date of purchase.

F. Investments

In accordance with GASB Statement No. 31, 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 June 30, 2014. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

G. Inventory

Inventories on the balance sheet consist of material and supplies and are recorded at first-in, first-out (FIFO) cost. The District follows the consumption method of accounting whereby supplies and materials are recorded as expenditures when utilized.

H. Compensated Absences

Five vacation days may be carried over beginning June 1 and must be used by November 1 of the same year. The accrual is considered immaterial and has not been recorded.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. Compensated Absences – Continued

Leave days are earned at a rate of five State and five local sick days per year. The State days accrue with no limit and the local days may accrue to a maximum of 100 days. For those employees retiring after June 30, 2004, the date of May 31, 2003, was established as a cap for the compensation of unused paid leave at retirement or death. This capped amount is used to determine an employee's, or the beneficiary of a deceased employee's, maximum compensation for unused leave at the time of retirement or death. The employee shall have his or her capped amount of compensation reduced by 20 percent. If retirement does not occur prior to July 1, 2005, the employee shall have his or her capped amount of compensation reduced by an additional 20 percent for an approximate 40 percent reduction. If after the approximate 40 percent reduction an employee qualifies for an amount greater than \$10,000, that amount shall remain his or her capped amount until the time of retirement or death. This amount cannot be exceeded but shall be reduced if the number of unused state and local leave days accumulated in the District, multiplied by 50 percent of the employee's daily rate of pay, results in an amount less than the established capped amount at the time of retirement or death. If the 40 percent reduction reduces an employee's benefit below \$10,000, then the benefit amount may increase to a maximum of \$10,000 with the accumulation of additional local and state leave days. This benefit shall be determined by multiplying 50 percent of the employee's daily rate of pay by the number of unused accumulated state and local days up to a maximum of 100 days earned in the District at the time of retirement or death.

An employee who qualified for retirement benefits from the Teacher Retirement System of Texas and who was hired after May 31, 2003, or the beneficiary of a deceased employee who was hired after May 31, 2003, shall be eligible to receive a maximum \$10,000 compensation benefit at retirement. This benefit shall be determined by calculating 50 percent of the employee's daily rate of pay multiplied by the number of local leave days up to a maximum of 100 days earned in the District, to include days earned in the current school year, at the time of retirement or death.

The accrual for accumulated unpaid sick leave benefits has been recorded in the government-wide financial statements.

I. Account Code Reporting

In accordance with the Texas Education Code, the District has adopted and installed an accounting system, which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure prescribed by TEA in the FASRG. The Data Control Codes refer to the account code structure prescribed by TEA in the FASRG. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula becomes available. Availability can be as late as midway into the next fiscal year. It is reasonably possible that minor adjustments may be made to the foundation revenue by the State.

K. Property Taxes

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

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

L. Capital Assets

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

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Capital Assets – Continued

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

<u>Assets</u>	<u>Years</u>
Buildings	15-45
Vehicles	5-10
Office Equipment	5-15
Computer Equipment	3-10

M. Long-Term Debt

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

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

NOTE 2. ADOPTION OF NEW ACCOUNTING STANDARDS

Beginning in fiscal year 2013, the District implemented GASB Statement Numbers 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and 65, *Items Previously Reported as Assets and Liabilities*. These two statements:

- Defined transactions that result in the consumption of net assets in one period that are applicable to a future period as “deferred outflows of resources.”
- Defined transactions that result in the acquisition of net assets in one period that are applicable to a future period as “deferred inflows of resources.”
- Defined the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as “net position.”
- Required certain items previously reported as assets and liabilities that meet the definition of deferred outflows or inflows of resources to be retroactively reclassified in the Statements of Net Position and Balance Sheets, if practical, for all prior periods presented.

The effects of these two changes in accounting principle on the District's financial statements were:

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 2. ADOPTION OF NEW ACCOUNTING STANDARDS – CONTINUED

- Governmental fund financial statements
 - Record property taxes uncollected within 60 days of the fiscal year-end, and therefore unavailable, as deferred inflows of resources in the governmental fund financial statements.
- Government-wide financial statements
 - Reclassify bond issuance costs previously reported as assets to expenses of the period in which they were incurred.
 - For refunded debt, record the difference between the reacquisition price and the net carrying amount of the refunded debt as a deferred resource outflow or inflow, as appropriate, and amortize the balance as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Accordingly, all unamortized deferred losses on refunding transactions as of June 30, 2013 were reclassified as deferred outflows of resources.

NOTE 3. FUND BALANCE

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

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventories and prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3. FUND BALANCE – CONTINUED

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance of the General Fund as of June 30, 2014 for purposes as detailed below.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

When an expenditure is incurred for purposes 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, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

The details of the fund balances are included in the Governmental Funds Balance Sheet and are described below:

General Fund

The General Fund has unassigned fund balance of \$14,976,559 at June 30, 2014. Inventories of \$731,705 and prepaid items of \$8,287 are considered nonspendable fund balance.

The Board of Trustees has adopted a resolution committing a portion of the General Fund fund balance equal to fifteen percent of General Fund operating expenditures in the following year's adopted budget. This commitment was \$27,896,133 as of June 30, 2014. The District has also committed General Fund fund balance of \$2,600,000 for future payments of compensated absences.

The District has assigned \$6,500,000 of the General Fund fund balance as additional operating reserves.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3. FUND BALANCE – CONTINUED

Other Major Funds

The Debt Service Fund has restricted funds of \$12,407,225 at June 30, 2014 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Other Funds

Inventories of \$143,096 in the National School Breakfast and Lunch Program Fund are considered nonspendable fund balance.

The fund balance of \$33,513 in the Capital Projects Fund is shown as restricted for capital acquisitions. The following special revenue funds fund balances are restricted by Federal, State or other grant restrictions:

National Breakfast & Lunch Program	\$4,099,838
Advanced Placement Incentives	<u>9,647</u>
Total	<u>\$4,109,485</u>

The following special revenue funds fund balances have been committed by the District for the following purposes:

Campus Activities	\$ 686,904
Other Local Special Revenue Funds	141,129
Local Special Projects	4,478,296
Scholarship Funds	<u>10,269,457</u>
Total	<u>\$15,575,786</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 4. BONDED DEBT PAYABLE

Bonded debt payable as of June 30, 2014 is as follows:

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 7/1/2013	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 6/30/2014
Unlimited Tax School Building Bonds Series 1997	3.90-5.60	\$ 31,189,385	\$ 5,605,882	\$ -	\$ -	\$ 5,605,882	\$ -
Unlimited Tax Building Bonds Series 1998	3.70-4.90	9,495,589	5,470,575	-	-	161,918	5,308,657
Unlimited Tax School Building and Refunding Bonds Series 1999	4.60-6.27	11,827,132	4,531,806	-	-	21,413	4,510,393
Unlimited Tax Building Bonds Series 2000	5.30-6.79	10,140,000	326,347	-	-	-	326,347
Unlimited Tax School Building and Refunding Bonds Series 2002	3.88-5.54	15,673,486	10,502,932	-	-	572,697	9,930,235
Unlimited Tax Refunding Bonds Series 2004	3.00-5.00	25,701,186	21,135,000	-	20,675,000	460,000	-
Unlimited Tax School Building Bonds Series 2006	3.26-4.23	40,315,000	1,665,000	-	-	830,000	835,000
Unlimited Tax School Building and Refunding Bonds Series 2007	3.26-4.23	95,507,115	92,396,222	-	-	1,393,253	91,002,969
Unlimited Tax School Building Bonds Series 2008A	2.00-4.21	37,850,000	36,830,000	-	-	5,080,000	31,750,000
Unlimited Tax School Building Bonds Series 2008B	2.00-3.42	4,750,000	3,680,000	-	-	100,000	3,580,000
Unlimited Tax Refunding Bonds Series 2012	0.95-1.73	21,616,597	21,616,597	-	-	-	21,616,597
Unlimited Tax Refunding Bonds Series 2014	0.16-0.33	20,245,000	-	20,245,000	-	-	20,245,000
Total bonded debt payable			<u>\$ 203,760,361</u>	<u>\$ 20,245,000</u>	<u>\$ 20,675,000</u>	<u>\$ 14,225,163</u>	<u>\$ 189,105,198</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 4. BONDED DEBT PAYABLE – CONTINUED

The debt service requirements on the above bonds are as follows:

Due to Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 19,463,511	\$ 7,702,772	\$ 27,166,283
2016	16,027,318	10,617,545	26,644,863
2017	10,854,497	16,208,728	27,063,225
2018	12,344,674	14,827,201	27,171,875
2019	12,657,776	14,528,850	27,186,626
2020-2024	41,849,271	50,190,553	92,039,824
2025-2029	44,863,151	18,701,711	63,564,862
2030-2032	<u>31,045,000</u>	<u>3,030,000</u>	<u>34,075,000</u>
	<u>\$189,105,198</u>	<u>\$135,807,360</u>	<u>\$324,912,558</u>

Bonded debt payable is collateralized by revenue from the District's tax collections.

NOTE 5. DEBT ISSUANCES AND DEFEASED BONDS OUTSTANDING

In March 2014, the District issued \$20,245,000 (par value) in Unlimited Tax Refunding Bonds to advance refund \$20,675,000 (par value) of outstanding bonds. The net proceeds of \$20,798,477 (\$20,245,000 par amount of the bonds plus \$735,340 of premium paid on the bonds less \$181,863 of underwriting fees and other issuance costs) were used to purchase U.S. and State and Local Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result the refunded bonds are considered to be defeased and the liability for those bonds was removed from the long-term debt. The refunded bonds were redeemed on March 28, 2014.

The refunding was undertaken to reduce the District's total debt service payments by approximately \$1,076,754 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$1,072,647.

In prior years, the District has defeased other bond series in advance refunding transactions. As of June 30, 2014, all previously defeased bonds had been paid off.

The current year bond refunding resulted in a book gain recorded in the government-wide financial statements as a deferred gain on bond refundings. The net deferred charge equals the difference between the reacquisition price and the net carrying amount of the refunded debt. The deferred charge is shown in the government-wide financial statements as a deferred outflow of resources, and is amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 5. DEBT ISSUANCES AND DEFEASED BONDS OUTSTANDING - CONTINUED

The District's deferred charges on bond refundings are as follows:

Balance – June 30, 2013	\$2,042,186
Current year deferred gain on bond refundings	(297,585)
Current year amortization	<u>(452,093)</u>
Balance – June 30, 2014	<u>\$1,292,508</u>

NOTE 6. CAPITAL LEASES

The District has entered into financing agreements involving equipment and buses pursuant to Section 4 of Article 2358 A.2 of the Texas Education Code, which have been classified as capital leases and have interest rates between 3.53% and 4.50%. The current servicing of the capital leases is accounted for in the General Fund.

The following is a schedule by year of the future minimum lease payments under capital leases together with the present value of net minimum future lease payments as of June 30, 2014:

Year Ending <u>June 30</u>	
2015	\$330,514
2016	61,222
2017	<u>61,222</u>
Total future minimum lease payments	452,958
Less amount representing interest	<u>12,502</u>
Present value of net minimum lease payments	<u>\$440,456</u>

Included in Capital Assets is \$1,106,869 for equipment and buses related to capital leases and \$347,198 in accumulated depreciation.

NOTE 7. ACCUMULATED UNPAID SICK LEAVE BENEFITS

On retirement or death of certain employees, the District pays eligible accrued sick leave in a lump sum payment to the employee or his/her estate. A summary of changes in the accumulated sick leave follows:

Balance, July 1, 2013	\$ 2,919,422
New entrants and sick leave accruals	91,417
Payments to participants	<u>(438,267)</u>
Balance, June 30, 2014	<u>\$ 2,572,572</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 8. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended June 30, 2014 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental Activities					
Bonds and Notes Payable					
General Obligation Bonds	\$203,760,361	\$20,245,000	\$34,900,163	\$189,105,198	\$19,463,511
Accreted Interest	44,379,607	4,699,398	10,384,710	38,694,295	1,223,603
Capital Leases	189,804	376,078	125,426	440,456	325,806
Compensated Absences	2,919,422	91,417	438,267	2,572,572	549,128
Premium on Issuance	<u>12,880,884</u>	<u>735,340</u>	<u>2,200,061</u>	<u>11,416,163</u>	<u>1,305,545</u>
	<u>\$264,130,078</u>	<u>\$26,147,233</u>	<u>\$48,048,627</u>	<u>\$242,228,684</u>	<u>\$22,867,593</u>

NOTE 9. CAPITAL ASSET ACTIVITY

Capital asset activity for the district for the year ended June 30, 2014 was as follows:

Primary government:

	Balance <u>7/1/2013</u>	Additions <u>(Transfers)</u>	<u>Deletions</u>	Balance <u>6/30/2014</u>
Capital assets, not being depreciated				
Land	\$ 17,547,166	\$ -	\$ -	\$ 17,547,166
Construction in Progress	<u>66,869</u>	<u>1,993,024</u>	<u>66,869</u>	<u>1,993,024</u>
Total capital assets, not being depreciated	<u>17,614,035</u>	<u>1,993,024</u>	<u>66,869</u>	<u>19,540,190</u>
Capital assets, being depreciated				
Buildings and Improvements	421,995,273	2,268,664	-	424,263,937
Furniture and Equipment	<u>23,059,969</u>	<u>4,008,306</u>	<u>293,139</u>	<u>26,775,136</u>
Total capital assets, being depreciated	<u>445,055,242</u>	<u>6,276,970</u>	<u>293,139</u>	<u>451,039,073</u>
Less accumulated depreciation on				
Buildings and Improvements	204,334,415	14,114,310	-	218,448,725
Furniture and Equipment	<u>17,182,638</u>	<u>1,770,873</u>	<u>293,139</u>	<u>18,660,372</u>
Total capital assets, being depreciated, net	<u>223,538,189</u>	<u>(9,608,213)</u>	<u>-</u>	<u>213,929,976</u>
Governmental activities capital assets, net	<u>\$241,152,224</u>	<u>\$ (7,615,189)</u>	<u>\$ 66,869</u>	<u>\$233,470,166</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 9. CAPITAL ASSET ACTIVITY - CONTINUED

Depreciation expense of the governmental activities was charged to functions/programs as follows:

Instruction	\$ 10,704,286
Instructional resources and media services	177,522
Curriculum and instructional staff development	464,062
Instructional leadership	241,462
School leadership	1,019,967
Guidance, counseling, and evaluation services	685,782
Social work services	34,381
Health services	210,230
Student (pupil) transportation	257,642
Food services	398,886
Co-curricular/extracurricular activities	273,364
General administration	350,273
Plant maintenance and operations	838,614
Security and monitoring services	10,802
Data processing services	168,612
Community services	<u>49,298</u>
Total depreciation expense	<u>\$ 15,885,183</u>

NOTE 10. DEPOSITS AND INVESTMENTS

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 its 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.

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 10. DEPOSITS AND INVESTMENTS - CONTINUED

<u>Authorized Investment Type</u>	<u>Maximum Maturity *</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	2 years	none	none
U.S. Agency obligations	2 years	none	none
State and municipal securities	2 years	none	none
Certificates of deposit	2 years	none	none
Repurchase agreements	2 years	none	none
Commercial paper	270 days	none	none
Public funds investment pools	N/A	none	none

* The District's investment policy allows for a maximum maturity of twenty years for investments made from the District's Scholarship Fund (a special revenue fund).

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

Cash and cash equivalents as of June 30, 2014 are classified in the accompanying financial statements as follows:

Primary government	\$ 72,953,967
Fiduciary funds	<u>19,345</u>
	<u>\$ 72,973,312</u>

Cash and investments as of June 30, 2014 consist of the following:

Deposits with financial institutions	\$ 3,095,357
Other cash equivalents	69,877,955
Investments – Current	2,237,796
Investments – Long-term	<u>10,017,500</u>
	<u>\$ 85,228,608</u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 120 days and by holding longer-term investments until maturity, thus reducing the interest rate risk. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District's investment policy has no specific limitations with respect to this metric.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 10. DEPOSITS AND INVESTMENTS – CONTINUED

As of June 30, 2014, the District had the following cash equivalents and investments:

<u>Account/Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
TexPool	\$67,087,290	51 days
Lone Star	556,276	56 days
MBIA Texas CLASS	2,225,210	50 days
Certificates of deposit	1,093,013	(1)
U.S. Agency securities	3,375,050	(1)
State and municipal securities	<u>7,787,233</u>	(1)
	<u>\$82,124,072</u>	

(1) These securities have various maturity dates ranging from August 2014 through June 2032.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type. The amounts held in bank and certificates of deposit are covered by FDIC insurance or pledged securities.

<u>Account/Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of June 30, 2014</u>
TexPool	\$67,087,290	AAA	AAAm
Lone Star	556,276	AAA	AAAm
MBIA Texas CLASS	2,225,210	AAA	AAAm
Certificates of deposit	1,093,013	N/A	N/A
U.S. Agency securities	3,375,050	N/A	N/A
State and municipal securities	7,787,233	A or better	A or better

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. As of June 30, 2014, other than bank deposits, external investment pools, and securities guaranteed by the U.S. Government, the District did not have 5% or more of its investment with one issuer.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 10. DEPOSITS AND INVESTMENTS - CONTINUED

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of June 30, 2014 the District's deposits with financial institutions were 100% covered by federal depository insurance or by pledged securities.

In addition, the following is disclosed regarding coverage of combined balances on the date of the highest deposit:

- A. Depository: Bank of America
- B. Security pledged as of the date of the highest combined balance on deposit was \$18,322,853.
- C. Largest cash, savings and time deposit combined account balance amounted to \$16,444,515 and occurred during the month of May 2014.
- D. Total amount of FDIC coverage at the time of largest combined balance was \$250,000.

Investment in State Investment Pools

The District is a voluntary participant in various investment pools. These pools included the following: TexPool, Lone Star, and MBIA.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 10. DEPOSITS AND INVESTMENTS – CONTINUED

Investment in State Investment Pools - continued

The Lone Star Investment Pool is governed by an 11-member board, all of whom are participants in the Pool. This ensures that the policies they set affect not only other entities' assets, but their own as well. The Board meets quarterly to review Pool operations, adopt or make changes to the investment policy, review the Pool's financials and audited financial statements, and approve Pool contractor agreements. The pool is tailored to comply with the Public Funds Investment Act.

The MBIA Investment Pool is governed by a Board of Trustees, the number of trustees is determined and elected by the Participants in the pool annually but it must be an odd number and a minimum of 3 trustees. The Board meets upon the request of at least two trustees, but not less than once annually. The pool is tailored to comply with the Public Funds Investment Act.

NOTE 11. RETIREMENT PLAN

Plan Description. The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67 and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701-2698, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 11. RETIREMENT PLAN – CONTINUED

Funding Policy. State law provides for a state contribution rate of 6.8% and a member contribution rate of 6.4% for fiscal year 2014. During fiscal years 2013 and 2012 the state contribution rate was 6.4% and 6.0%, respectively. The member contribution rate was 6.4%. In certain instances, the reporting district is required to make all or a portion of the state's contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action. The District's employees' contributions to the system for the years ended June 30, 2012, 2013 and 2014 were \$8,613,589, \$8,606,545 and \$8,996,680, respectively, equal to the required contributions for each year. State contributions to TRS made on behalf of the District's employees and reflected in the District's basic financial statements as both revenue and expenditures for the years ended June 30, 2012, 2013 and 2014 were \$6,379,353, \$6,341,278 and \$5,958,479, respectively. The District paid additional state contributions for the years ended June 30, 2012, 2013 and 2014 in the amount of \$2,291,795, \$2,585,082 and \$2,790,403, respectively, on a portion of the employees' salaries that exceeded the statutory minimum or paid from federal grants.

NOTE 12. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description. Birdville Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees authority to establish and amend the basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 12. SCHOOL DISTRICT RETIREE HEALTH PLAN – CONTINUED

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% (0.5% in 2013 and 1.0% in 2012) and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013 and 2012. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2014, 2013 and 2012, the State's contributions to TRS-Care were \$876,247, \$605,389, and \$1,221,834, respectively, the active member contributions were \$913,721, \$874,106, and \$874,822, respectively, and the school district's contribution were \$875,634, \$806,628, and \$856,571, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2014, the contribution made on behalf of the District was \$380,741.

NOTE 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

In years prior to 1998, the District maintained a self-insured workers' compensation plan. For this plan, stop-loss coverage was in effect for individual claims exceeding \$200,000 with an aggregate limit of \$850,000 for claims incurred during the fiscal year 1996 and \$1,000,000 for claims incurred during fiscal years 1997 and 1998. Effective September 1, 1998 through August 31, 2000 the District obtained commercial insurance to cover its risk of loss from workers' compensation claims occurring from these dates. Effective September 1, 2000 the District again maintained a self-insured workers' compensation plan. Effective July 1, 2013 the District once again fully insured its workers' compensation risk. For the self-insured plan, stop-loss coverage was in effect for claims exceeding \$200,000 with an aggregate limit of \$1,000,000. Settled claims have not exceeded the aggregate coverage in any of the past three fiscal years. Unpaid claims related to the period prior to July 1, 2013 are recorded as a liability.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 13. RISK MANAGEMENT – CONTINUED

The claims liability of \$361,490 reported in the self-insurance fund at June 30, 2014 is based on an actuarial review of claims pending and an estimate of incurred but not reported claims. Changes in the fund's claims liability amount for the year ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Liability, beginning of year	\$ 869,242	\$ 1,263,508
Current year claims and changes in estimates	(297,586)	71,961
Claim payments	<u>(210,166)</u>	<u>(466,227)</u>
Liability, end of year	<u>\$ 361,490</u>	<u>\$ 869,242</u>

NOTE 14. COMMITMENTS AND CONTINGENCIES

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

NOTE 15. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2014, are summarized below. All federal grants shown below are passed through the State of Texas and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 21,290,313	\$ -	\$ 21,290,313
Special Revenue	<u>212,944</u>	<u>4,604,886</u>	<u>4,817,830</u>
Total	<u>\$ 21,503,257</u>	<u>\$ 4,604,886</u>	<u>\$ 26,108,143</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 16. UNEARNED REVENUE

Unearned revenue at June 30, 2014 consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Grant funds	\$ -	\$ -	\$389,771	\$389,771
State funding	-	599,738	-	599,738
Total	<u>\$ -</u>	<u>\$599,738</u>	<u>\$389,771</u>	<u>\$989,509</u>

NOTE 17. INTERFUND BALANCES AND ACTIVITIES

Interfund balances at June 30, 2014 consisted of the following individual fund balances:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
<u>General Fund</u>			
Special Revenue Funds	\$ 93,785	\$ -	Deficit of pooled cash / reimbursement of expenditures
Debt Service Fund	-	664,321	Pending tax collection transfers
Agency Fund	-	7,363	Deficit of pooled cash
Internal Service Fund	<u>10,008</u>	<u>6,300</u>	Reimbursement of expenditures
Total General Fund	<u>103,793</u>	<u>677,984</u>	
<u>Debt Service Funds</u>			
General Fund	<u>664,321</u>	-	Pending tax collection transfers
<u>Special Revenue Funds</u>			
General Fund	-	93,785	Deficit of pooled cash / reimbursement of expenditures
Special Revenue Funds	3,157,947	3,157,947	
Agency Fund	<u>-</u>	<u>849,054</u>	Deficit of pooled cash
Total Special Revenue Funds	<u>3,157,947</u>	<u>4,100,786</u>	
<u>Proprietary Fund</u>			
General Fund	<u>6,300</u>	<u>10,008</u>	Reimbursement of expenditures
<u>Agency Fund</u>			
General Fund	7,363	-	Deficit of pooled cash
Special Revenue Funds	<u>849,054</u>	-	Deficit of pooled cash
Total Agency Fund	<u>856,417</u>	-	
Totals	<u>\$ 4,788,778</u>	<u>\$ 4,788,778</u>	

All amounts due are scheduled to be repaid within one year.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 17. INTERFUND BALANCES AND ACTIVITIES – CONTINUED

During the year ended June 30, 2014, the District transferred \$2,018,581 from the District's internal service fund (workers' compensation self-insurance) to the General Fund as a transfer of excess residual equity and \$6,477,757 from the General Fund to the District's Local Special Projects Fund (a special revenue fund) to fund specific local projects approved by the Board of Trustees.

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BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 78,956,673	\$ 76,869,880	\$ 76,442,988	\$ (426,892)
5800	State Program Revenues	98,820,917	99,396,047	98,088,417	(1,307,630)
5900	Federal Program Revenues	2,532,000	2,535,504	2,572,056	36,552
5020	Total Revenues	180,309,590	178,801,431	177,103,461	(1,697,970)
EXPENDITURES:					
Current:					
0011	Instruction	109,533,676	111,532,066	110,570,964	961,102
0012	Instructional Resources and Media Services	2,555,734	2,512,359	2,438,484	73,875
0013	Curriculum and Instructional Staff Development	2,628,240	3,299,393	3,076,664	222,729
0021	Instructional Leadership	2,046,328	1,916,930	1,855,293	61,637
0023	School Leadership	10,856,419	10,947,406	10,708,253	239,153
0031	Guidance, Counseling and Evaluation Services	7,531,452	7,362,059	7,149,540	212,519
0032	Social Work Services	238,366	243,866	238,178	5,688
0033	Health Services	2,368,953	2,409,352	2,276,787	132,565
0034	Student (Pupil) Transportation	3,406,805	3,609,305	3,204,688	404,617
0036	Extracurricular Activities	4,582,708	5,072,662	4,709,548	363,114
0041	General Administration	4,749,150	4,932,150	4,674,522	257,628
0051	Facilities Maintenance and Operations	22,275,434	23,431,086	19,258,707	4,172,379
0052	Security and Monitoring Services	1,369,962	1,519,602	1,435,777	83,825
0053	Data Processing Services	4,762,624	4,349,528	4,221,234	128,294
0061	Community Services	258,838	291,296	222,603	68,693
Debt Service:					
0071	Principal on Long Term Debt	102,275	136,125	125,426	10,699
0072	Interest on Long Term Debt	8,875	8,875	5,603	3,272
Capital Outlay:					
0081	Facilities Acquisition and Construction	450,000	1,140,095	1,125,378	14,717
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	90,000	65,000	50,530	14,470
0097	Payments to Tax Increment Fund	205,000	165,000	124,940	40,060
0099	Other Intergovernmental Charges	625,000	640,000	616,268	23,732
6030	Total Expenditures	180,645,839	185,584,155	178,089,387	7,494,768
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(336,249)	(6,782,724)	(985,926)	5,796,798
OTHER FINANCING SOURCES (USES):					
7913	Capital Leases	-	391,079	376,078	(15,001)
7915	Transfers In	-	2,018,581	2,018,581	-
8911	Transfers Out (Use)	-	(6,477,757)	(6,477,757)	-
7080	Total Other Financing Sources (Uses)	-	(4,068,097)	(4,083,098)	(15,001)
1200	Net Change in Fund Balances	(336,249)	(10,850,821)	(5,069,024)	5,781,797
0100	Fund Balance - July 1 (Beginning)	-	57,781,708	57,781,708	-
3000	Fund Balance - June 30 (Ending)	\$ (336,249)	\$ 46,930,887	\$ 52,712,684	\$ 5,781,797

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

BUDGETARY DATA

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

The following procedures are followed in establishing the budgetary data:

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten day's public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment is made before the fact, is reflected in the official minutes of the Board, and is not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. Significant amendments were made to the following functional areas:

<u>Function</u>	<u>Increase (Decrease)</u>
Instruction	\$ 1,998,390
Curriculum and Instructional Staff Development	671,153
Student Transportation	202,500
Extracurricular Activities	489,954
General Administration	183,000
Facilities Maintenance and Operations	1,155,652
Data Processing Services	(413,096)
Facilities Acquisition and Construction	690,095

4. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
5. The Texas Education Agency requires these budgets to be filed with the Texas Education Agency. Expenditures should not exceed the budget in any functional expenditure category under TEA requirements. The original and final amended versions of these budgets are used in this report.

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BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

Data Control Codes		211 ESEA I, A Improving Basic Program	220 Adult Education Federal	224 IDEA - Part B Formula
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	1,111,907	17,302	1,475,395
1250	Accrued Interest	-	-	-
1260	Due from Other Funds	-	-	-
1290	Other Receivables	-	-	-
1300	Inventories	-	-	-
1410	Prepayments	-	-	-
1910	Long-Term Investments	-	-	-
1000	Total Assets	<u>\$ 1,111,907</u>	<u>\$ 17,302</u>	<u>\$ 1,475,395</u>
LIABILITIES				
2110	Accounts Payable	\$ 15,757	\$ 961	\$ 4,940
2160	Accrued Wages Payable	315,819	-	588,549
2170	Due to Other Funds	780,331	16,341	881,906
2190	Due to Student Groups	-	-	-
2200	Accrued Expenditures	-	-	-
2300	Unearned Revenues	-	-	-
2000	Total Liabilities	<u>1,111,907</u>	<u>17,302</u>	<u>1,475,395</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	Inventories	-	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-
Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,111,907</u>	<u>\$ 17,302</u>	<u>\$ 1,475,395</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	272 Medicaid Admin. Claim MAC	276 Title I - SIP Academy Grant
\$ -	\$ 3,502,342	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26,255	48,799	52,207	210,242	142,753	883,238	23,407	590,503
-	-	-	-	-	-	-	-
-	1,997,824	-	-	-	-	-	-
-	1,454	-	-	-	572	-	1,622
-	143,096	-	-	-	-	-	-
-	-	-	-	-	4,980	-	44,065
-	-	-	-	-	-	-	-
<u>\$ 26,255</u>	<u>\$ 5,693,515</u>	<u>\$ 52,207</u>	<u>\$ 210,242</u>	<u>\$ 142,753</u>	<u>\$ 888,790</u>	<u>\$ 23,407</u>	<u>\$ 636,190</u>
\$ -	\$ 827,583	\$ 490	\$ 1,342	\$ -	\$ 1,138	\$ -	\$ 14,326
21,141	622,015	4,199	100,986	67,730	152,957	7,157	50,525
5,114	-	47,518	107,914	75,023	734,695	16,250	571,339
-	-	-	-	-	-	-	-
-	983	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>26,255</u>	<u>1,450,581</u>	<u>52,207</u>	<u>210,242</u>	<u>142,753</u>	<u>888,790</u>	<u>23,407</u>	<u>636,190</u>
-	143,096	-	-	-	-	-	-
-	4,099,838	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>4,242,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 26,255</u>	<u>\$ 5,693,515</u>	<u>\$ 52,207</u>	<u>\$ 210,242</u>	<u>\$ 142,753</u>	<u>\$ 888,790</u>	<u>\$ 23,407</u>	<u>\$ 636,190</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

Data Control Codes		289 Other Federal Special Revenue Funds	315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	-	13,866	7,192	1,328
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Prepayments	-	-	-	-
1910	Long-Term Investments	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 13,866</u>	<u>\$ 7,192</u>	<u>\$ 1,328</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	6,827	4,262	-
2170	Due to Other Funds	-	7,039	2,930	1,328
2190	Due to Student Groups	-	-	-	-
2200	Accrued Expenditures	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>13,866</u>	<u>7,192</u>	<u>1,328</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 13,866</u>	<u>\$ 7,192</u>	<u>\$ 1,328</u>

340 SSA - IDEA C Deaf - Early Intervention	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf	461 Campus Activity Funds	489 Other Local Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,652,212	\$ -
492	3,543	-	68,517	-	140,884	-	-
-	-	-	-	-	-	-	-
-	-	9,647	583,293	-	38,686	-	331,255
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 492</u>	<u>\$ 3,543</u>	<u>\$ 9,647</u>	<u>\$ 651,810</u>	<u>\$ -</u>	<u>\$ 179,570</u>	<u>\$ 1,652,212</u>	<u>\$ 331,255</u>
\$ 31	\$ -	\$ -	\$ 424,005	\$ -	\$ -	\$ 28,286	\$ 9,170
-	-	-	18,990	-	179,570	-	-
461	3,543	-	-	-	-	849,054	-
-	-	-	-	-	-	87,968	-
-	-	-	-	-	-	-	-
-	-	-	208,815	-	-	-	180,956
<u>492</u>	<u>3,543</u>	<u>-</u>	<u>651,810</u>	<u>-</u>	<u>179,570</u>	<u>965,308</u>	<u>190,126</u>
-	-	-	-	-	-	-	-
-	-	9,647	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	686,904	141,129
-	-	9,647	-	-	-	686,904	141,129
<u>\$ 492</u>	<u>\$ 3,543</u>	<u>\$ 9,647</u>	<u>\$ 651,810</u>	<u>\$ -</u>	<u>\$ 179,570</u>	<u>\$ 1,652,212</u>	<u>\$ 331,255</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

Data Control Codes		490 Local Special Projects	496 United Way Grant	498 Scholarship Fund	Total Nonmajor Special Revenue Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 4,858,299	\$ -	\$ 2,089,567	\$ 12,102,420
1240	Receivables from Other Governments	-	-	-	4,817,830
1250	Accrued Interest	-	-	78,737	78,737
1260	Due from Other Funds	-	28,665	168,577	3,157,947
1290	Other Receivables	-	-	219,400	223,048
1300	Inventories	-	-	-	143,096
1410	Prepayments	-	1,790	-	50,835
1910	Long-Term Investments	-	-	7,720,140	7,720,140
1000	Total Assets	<u>\$ 4,858,299</u>	<u>\$ 30,455</u>	<u>\$ 10,276,421</u>	<u>\$ 28,294,053</u>
LIABILITIES					
2110	Accounts Payable	\$ 380,003	\$ 1,871	\$ 6,900	\$ 1,716,803
2160	Accrued Wages Payable	-	28,584	-	2,169,311
2170	Due to Other Funds	-	-	-	4,100,786
2190	Due to Student Groups	-	-	64	88,032
2200	Accrued Expenditures	-	-	-	983
2300	Unearned Revenues	-	-	-	389,771
2000	Total Liabilities	<u>380,003</u>	<u>30,455</u>	<u>6,964</u>	<u>8,465,686</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	143,096
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	4,109,485
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	4,478,296	-	10,269,457	15,575,786
3000	Total Fund Balances	<u>4,478,296</u>	<u>-</u>	<u>10,269,457</u>	<u>19,828,367</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,858,299</u>	<u>\$ 30,455</u>	<u>\$ 10,276,421</u>	<u>\$ 28,294,053</u>

699 Capital Projects Fund		Total Nonmajor Governmental Funds
\$	33,513	\$ 12,135,933
	-	4,817,830
	-	78,737
	-	3,157,947
	-	223,048
	-	143,096
	-	50,835
	-	7,720,140
\$	33,513	\$ 28,327,566
\$	-	\$ 1,716,803
	-	2,169,311
	-	4,100,786
	-	88,032
	-	983
	-	389,771
	-	8,465,686
	-	143,096
	-	4,109,485
	33,513	33,513
	-	15,575,786
	33,513	19,861,880
\$	33,513	\$ 28,327,566

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Data Control Codes		211 ESEA I, A Improving Basic Program	220 Adult Education Federal	224 IDEA - Part B Formula
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	3,806,798	109,145	4,500,744
5020	Total Revenues	3,806,798	109,145	4,500,744
EXPENDITURES:				
Current:				
0011	Instruction	2,932,980	56,271	3,832,580
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	580,903	-	102,701
0021	Instructional Leadership	230,125	52,374	58,292
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	363,200
0032	Social Work Services	-	-	76,839
0033	Health Services	-	-	-
0034	Student (Pupil) Transportation	-	-	67,132
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
0051	Facilities Maintenance and Operations	-	500	-
0053	Data Processing Services	-	-	-
0061	Community Services	62,790	-	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-
6030	Total Expenditures	3,806,798	109,145	4,500,744
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-
3000	Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	272 Medicaid Admin. Claim MAC	276 Title I - SIP Academy Grant
\$ -	\$ 3,283,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	234,348	-	-	-	-	-	-
110,945	8,144,086	241,734	658,466	436,023	3,393,003	99,533	1,925,695
110,945	11,661,949	241,734	658,466	436,023	3,393,003	99,533	1,925,695
110,945	-	39,527	603,293	261,058	1,812,907	-	590,440
-	-	-	-	-	-	-	20,116
-	-	202,207	40,005	130,639	1,165,955	-	1,020,477
-	-	-	-	-	293,674	-	98,359
-	-	-	15,168	-	-	-	68,071
-	-	-	-	-	-	99,533	-
-	-	-	-	-	-	-	44,475
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	11,272,370	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	79,388	-	32,328
-	-	-	-	-	-	-	-
-	-	-	-	44,326	41,079	-	51,429
-	-	-	-	-	-	-	-
110,945	11,272,370	241,734	658,466	436,023	3,393,003	99,533	1,925,695
-	389,579	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	389,579	-	-	-	-	-	-
-	3,853,355	-	-	-	-	-	-
\$ -	\$ 4,242,934	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Data Control Codes	289 Other Federal Special Revenue Funds	315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	18,922	35,940	24,242	4,072
5020 Total Revenues	18,922	35,940	24,242	4,072
EXPENDITURES:				
Current:				
0011 Instruction	18,922	35,940	24,242	4,072
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	18,922	35,940	24,242	4,072
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

340 SSA - IDEA C Deaf - Early Intervention	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf	461 Campus Activity Funds	489 Other Local Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 397,500	\$ 2,036,601	\$ 388,222
-	12,920	8,180	1,948,916	10,142	395,180	-	-
1,409	-	-	-	-	-	-	-
1,409	12,920	8,180	1,948,916	10,142	792,680	2,036,601	388,222
1,409	12,920	-	1,706,428	10,089	723,221	238,000	135,112
-	-	-	-	53	-	-	6,822
-	-	1,350	242,488	-	2,280	-	74,309
-	-	-	-	-	67,154	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	61,360
-	-	-	-	-	-	1,723,484	5,870
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	25	-	99
-	-	-	-	-	-	-	-
1,409	12,920	1,350	1,948,916	10,142	792,680	1,961,484	283,572
-	-	6,830	-	-	-	75,117	104,650
-	-	-	-	-	-	-	-
-	-	6,830	-	-	-	75,117	104,650
-	-	2,817	-	-	-	611,787	36,479
\$ -	\$ -	\$ 9,647	\$ -	\$ -	\$ -	\$ 686,904	\$ 141,129

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Data Control Codes	490 Local Special Projects	496 United Way Grant	498 Scholarship Fund	Total Nonmajor Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 923	\$ 340,348	\$ 2,070,780	\$ 8,517,889
5800 State Program Revenues	-	-	-	2,609,686
5900 Federal Program Revenues	-	-	-	23,510,757
5020 Total Revenues	923	340,348	2,070,780	34,638,332
EXPENDITURES:				
Current:				
0011 Instruction	945,771	5,999	157,538	14,259,664
0012 Instructional Resources and Media Services	-	-	-	26,991
0013 Curriculum and Instructional Staff Development	-	15,850	-	3,579,164
0021 Instructional Leadership	-	108,673	-	908,651
0023 School Leadership	-	-	-	83,239
0031 Guidance, Counseling and Evaluation Services	-	-	-	462,733
0032 Social Work Services	-	-	-	121,314
0033 Health Services	-	205	-	205
0034 Student (Pupil) Transportation	-	-	-	67,132
0035 Food Services	-	-	-	11,333,730
0036 Extracurricular Activities	-	-	-	1,729,354
0041 General Administration	-	-	24,970	24,970
0051 Facilities Maintenance and Operations	122,897	6,422	-	241,535
0053 Data Processing Services	2,283,653	-	-	2,283,653
0061 Community Services	-	203,199	-	402,947
Capital Outlay:				
0081 Facilities Acquisition and Construction	595,059	-	-	595,059
6030 Total Expenditures	3,947,380	340,348	182,508	36,120,341
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,946,457)	-	1,888,272	(1,482,009)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	6,477,757	-	-	6,477,757
1200 Net Change in Fund Balance	2,531,300	-	1,888,272	4,995,748
0100 Fund Balance - July 1 (Beginning)	1,946,996	-	8,381,185	14,832,619
3000 Fund Balance - June 30 (Ending)	\$ 4,478,296	\$ -	\$ 10,269,457	\$ 19,828,367

699 Capital Projects Fund		Total Nonmajor Governmental Funds	
\$	28	\$	8,517,917
	-		2,609,686
	-		23,510,757
	28		34,638,360
<hr/>			
	-		14,259,664
	-		26,991
	-		3,579,164
	-		908,651
	-		83,239
	-		462,733
	-		121,314
	-		205
	-		67,132
	-		11,333,730
	-		1,729,354
	-		24,970
	-		241,535
	-		2,283,653
	-		402,947
	110,529		705,588
	110,529		36,230,870
<hr/>			
	(110,501)		(1,592,510)
<hr/>			
	-		6,477,757
	(110,501)		4,885,247
	144,014		14,976,633
<hr/>			
\$	33,513	\$	19,861,880
<hr/>			

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2014

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	\$ 1.465000	\$ 0.152000	\$ 6,165,856,861
2006	1.465000	0.152000	6,357,870,019
2007	1.339000	0.226000	6,755,819,844
2008	1.040000	0.365000	7,052,993,271
2009	1.040000	0.370000	7,556,727,742
2010	1.040000	0.365000	7,562,473,674
2011	1.040000	0.385000	7,031,622,459
2012	1.040000	0.395000	7,018,286,448
2013	1.040000	0.395000	7,139,921,201
2014 (School year under audit)	1.040000	0.395000	7,356,610,245
1000 TOTALS			
9000 Portion of Row 1000 for Taxes Paid into Tax Increment Zone (See Footnote)			\$ -

(10) Beginning Balance 7/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2014
\$ 2,263,981	\$ -	\$ 32,811	\$ 4,611	\$ 1,277	\$ 2,227,836
232,720	-	6,291	653	4,046	229,822
269,274	-	6,106	1,031	3,931	266,068
269,615	-	9,341	3,278	3,151	260,147
337,926	-	19,203	6,832	3,558	315,449
398,330	-	49,808	17,481	4,891	335,932
430,025	-	69,778	25,831	990	335,406
579,825	-	144,094	54,728	(1,995)	379,008
2,481,768	-	1,249,361	474,516	(203,665)	554,226
-	103,241,625	73,194,761	27,799,944	(46,919)	2,200,001
<u>\$ 7,263,464</u>	<u>\$ 103,241,625</u>	<u>\$ 74,781,554</u>	<u>\$ 28,388,905</u>	<u>\$ (230,735)</u>	<u>\$ 7,103,895</u>
\$ -	\$ 124,940	\$ 90,549	\$ 34,391	\$ -	\$ -

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2014

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,361,002	\$ 3,361,002	\$ 3,283,515	\$ (77,487)
5800	State Program Revenues	353,000	353,000	234,348	(118,652)
5900	Federal Program Revenues	7,775,351	7,935,351	8,144,086	208,735
5020	Total Revenues	11,489,353	11,649,353	11,661,949	12,596
EXPENDITURES:					
0035	Food Services	11,767,201	11,927,201	11,272,370	654,831
6030	Total Expenditures	11,767,201	11,927,201	11,272,370	654,831
1200	Net Change in Fund Balances	(277,848)	(277,848)	389,579	667,427
0100	Fund Balance - July 1 (Beginning)	3,853,355	3,853,355	3,853,355	-
3000	Fund Balance - June 30 (Ending)	\$ 3,575,507	\$ 3,575,507	\$ 4,242,934	\$ 667,427

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2014

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 29,502,078	\$ 28,549,217	\$ 28,506,167	\$ (43,050)
5800	State Program Revenues	2,977,056	2,968,822	2,965,000	(3,822)
5020	Total Revenues	32,479,134	31,518,039	31,471,167	(46,872)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	9,825,164	14,225,164	14,225,163	1
0072	Interest on Long Term Debt	17,624,714	17,624,714	17,624,714	-
0073	Bond Issuance Cost and Fees	30,000	211,863	187,765	24,098
6030	Total Expenditures	27,479,878	32,061,741	32,037,642	24,099
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	4,999,256	(543,702)	(566,475)	(22,773)
OTHER FINANCING SOURCES (USES):					
7911	Refunding Bonds Issued	-	20,245,000	20,245,000	-
7916	Premium or Discount on Issuance of Bonds	-	735,340	735,340	-
8949	Other (Uses)	-	(20,798,477)	(20,798,477)	-
7080	Total Other Financing Sources (Uses)	-	181,863	181,863	-
1200	Net Change in Fund Balances	4,999,256	(361,839)	(384,612)	(22,773)
0100	Fund Balance - July 1 (Beginning)	12,791,837	12,791,837	12,791,837	-
3000	Fund Balance - June 30 (Ending)	\$ 17,791,093	\$ 12,429,998	\$ 12,407,225	\$ (22,773)

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FEDERAL AWARDS SECTION

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Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
Birdville Independent School District
Haltom City, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities each major fund, and the aggregate remaining fund information of Birdville Independent School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Birdville Independent School District's basic financial statements, and have issued our report dated October 30, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

The District's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the District's response and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 30, 2014

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

To the Board of Trustees
Birdville Independent School District
Haltom City, Texas

Report on Compliance for Each Major Federal Program

We have audited Birdville Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Birdville Independent School District's major federal programs for the year ended June 30, 2014. Birdville Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Birdville 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Birdville 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 Birdville Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Birdville Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Birdville 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 Birdville Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Birdville 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 30, 2014

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies in internal control identified that are not considered to be material weakness(es)? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies in internal control identified that are not considered to be material weakness(es)? _____ Yes X None reported

An unmodified opinion was issued on compliance for major programs.

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) 2-7 of OMB Circular A-133? _____ Yes X No

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION I – SUMMARY OF AUDITORS' RESULTS – CONTINUED

Identification of major programs:

<u>CFDA Number</u>	<u>Program</u>
Child Nutrition Cluster:	
10.553	School Breakfast Program
10.555	National School Lunch Program
12.000	Junior ROTC
84.365A	Title III, Part A - English Language Acquisition
84.367A	ESEA, Title II, Part A - Teacher/Principal Training

- Dollar threshold used to distinguish between type A and type B programs?

\$722,450

Auditee qualified as low-risk auditee?

 X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None

SECTION IV – OTHER FINDING

None

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Find 2013-01 – Pledged collateral less than required amount

Status: New procedures were implemented to more closely monitor deposits and pledged collateral. District deposits were fully collateralized at all times during the year ended June 30, 2014.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2014**

None Required

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
Junior ROTC	12.000	220902	\$ 288,523
Total Direct Programs			\$ 288,523
TOTAL DEPARTMENT OF DEFENSE			\$ 288,523
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Workforce Commission</u>			
Adult Education (ABE) - Federal	84.002A	134100087110472	\$ 9,271
Adult Education (ABE) - Federal	84.002A	144100087110472	99,941
Total CFDA Number 84.002A			109,212
Total Passed Through Texas Workforce Commission			\$ 109,212
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101220902	\$ 3,879,812
*IDEA - Part B, Formula	84.027A	146600012209026600	4,586,935
*SSA - IDEA - Part B, Discretionary	84.027A	146600012209026673	35,940
*SSA - IDEA - Part B, Deaf	84.027A	146600012209026601	24,242
Total CFDA Number 84.027A			4,647,117
*IDEA - Part B, Preschool	84.173A	146610012209026610	110,945
*SSA - IDEA - Part B, Preschool Deaf	84.173A	146610012209026611	4,147
Total CFDA Number 84.173A			115,092
Total Special Education Cluster (IDEA)			4,762,209
Career and Technical - Basic Grant	84.048A	14420006220902	243,538
SSA - IDEA, Part C - Early Intervention (Deaf)	84.181A	143911012209023911	1,409
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287C	146950167110008	2,249,282
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287C	126950147110010	65,775
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287C	136950147110010	1,054,349
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287C	136950167110008	87,644
Total CFDA Number 84.287C			3,457,050
Title III, Part A - English Language Acquisition	84.365A	14671001220902	444,385
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501220902	671,095
Summer School LEP	84.369A	69551302	18,922
Texas Title I Priority Schools	84.377A	126107047110003	39,017
Texas Title I Priority Schools	84.377A	136107047110003	1,922,864
Total CFDA Number 84.377A			1,961,881
Total Passed Through State Department of Education			\$ 15,440,301
TOTAL DEPARTMENT OF EDUCATION			\$ 15,549,513
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 99,533
Total Passed Through State Department of Education			\$ 99,533
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 99,533

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401401	\$ 1,415,726
*National School Lunch Program - Cash Assistance	10.555	71401401	5,981,738
*National School Lunch Prog. - Non-Cash Assistance	10.555	71401401	746,622
Total CFDA Number 10.555			<u>6,728,360</u>
Total Child Nutrition Cluster			<u>8,144,086</u>
Total Passed Through the State Department of Agriculture			<u>\$ 8,144,086</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 8,144,086</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 24,081,655</u></u>

*Clustered Programs

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

1. The District utilizes the fund types specified in the Texas Education Agency *Financial Accountability System Resource Guide*.

Special Revenue Funds – are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state awards generally are accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

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, components of the Governmental Funds. 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 (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used for the Government Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on 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 grants, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The National School Lunch Program (CFDA 10.555) received like kind goods. The monetary value of these goods was \$746,622 for the year ended June 30, 2014.
4. SHARS reimbursements of \$2,001,159 are recorded as federal revenue in the General Fund, and are not considered for purposes of the Schedule of Expenditures of Federal Awards.
5. The District participates in numerous state and federal 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 adjustments by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable at June 30, 2014, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

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