

BIRDVILLE
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION

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BIRDVILLE INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD

<u>Birdville Independent</u> <u>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>X</u>	<u> </u>

for the year ended June 30, 2011 at a meeting of the Board of Trustees of such school district on the 17th day of November, 2011.


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

Board of Trustees
Birdville Independent School District
Haltom City, Texas

Members of the Board:

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Birdville Independent School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 22 and 60 through 61 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. 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 financial statements. The accompanying 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants

November 8, 2011

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, 2011. It should be read in conjunction with the independent auditors' report on pages 9 and 10 and the basic financial statements that begin on page 23.

FINANCIAL HIGHLIGHTS

- At June 30, 2011, the District's assets exceeded its liabilities by \$54,662,313 (net assets). The unrestricted portion of \$14,708,887 may be used to meet the District's ongoing obligations.
- The District's total net assets increased by \$2,157,467 during the year ended June 30, 2011.
- At the close of the fiscal year, the District reported \$73,601,298 combined governmental fund balance, a decrease of \$4,062,144 from the prior year. The decrease is primarily attributable to bond construction expenditures in the capital projects fund. Of the combined fund balance at year end, the District had \$46,821,064 of committed fund balance, \$767,000 of assigned fund balance, and \$11,235,414 of unassigned fund balance.
- As of June 30, 2011, the General Fund had \$50,056,760 in total fund balances. Of this total, the District committed \$32,495,410 (which is 20.0% of fiscal year 2012 budgeted expenditures) to fund future needs. Also included in the total fund balance was \$11,235,414 of unassigned fund balance (equivalent to 6.9% of annual expenditures), which was also available to fund future needs.

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 Assets* 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 Assets* presents information on all of the District's assets and liabilities including capital assets and long-term debt. The value of assets less liabilities is reported as net assets. The *Statement of Activities* presents the increases and decreases in net assets for the current fiscal year regardless of when cash is received or paid. Increases and decreases in net assets 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 assets and the changes in net assets 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 23-25 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 26-32 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 the same as 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. The District uses an internal service fund to report activities for its self-funded workers compensation insurance program. The District has no enterprise funds. The proprietary fund financial statements can be found on pages 34-36 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 is 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 37 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 Assets • 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 Assets • Statement of Revenues, Expenses & Changes in Fund Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets
<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 38-59 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 60-61 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 62.

The Texas Education Agency (TEA) requires that certain information be included in this report and those schedules can be found on pages 78-82.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. The District's net assets were \$54.7 million at June 30, 2011 (see Table II). The largest portion of the District's net assets (\$31.5 million or 57.6%) is the District's investment in capital assets less related outstanding debt to purchase those assets. The District's investment in capital assets includes land, buildings and furniture and 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. Approximately \$8.5 million (15.5%) of the District's net assets are restricted for use in Federal, State, and other grant programs and debt service. The remaining net assets in the amount of \$14.7 million (26.9%) are unrestricted and may be used to meet the District's ongoing obligations.

Table II Net Assets			
	Governmental Activities		
	2011	2010	% Change
Current and other assets	\$ 103,366,234	\$ 107,541,993	-4.5%
Capital assets	265,799,479	274,631,311	-3.2%
Total Assets	369,165,713	382,173,304	-3.6%
Other liabilities	25,678,792	26,979,708	-7.1%
Long-term liabilities outstanding	288,824,608	302,688,750	-4.6%
Total Liabilities	314,503,400	329,668,458	-4.8%
NET ASSETS			
Investment in capital assets, net of related debt	31,503,151	31,814,453	-1.0%
Restricted	8,450,275	7,570,572	11.6%
Unrestricted	14,708,887	13,119,821	12.1%
Total Net Assets	\$ 54,662,313	\$ 52,504,846	4.1%

Changes in Net Assets. Total net assets of the District increased \$2,157,467 during the year ended June 30, 2011 from the prior year as a result of revenues exceeding expenses (see Table III).

Table III
Changes in Net Assets

	Governmental Activities		
	2011	2010	% Change
Revenues:			
Program Revenues:			
Charges for services	\$ 6,996,471	\$ 7,041,896	-0.6%
Operating grants and contributions	48,853,429	44,297,566	10.3%
General Revenues:			
Property taxes	99,192,339	102,027,623	-2.8%
State aid and unrestricted grants	65,292,950	61,972,808	5.4%
Investment earnings	353,843	549,263	-35.6%
Miscellaneous	698,084	616,721	13.2%
Total Revenues	221,387,116	216,505,877	2.3%
Expenses:			
Instruction, curriculum and media services	133,402,672	129,356,018	3.1%
Instructional and school leadership	14,616,428	14,118,091	3.5%
Student support services	11,918,477	11,613,383	2.6%
Food services	10,968,208	10,471,936	4.7%
Cocurricular/extracurricular activities	7,354,335	6,762,131	8.8%
General administration	4,479,160	4,542,043	-1.4%
Plant maintenance, security and data processing	20,340,238	20,359,316	-0.1%
Community services	576,343	402,934	43.0%
Debt service	14,094,552	15,629,743	-9.8%
Facilities acquisition and construction	3,340	1,608,338	-99.8%
Intergovernmental charges	1,475,896	1,506,051	-2.0%
Total Expenses	219,229,649	216,369,984	1.3%
Increase in net assets	2,157,467	135,893	1487.6%
Beginning net assets	52,504,846	52,368,953	0.3%
Ending net assets	\$ 54,662,313	\$ 52,504,846	4.11%

Overall revenues of the District were \$221.4 million, a \$4.9 million or 2.3% increase from the prior year. Property tax revenues decreased \$2.8 million, investment earnings decreased \$2 million and operating grants and contributions increased \$4.6 million. The decline in property tax revenues resulted from a reduction in property values versus the prior year. Investment earnings decreased primarily due to declining market conditions. Operating grants and contributions increased primarily due to grants under the American Recovery and Reinvestment Act of 2009 ("ARRA").

Figures 1 and 2 depict the District's revenue sources for fiscal year 2011 and 2010. The graphs show that property taxes are the primary source of revenue for the District followed by state aid and operating grants. Operating grants as a percentage of total revenues increased and property tax as a percentage of total revenues decreased due to the factors mentioned above.

Figure 1

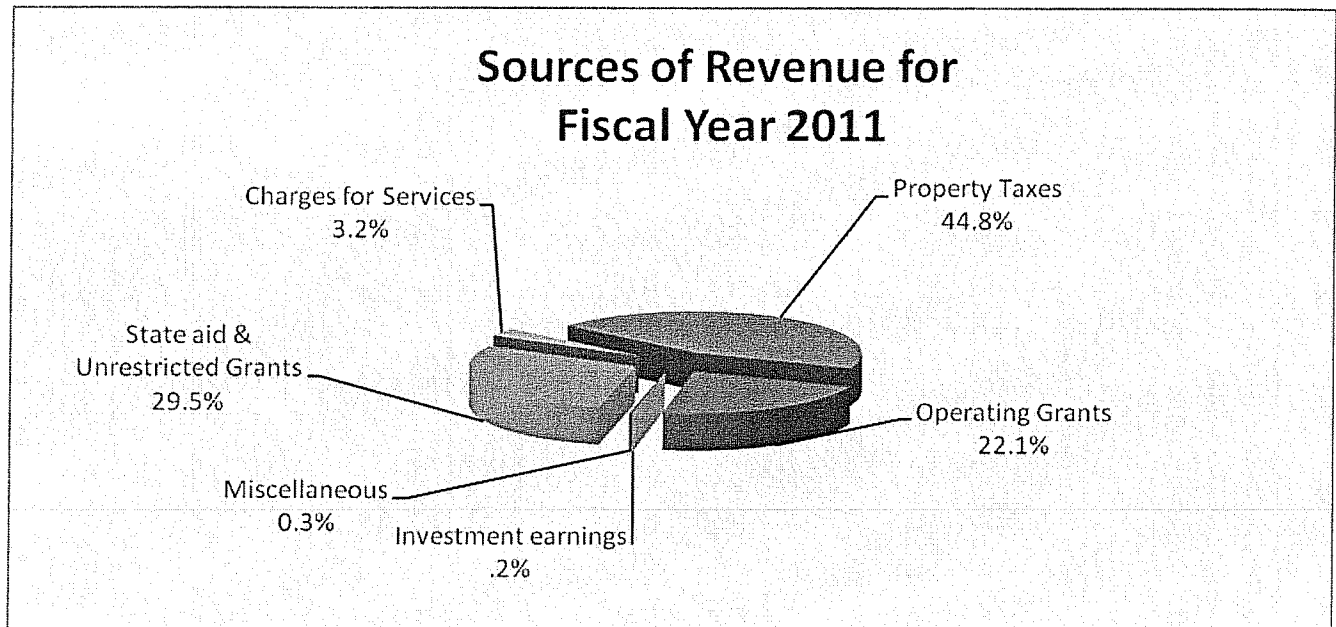
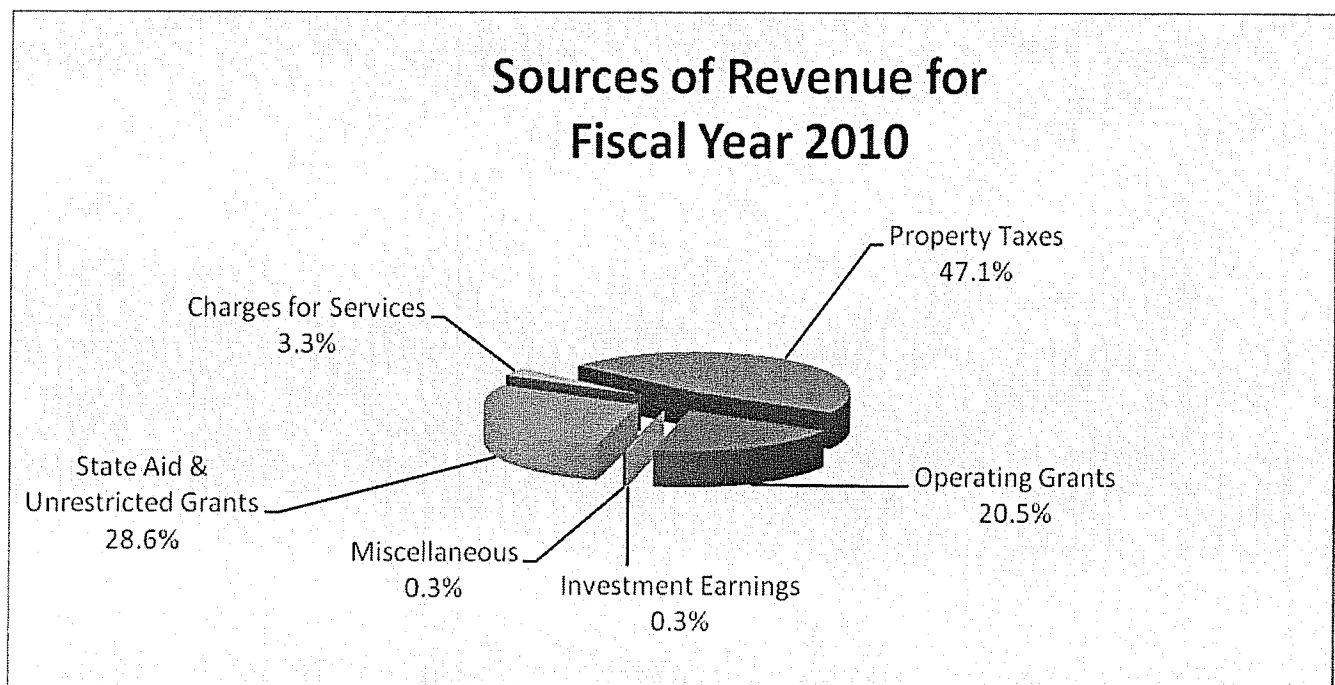


Figure 2



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 \$219.2 million, a \$2.9 million or 1.3% increase from the prior year. Costs increased primarily in Instruction. The largest increases were payroll costs of \$3.0 million and depreciation expense of \$1.6 million. A salary increase of 1% and the addition of ARRA positions generated the increase in payroll. Depreciation expense increased primarily due to the recording of a full year of depreciation for several major capital construction projects completed during fiscal year 2010, versus a partial year of depreciation being recorded in the prior year.

Figure 3

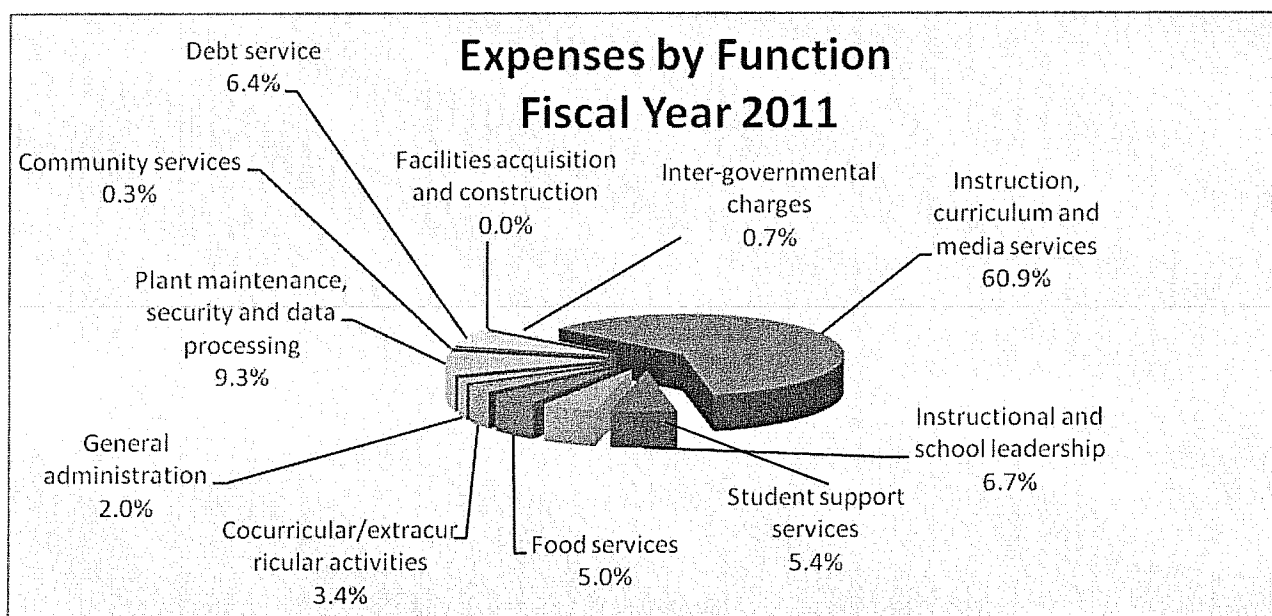


Figure 3 graphically depicts the total expenses of the District by function while Table IV presents the cost of the District's largest programs and each program's net cost (total cost less fees generated by the activities and operating grants). The net cost reflects the financial burden that was placed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

Table IV Costs of Services for Major Functions						
	Total Cost of Services			Net Cost of Services		
	2011	2010	% Change	2011	2010	% Change
Instructional, curriculum and media services	\$ 133,402,672	\$ 129,356,018	3.1%	\$ 103,725,348	\$ 101,829,719	1.9%
Plant maintenance, security and data processing	20,340,238	20,359,316	-0.1%	19,367,483	19,448,750	-0.4%
Debt Service	14,094,552	15,629,743	-9.8%	13,378,156	15,097,619	-11.4%

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 \$73,601,298 (as presented in the Balance Sheet on pages 26-27), a decrease of \$4.1 million from the prior year. The following non-spendable and restricted items, which total \$14,777,820 or 20.1% of fund balance, are either unavailable for new spending, or limited to specific types of expenditure due to legal restrictions:

• Inventory	\$ 877,658
• Prepaid items	189,458
• Food Service	3,695,219
• Other Restricted Grants	231,453
• Debt service	6,592,962
• Capital projects	3,191,070

An additional 63.6% of fund balance has been committed by the District's Board of Trustees for specific purposes. While technically not available for any legal expenditure, these funds are nonetheless at the control of the District. The committed purposes are:

• General Fund reserves	\$ 32,495,410
• Scholarship fund	8,401,640
• Compensated Absences	2,600,000
• Self Insurance	2,000,000
• Campus Activity	678,612
• Local Projects	645,402

The remaining 16.3% of fund balance, which totals \$12,002,414, is available for expenditure at the District's discretion. Of this amount, \$11,235,414 is unassigned and therefore available for any legal expenditure, and \$767,000 is assigned to fund the adopted budget deficit for fiscal year 2011-12.

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 general fund balance was \$50,056,760 which represents 33.6% of annual general fund expenditures. Of the total fund balance, the District's Board of Trustees elected to commit 20% of annual budgeted general fund expenditures for the following year as the minimum fund balance reserve; this amounted to \$32,945,410 as of June 30, 2011. Of the remaining fund balance, \$12,002,414 or 8.1% of annual general fund expenditures was available to fund future spending at the District's discretion. The remaining \$5,558,936 was comprised of other non-spendable and committed amounts.

The fund balance of the District's general fund increased \$1.2 million during the current fiscal year. The increase resulted from unspent budgets by campuses and various departments due to continued efforts by administration to emphasize prudent spending amid limited resources.

The debt service fund balance of \$6,592,962 is reserved for the payment of debt service. The fund balance decreased \$132,076 from the prior year. Property tax and state revenues were slightly less than the costs to service the outstanding debt.

At year end, the capital projects funds had a combined fund balance of \$3,191,070 which was a decrease of \$3.1 million from the prior year. The fund balance is reserved for construction projects. The declining balance resulted from the completion of on-going district facility improvements approved through the 2006 voter approved bonds.

The District's various special revenue funds ended the year with a combined fund balance of \$13,760,506. This represents a decrease of \$2.1 million from the prior year. Revenues typically approximate expenditures in the special revenue funds as grant monies are generally earned when expended. The decrease in the special revenue funds during the current year is attributable to construction expenditures in the local special projects fund to complete the renovation of the Coliseum facility (mineral lease proceeds were specially designated by the Board of Trustees for this purpose).

Proprietary Funds

The District's only proprietary fund is an internal service fund for a self-funded worker's compensation program. The purpose of the fund is to allocate costs of the insurance to the various units and departments of the District. At year end, the proprietary fund had \$1,254,860 in net assets which was an increase from the prior year of \$293,567. This increase is due to operating revenues exceeding operating expenses.

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 primary significant general fund amendment presented to the Board of Trustees for approval during the year included a reduction of general fund payroll expenditures and state revenue by \$10.2 million for the ARRA SFSF Federal funds designated by the Texas legislature to supplant a portion of the foundation school fund and the available school fund state revenue. The ARRA SFSF funds are required to be reported as a special revenue fund.

At the end of every fiscal year, school districts across the state adjust their year-end amended budgets to ensure all functional categories will have favorable balances. If unfavorable functional balances are reported in the audit at the close of the fiscal year, a letter issued by the Texas Education Agency stipulating the legal requirements for budgeting. For 2011, the District was in compliance in every functional category.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, the District had invested approximately \$265.8 million in a broad range of capital assets, including land, equipment, and buildings, less depreciation (see Table V). Net capital assets decreased \$8.8 million from the prior year. The decrease was primarily driven by higher accumulated depreciation, due to several construction projects completed in the prior fiscal year.

Table V Capital Assets (Net of Depreciation)			
	Governmental Activities		
	2011	2010	% Change
Land	\$17,498,141	\$17,450,534	0.3%
Construction in progress	-	1,915,301	-100.0%
Buildings and improvements	244,240,933	250,531,577	-2.5%
Furniture and equipment	4,060,405	4,733,899	-14.2%
Totals	265,799,479	274,631,311	-3.2%

Long-Term Debt

The District had \$288.8 million in long-term debt at year end, a decrease of \$13.9 million from the prior year. The decrease was primarily composed of principal payments of \$10.8 million on the bonds during the fiscal year, a \$2.2 million decrease in accreted interest on capital appreciation bonds, and amortization of \$.8 million of bond premiums.

Table VI Long-Term Debt			
	Governmental Activities		
	2011	2010	% Change
Bonds payable	\$ 227,199,554	\$ 237,995,201	-4.5%
Accreted interest	48,670,425	50,894,677	-4.4%
Bond premiums	11,527,955	12,370,232	-6.8%
Deferred loss on bond refunding	(1,999,817)	(2,411,006)	-17.1%
Capital Leases	759,706	1,159,802	-34.5%
Compensated Absences	2,666,785	2,679,844	-0.5%
Totals	\$ 288,824,608	\$ 302,688,750	-4.6%

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 Moody's Investors Service, Inc. ("Moody's"), "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 "Aa2" by Moody's, "AA" by S&P and "AA+" by Fitch.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Fiscal year 2011 had its challenges. No new revenue was provided during the 81st Texas Legislative Session to assist districts with raises or rising operating costs. Nonetheless, a Texas Attorney General opinion issued in the summer of 2010 required all districts to provide an additional step salary increase to all teachers, nurses, librarians and counselors based on salaries estimated in the 2008-2009 salary schedule. After the attorney general's opinion referred to above, the Board of Trustees approved one percent raises for all staff. This additional expense increased the approved deficit to almost \$3 million. An additional challenge was property tax values. The District's values dropped about seven percent from the 2010 values. Although districts are held harmless from a loss of property tax revenue in the general fund, the debt service fund tax rate is directly affected by a drop in tax revenue. The District was forced to increase the debt service tax rate for 2011 by two cents due to the drop in values.

For the 2012 fiscal year, challenges remain. The District's per pupil revenue remains well below the state average. These revenue limits continue to challenge the District's ability to balance its general fund budget. As an added burden, the 82nd Texas Legislative Session in the spring of 2011 produced a reduction in state funding for most districts, including the District. Local revenue is expected to hold steady, as overall property values are at the same valuation as the prior year, and the District's M&O tax rate remains at \$1.04 per \$100 of assessed property valuation, the maximum tax rate allowed without a tax rate election. Student enrollment reached 23,069 by October 2011, a 1.2% increase versus the prior year. The District passed an original deficit budget of \$5.7 million, however with the availability of Education Jobs funds and targeted budget reductions, in October 2011 the District adopted an amended deficit budget of \$767,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 61,622,203
1120 Current Investments	268,742
1220 Property Taxes Receivable (Delinquent)	7,535,359
1230 Allowance for Uncollectible Taxes	(1,803,738)
1240 Due from Other Governments	24,038,327
1250 Accrued Interest Receivable	55,602
1290 Other Receivables, net	140,026
1300 Inventories	877,658
1410 Deferred Expenses	189,458
1420 Capitalized Bond Issuance Costs	1,479,154
Capital Assets:	
1510 Land	17,498,141
1520 Buildings, Net	244,240,933
1530 Furniture and Equipment, Net	4,060,405
1910 Long Term Investments	8,963,443
1000 Total Assets	<u>369,165,713</u>
LIABILITIES	
2110 Accounts Payable	1,284,379
2140 Accrued Interest Payable	2,795,236
2150 Payroll Deductions & Withholdings	2,144,327
2160 Accrued Wages Payable	17,653,187
2177 Due to Fiduciary Funds	624,946
2200 Accrued Expenses	1,160,764
2300 Unearned Revenues	15,953
Noncurrent Liabilities	
2501 Due Within One Year	19,704,970
2502 Due in More Than One Year	269,119,638
2000 Total Liabilities	<u>314,503,400</u>
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	31,503,151
3820 Restricted for Federal and State Programs	3,926,672
3850 Restricted for Debt Service	4,523,603
3900 Unrestricted Net Assets	14,708,887
3000 Total Net Assets	<u>\$ 54,662,313</u>

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

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BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT B-1

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011				Net (Expense) Revenue and Changes in Net Assets	
	1	Program Revenues		6	
Data		3	4	Primary Gov.	
Control		Charges for	Operating	Governmental	
Codes	Expenses	Services	Grants and Contributions	Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 127,745,744	\$ 981,498	\$ 26,563,645	\$ (100,200,601)
12	Instructional Resources and Media Services	2,989,059	-	135,497	(2,853,562)
13	Curriculum and Staff Development	2,667,869	-	1,996,684	(671,185)
21	Instructional Leadership	3,636,196	-	2,199,833	(1,436,363)
23	School Leadership	10,980,232	-	730,671	(10,249,561)
31	Guidance, Counseling and Evaluation Services	5,869,696	-	4,955,307	(914,389)
32	Social Work Services	216,922	-	66,550	(150,372)
33	Health Services	2,360,784	-	182,145	(2,178,639)
34	Student (Pupil) Transportation	3,471,075	-	1,185,082	(2,285,993)
35	Food Services	10,968,208	3,532,520	7,166,592	(269,096)
36	Extracurricular Activities	7,354,335	2,389,734	197,263	(4,767,338)
41	General Administration	4,479,160	-	611,694	(3,867,466)
51	Plant Maintenance and Operations	17,224,209	92,719	770,056	(16,361,434)
52	Security and Monitoring Services	562,949	-	6,567	(556,382)
53	Data Processing Services	2,553,080	-	103,413	(2,449,667)
61	Community Services	576,343	-	301,091	(275,252)
72	Debt Service - Interest on Long Term Debt	13,974,694	-	716,396	(13,258,298)
73	Debt Service - Bond Issuance Cost and Fees	119,858	-	-	(119,858)
81	Capital Outlay	3,340	-	271,895	268,555
93	Payments related to Shared Services Arrangements	693,048	-	693,048	-
95	Payments to Juvenile Justice Alternative Ed. Prg.	67,375	-	-	(67,375)
97	Payments to Tax Increment Fund	122,524	-	-	(122,524)
99	Other Intergovernmental Charges	592,949	-	-	(592,949)
[TP] TOTAL PRIMARY GOVERNMENT:		\$ 219,229,649	\$ 6,996,471	\$ 48,853,429	(163,379,749)
Data	General Revenues:				
Control	Taxes:				
Codes					
MT	Property Taxes, Levied for General Purposes			72,503,020	
DT	Property Taxes, Levied for Debt Service			26,689,319	
SF	State Aid - Formula Grants			65,281,330	
GC	Grants and Contributions not Restricted			11,620	
IE	Investment Earnings			353,843	
MI	Miscellaneous Local and Intermediate Revenue			698,084	
TR	Total General Revenues			165,537,216	
CN	Change in Net Assets			2,157,467	
NB	Net Assets--Beginning			52,504,846	
NE	Net Assets--Ending			\$ 54,662,313	

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

Data Control Codes	10 General Fund	Title XIV ARRA State Stabilization	50 Debt Service Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 43,536,604	\$ -	\$ 6,187,993
1120 Investments - Current	268,742	-	-
1220 Property Taxes - Delinquent	6,027,663	-	1,507,696
1230 Allowance for Uncollectible Taxes (Credit)	(1,442,841)	-	(360,897)
1240 Receivables from Other Governments	17,135,234	3,590,047	-
1250 Accrued Interest	2,040	-	-
1260 Due from Other Funds	4,138,291	-	-
1290 Other Receivables	134,061	-	-
1300 Inventories	769,478	-	-
1410 Deferred Expenditures	189,458	-	-
1910 Long-term Investments	1,446,808	-	-
1000 Total Assets	<u>\$ 72,205,538</u>	<u>\$ 3,590,047</u>	<u>\$ 7,334,792</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 1,093,362	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	2,144,327	-	-
2160 Accrued Wages Payable	14,424,946	1,077,253	-
2170 Due to Other Funds	1,064,654	2,512,794	-
2300 Deferred Revenues	3,421,489	-	741,830
2000 Total Liabilities	<u>22,148,778</u>	<u>3,590,047</u>	<u>741,830</u>
Fund Balances:			
Nonspendable Fund Balance:			
3410 Inventories	769,478	-	-
3430 Prepaid Items	189,458	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-
3480 Retirement of Long-Term Debt	-	-	6,592,962
Committed Fund Balance:			
3540 Self Insurance	2,000,000	-	-
3545 Other Committed Fund Balance	35,095,410	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	767,000	-	-
3600 Unassigned Fund Balance	11,235,414	-	-
3000 Total Fund Balances	<u>50,056,760</u>	<u>-</u>	<u>6,592,962</u>
4000 Total Liabilities and Fund Balances	<u>\$ 72,205,538</u>	<u>\$ 3,590,047</u>	<u>\$ 7,334,792</u>

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

Other Funds	Total Governmental Funds
\$ 9,434,945	\$ 59,159,542
-	268,742
-	7,535,359
-	(1,803,738)
3,313,046	24,038,327
53,562	55,602
1,057,009	5,195,300
5,965	140,026
108,180	877,658
-	189,458
7,516,635	8,963,443
<u>\$ 21,489,342</u>	<u>\$ 104,619,719</u>

\$ 189,017	\$ 1,282,379
-	2,144,327
2,150,988	17,653,187
2,197,761	5,775,209
-	4,163,319
<u>4,537,766</u>	<u>31,018,421</u>

108,180	877,658
-	189,458
3,926,672	3,926,672
3,191,070	3,191,070
-	6,592,962
-	2,000,000
9,725,654	44,821,064
-	767,000
-	11,235,414
<u>16,951,576</u>	<u>73,601,298</u>

<u>\$ 21,489,342</u>	<u>\$ 104,619,719</u>
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BIRDVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2011

Total Fund Balances - Governmental Funds	\$ 73,601,298
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 assets. The net effect of this consolidation is to increase net assets.	1,254,860
2 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.	455,700,603
3 Accumulated depreciation is not reported in the fund financial statements.	(189,901,124)
4 Bonds payable and capital leases payable are not reported in the fund financial statements.	(227,959,260)
5 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.	(48,670,425)
6 Bond issuance costs are not capitalized in the fund financial statements.	1,479,154
7 Bond premiums on outstanding bonds payable are not recorded in the fund financial statements.	(11,527,955)
8 Revenue from property taxes reported as deferred revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	4,147,366
9 Accrued liabilities for compensated absences have not been recorded in the fund financial statements.	(2,666,785)
10 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are recorded when due.	(2,795,236)
11 Deferred losses on bond refundings are not recorded in the fund financial statements.	1,999,817
19 Net Assets of Governmental Activities	\$ 54,662,313

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, 2011

Data Control Codes	10 General Fund	Title XIV ARRA State Stabilization	50 Debt Service Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 73,209,585	\$ -	\$ 26,449,566
5800 State Program Revenues	75,269,285	-	716,396
5900 Federal Program Revenues	1,478,710	9,818,603	-
5020 Total Revenues	149,957,580	9,818,603	27,165,962
EXPENDITURES:			
Current:			
0011 Instruction	97,300,242	4,526,330	-
0012 Instructional Resources and Media Services	2,592,766	-	-
0013 Curriculum and Instructional Staff Development	741,950	70,634	-
0021 Instructional Leadership	1,513,287	863,156	-
0023 School Leadership	10,368,019	-	-
0031 Guidance, Counseling and Evaluation Services	1,119,967	4,358,483	-
0032 Social Work Services	151,163	-	-
0033 Health Services	2,257,901	-	-
0034 Student (Pupil) Transportation	2,909,351	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	4,581,926	-	-
0041 General Administration	4,210,800	-	-
0051 Facilities Maintenance and Operations	16,757,122	-	-
0052 Security and Monitoring Services	542,517	-	-
0053 Data Processing Services	2,322,397	-	-
0061 Community Services	214,596	-	-
Debt Service:			
0071 Principal on Long Term Debt	400,096	-	10,795,647
0072 Interest on Long Term Debt	37,751	-	16,492,140
0073 Bond Issuance Cost and Fees	-	-	10,251
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	67,375	-	-
0097 Payments to Tax Increment Fund	122,524	-	-
0099 Other Intergovernmental Charges	592,949	-	-
6030 Total Expenditures	148,804,699	9,818,603	27,298,038
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	1,152,881	-	(132,076)
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	-	-	-
7915 Transfers In	86,582	-	-
8911 Transfers Out (Use)	-	-	-
7080 Total Other Financing Sources (Uses)	86,582	-	-
1200 Net Change in Fund Balances	1,239,463	-	(132,076)
0100 Fund Balance - July 1 (Beginning)	48,817,297	-	6,725,038
3000 Fund Balance - June 30 (Ending)	\$ 50,056,760	\$ -	\$ 6,592,962

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

Other Funds	Total Governmental Funds
\$ 6,997,817	\$ 106,656,968
5,175,127	81,160,808
20,978,283	32,275,596
33,151,227	220,093,372
15,038,736	116,865,308
5,972	2,598,738
1,855,285	2,667,869
1,144,514	3,520,957
44,310	10,412,329
268,589	5,747,039
65,759	216,922
50,000	2,307,901
207,468	3,116,819
10,146,989	10,146,989
2,068,958	6,650,884
41,949	4,252,749
37,674	16,794,796
-	542,517
-	2,322,397
290,574	505,170
-	11,195,743
180,327	16,710,218
-	10,251
6,464,611	6,464,611
693,048	693,048
-	67,375
-	122,524
-	592,949
38,604,763	224,526,103
(5,453,536)	(4,432,731)
370,587	370,587
-	86,582
(86,582)	(86,582)
284,005	370,587
(5,169,531)	(4,062,144)
22,121,107	77,663,442
\$ 16,951,576	\$ 73,601,298

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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$ (4,062,144)
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 increase net assets.	293,567
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 assets.	7,166,705
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 assets.	(15,998,537)
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.	11,195,743
The current year change in accreted interest 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 assets.	2,224,252
Current year amortization of bond issuance costs is not reflected in the fund financial statements, but is shown as a reduction in the bond issuance costs asset in the government-wide financial statements.	(109,607)
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.	842,277
Current year amortization of the deferred loss on bond refundings is not reflected in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements.	(411,189)
The current year change in accrued liabilities for compensated absences has not been recorded in the fund financial statements, but is shown as a decrease in long-term debt in the government-wide financial statements.	13,059

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, 2011

Interest is accrued on outstanding debt in the government-wide financial statements, but interest is expended as due in the fund financial statements.	80,184
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.	923,157
Change in Net Assets of Governmental Activities	\$ 2,157,467

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,462,661
Total Assets	<u>2,462,661</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	2,000
Due to Other Funds	45,037
Accrued Expenses	<u>1,160,764</u>
Total Liabilities	<u>1,207,801</u>
NET ASSETS	
Unrestricted Net Assets	<u>1,254,860</u>
Total Net Assets	<u><u>\$ 1,254,860</u></u>

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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 1,069,644
Total Operating Revenues	<u>1,069,644</u>
OPERATING EXPENSES:	
Other Operating Costs	<u>779,727</u>
Total Operating Expenses	<u>779,727</u>
Operating Income	<u>289,917</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	<u>3,650</u>
Total Nonoperating Revenues (Expenses)	<u>3,650</u>
Change in Net Assets	293,567
Total Net Assets - July 1 (Beginning)	<u>961,293</u>
Total Net Assets - June 30 (Ending)	<u><u>\$ 1,254,860</u></u>

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, 2011

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from quasi-external charges	\$ 1,069,644
Cash Payments for Insurance Claims	(633,685)
Net Cash Provided by Operating Activities	435,959
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Repayment of interfund advances	(99,739)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	3,650
Net Increase in Cash and Cash Equivalents	339,870
Cash and Cash Equivalents at Beginning of the Year:	2,122,791
Cash and Cash Equivalents at the End of the Year:	\$ 2,462,661
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 289,917
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(935)
Increase (decrease) in other accrued expenses	146,977
Net Cash Provided by Operating Activities	\$ 435,959

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, 2011

	Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ 27,599
Due from Other Funds	624,946
Total Assets	<u>\$ 652,545</u>
LIABILITIES	
Due to Student Groups	\$ 652,545
Total Liabilities	<u>\$ 652,545</u>

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, 2011**

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 Assets 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, 2011**

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, 2011**

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. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. Net assets are segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. Fund Accounting

The District reports the following major governmental funds:

The General Fund – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Major 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.

Title XIV ARRA State Stabilization – This fund is utilized to account for grant funds under the Title XIV ARRA State Fiscal Stabilization Fund grant.

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, 2011**

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 agency funds. 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. Temporary 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 the time of purchase. 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, 2011**

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, 2011**

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 at least reasonably possible that the foundation revenue estimate as of June 30, 2011 will change.

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, 2011**

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

NOTE 2. FUND BALANCE

Beginning with the fiscal year ending June 30, 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

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 prepaid items and inventories as being nonspendable as these items are not expected to be converted to cash and has classified the Lewis Price Memorial Fund principal as being nonspendable as these funds are contractually required to remain intact.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2. FUND BALANCE – CONTINUED

- 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.
- 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. The Board of Trustees have committed resources as of June 30, 2011 for campus activities.
- 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 but it has also delegated authority to assign fund balance to the Superintendent and the Executive Director of Administrative Services. 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, 2011 for several 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.

Beginning fund balances for the District's governmental funds have been restated to reflect the above classifications. The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 26 and 27) and are described below:

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2. FUND BALANCE – CONTINUED

General Fund

The General Fund has unassigned fund balance of \$11,235,414 at June 30, 2011. Deferred expenditures (prepaid items) of \$189,458 and inventories of \$769,478 are considered nonspendable fund balance.

The Board of Trustees has adopted a resolution committing a portion of the General Fund fund balance equal to twenty percent of General Fund operating expenditures in the following year's adopted budget. This commitment was \$32,495,410 as of June 30, 2011. The District has also committed General Fund fund balance of \$2,000,000 for future self-insurance costs, and \$2,600,000 for future payments of compensated absences.

The District has assigned \$767,000 of the General Fund fund balance, representing the adopted budget deficit for the 2011-2012 fiscal year.

Other Major Funds

The Debt Service Fund has restricted funds of \$6,592,962 at June 30, 2011 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Other Funds

Inventories of \$108,180 in the National School Breakfast and Lunch Program Fund are considered nonspendable fund balance.

The fund balance of \$3,191,070 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	\$3,695,219
Advanced Placement Incentives	22,272
Other State Programs	3,148
Regional Day School - Deaf	198,863
Foundation Grants	7,170
Total	<u>\$3,926,672</u>

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

Campus Activities	\$ 678,612
Local Fine Arts Activities	20,345
Workshops	17,599
Local Special Projects	607,458
Scholarship Funds	<u>8,401,640</u>
Total	<u>\$9,725,654</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 3. BONDED DEBT PAYABLE

Bonded debt payable as of June 30, 2011 is as follows:

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 7/1/2010	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 6/30/2011
Unlimited Tax School Building and Refunding Bonds Series 1994	2.50-5.50	\$ 59,525,000	\$ 565,000	\$ -	\$ -	\$ 565,000	\$ -
Unlimited Tax School Building Bonds Series 1997	3.90-5.60	31,189,385	15,324,638	-	-	3,956,699	11,367,939
Unlimited Tax Building Bonds Series 1998	3.70-4.90	9,495,589	6,256,923	-	-	293,265	5,963,658
Unlimited Tax School Building and Refunding Bonds Series 1999	4.60-6.27	11,827,132	8,703,757	-	-	524,059	8,179,698
Unlimited Tax Building Bonds Series 2000	5.30-6.79	10,140,000	1,444,092	-	-	223,814	1,220,278
Unlimited Tax School Building and Refunding Bonds Series 2002	3.88-5.54	15,673,486	14,913,676	-	-	707,810	14,205,866
Unlimited Tax Refunding Bonds Series 2004	3.00-5.00	25,701,186	23,825,000	-	-	905,000	22,920,000
Unlimited Tax School Building Bonds Series 2006	3.26-4.23	40,315,000	30,765,000	-	-	3,395,000	27,370,000
Unlimited Tax School Building and Refunding Bonds Series 2007	3.26-4.23	95,507,115	94,227,115	-	-	-	94,227,115
Unlimited Tax School Building Bonds Series 2008A	2.00-4.21	37,850,000	37,620,000	-	-	-	37,620,000
Unlimited Tax School Building Bonds Series 2008B	2.00-3.42	4,750,000	4,350,000	-	-	225,000	4,125,000
Total bonded debt payable			<u>\$ 237,995,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,795,647</u>	<u>\$ 227,199,554</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 3. 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
2012	\$ 11,631,400	\$ 15,937,562	\$ 27,568,962
2013	10,209,392	17,367,345	27,576,737
2014	9,825,163	17,758,244	27,583,407
2015	19,448,511	8,521,807	27,970,318
2016	16,730,721	11,118,922	27,849,643
2017-2021	64,080,526	74,481,027	138,561,553
2022-2026	29,333,844	34,700,331	64,034,175
2027-2031	53,530,000	11,416,625	64,946,625
2032	12,410,000	620,500	13,030,500
	<u>\$227,199,557</u>	<u>\$191,922,363</u>	<u>\$419,121,920</u>

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

NOTE 4. DEFEASED DEBT

In prior years, the District has defeased certain bond series in advance refunding transactions. As of June 30, 2011, \$14,228,426 of defeased bonds remain outstanding.

NOTE 5. 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 2.92% and 4.20%. 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, 2011:

Year Ending June 30	
2012	\$350,338
2013	253,746
2014	131,029
2015	66,771
Total future minimum lease payments	801,884
Less amount representing interest	42,178
Present value of net minimum lease payments	<u>\$759,706</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 5. CAPITAL LEASES – CONTINUED

Included in Capital Assets is \$7,567,833 for equipment and buses related to capital leases and \$5,243,595 in accumulated depreciation.

NOTE 6. 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, 2010	\$ 2,679,844
New entrants and sick leave accruals	277,652
Payments to participants	<u>(290,711)</u>
Balance, June 30, 2011	<u>\$ 2,666,785</u>

NOTE 7. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds and Notes Payable					
General Obligation Bonds	\$237,995,201	\$ -	\$10,795,647	\$227,199,554	\$11,631,400
Accreted Interest	50,894,677	6,600,101	8,824,353	48,670,425	7,059,620
Capital Leases	1,159,802	-	400,096	759,706	327,442
Compensated Absences	2,679,844	277,652	290,711	2,666,785	255,420
Premium on Issuance	12,370,232	-	842,277	11,527,955	842,277
Deferred Gain (Loss)					
on Bond Refunding	<u>(2,411,006)</u>	<u>-</u>	<u>(411,189)</u>	<u>(1,999,817)</u>	<u>(411,189)</u>
	<u>\$302,688,750</u>	<u>\$ 6,877,753</u>	<u>\$20,741,895</u>	<u>\$288,824,608</u>	<u>\$19,704,970</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 8. CAPITAL ASSET ACTIVITY

Capital asset activity for the district for the year ended June 30, 2011 was as follows:

Primary government:

	Balance <u>7/1/2010</u>	Additions <u>(Transfers)</u>	<u>Deletions</u>	Balance <u>6/30/2011</u>
Capital assets, not being depreciated				
Land	\$ 17,450,534	\$ 47,607	\$ -	\$ 17,498,141
Construction in Progress	<u>1,915,301</u>	<u>-</u>	<u>1,915,301</u>	<u>-</u>
Total capital assets, not being depreciated	<u>19,365,835</u>	<u>47,607</u>	<u>1,915,301</u>	<u>17,498,141</u>
Capital assets, being depreciated				
Buildings and Improvements	410,329,177	8,484,847	-	418,814,024
Furniture and Equipment	<u>18,967,027</u>	<u>549,552</u>	<u>128,140</u>	<u>19,388,439</u>
Total capital assets, being depreciated	<u>429,296,204</u>	<u>9,034,399</u>	<u>128,140</u>	<u>438,202,463</u>
Less accumulated depreciation on				
Buildings and Improvements	159,797,600	14,775,491	-	174,573,091
Furniture and Equipment	<u>14,233,128</u>	<u>1,223,046</u>	<u>128,140</u>	<u>15,328,034</u>
Total capital assets, being depreciated, net	255,265,476	(6,964,138)	-	248,301,338
Governmental activities capital assets, net	<u>\$274,631,311</u>	<u>\$(6,916,531)</u>	<u>\$ 1,915,301</u>	<u>\$265,799,479</u>

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

Instruction	\$ 11,230,382
Instructional resources and media services	400,315
Instructional leadership	115,239
School leadership	567,903
Guidance, counseling, and evaluation services	122,657
Health services	52,883
Student (pupil) transportation	447,227
Food services	1,150,104
Co-curricular/extracurricular activities	726,921
General administration	226,411
Plant maintenance and operations	594,946
Security and monitoring services	20,432
Data processing services	271,944
Community services	<u>71,173</u>
Total depreciation expense	<u>\$ 15,998,537</u>

NOTE 9. 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.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 9. DEPOSITS AND INVESTMENTS - CONTINUED

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:

<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 of Texas 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, 2011 are classified in the accompanying financial statements as follows:

Primary government	\$ 61,622,203
Fiduciary funds	<u>27,599</u>
	<u>\$ 61,649,802</u>

Cash and investments as of June 30, 2011 consist of the following:

Deposits with financial institutions	\$ 2,504,147
Other cash equivalents	59,145,655
Investments – Current	268,742
Investments – Long-term	<u>8,963,443</u>
	<u>\$ 70,881,987</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 9. DEPOSITS AND INVESTMENTS – CONTINUED

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 70 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.

As of June 30, 2011, the District had the following cash equivalents and investments:

<u>Account/Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
TexPool	\$56,074,420	45 days
Lone Star	554,744	40 days
MBIA Texas CLASS	2,214,348	51 days
Certificates of deposit	560,598	44 days
U.S. Agency securities	<u>8,963,443</u>	(1)
	<u>\$68,367,553</u>	

(1) These securities have various maturity dates ranging from September 2011 through December 2025.

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.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 9. DEPOSITS AND INVESTMENTS - CONTINUED

<u>Account/Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of June 30, 2011</u>
TexPool	\$56,074,420	AAA	AAAm
Lone Star	554,744	AAA	AAAm
MBIA Texas CLASS	2,214,348	AAA	AAAm
Certificates of deposit	560,598	N/A	N/A
U.S. Agency securities	8,963,443	N/A	N/A

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, 2011, 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.

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, 2011 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 \$44,347,727.
- C. Largest cash, savings and time deposit combined account balance amounted to \$56,066,556 and occurred during the month of February 2011.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 9. DEPOSITS AND INVESTMENTS – CONTINUED

D. Total amount of FDIC coverage at the time of largest combined balance was \$11,718,829.

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 assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares.

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 10. 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, 2011**

NOTE 10. RETIREMENT PLAN – CONTINUED

Funding Policy. State law provides for a state contribution rate of 6.58% and a member contribution rate of 6.4% for fiscal year 2009 and a portion of fiscal year 2010. Effective January 1, 2010 the state contribution rate increased to 6.644%. The member contribution rate remained 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, 2009, 2010 and 2011 were \$7,975,476, \$8,408,967 and \$8,699,213, 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, 2009, 2010 and 2011 were \$7,941,573, \$6,326,461 and \$7,791,132, respectively. The District paid additional state contributions for the years ended June 30, 2009, 2010 and 2011 in the amount of \$2,328,218, \$2,362,098 and \$2,285,483, respectively, on a portion of the employees' salaries that exceeded the statutory minimum or paid from federal grants.

NOTE 11. 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, 2011**

NOTE 11. 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% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. 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, 2011, 2010 and 2009, the State's contributions to TRS-Care were \$1,250,263, \$1,314,089, and \$1,246,168, respectively, the active member contributions were \$870,832, \$854,135, and \$810,010, respectively, and the school district's contribution were \$736,862, \$734,665, and \$685,384, 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, 2011, the contribution made on behalf of the District was \$355,671.

NOTE 12. 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 maintains a self-insured workers' compensation plan. For this plan, stop-loss coverage is 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. Insurance coverage has not been reduced for the year from the prior year. Self-insurance fund revenues and expenses are recognized on the accrual basis. Unpaid claims filed prior to June 30 and subsequently approved by the administrator of the plan are recorded as a liability.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 12. RISK MANAGEMENT – CONTINUED

The claims liability of \$1,160,764 reported in the self-insurance fund at June 30, 2011 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, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Liability, beginning of year	\$ 1,013,787	\$ 1,485,615
Current year claims and changes in estimates	813,120	150,041
Claim payments	<u>(666,143)</u>	<u>(621,869)</u>
Liability, end of year	<u>\$ 1,160,764</u>	<u>\$ 1,013,787</u>

NOTE 13. 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 14. 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, 2011, 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	\$ 16,875,151	\$ 260,083	\$ 17,135,234
Title XIV-ARRA	-	3,590,047	3,590,047
Special Revenue	<u>795,101</u>	<u>2,517,945</u>	<u>3,313,046</u>
Total	<u>\$ 17,670,252</u>	<u>\$ 6,368,075</u>	<u>\$ 24,038,327</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 15. DEFERRED REVENUE

Deferred revenue at June 30, 2011 consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Net tax revenue	\$3,421,489	\$ 725,877	\$ -	\$4,147,366
State funding	<u>-</u>	<u>15,953</u>	<u>-</u>	<u>15,953</u>
Total	<u>\$3,421,489</u>	<u>\$ 741,830</u>	<u>\$ -</u>	<u>\$4,163,319</u>

NOTE 16. INTERFUND BALANCES AND ACTIVITIES

Interfund balances at June 30, 2011 consisted of the following individual fund balances:

	<u>Due to</u>	<u>Due From</u>	<u>Purpose</u>
<u>General Fund</u>			
Title XIV ARRA Fund	\$ -	\$ 2,512,794	Deficit of pooled cash
Special Revenue Funds	1,057,009	1,573,828	Deficit of pooled cash / reimbursement of expenditures
Capital Projects Fund	-	6,632	Reimbursement of expenditures
Internal Service Fund	-	45,037	Reimbursement of expenditures
Agency Fund	<u>7,645</u>	<u>-</u>	Deficit of pooled cash
Total General Fund	<u>1,064,654</u>	<u>4,138,291</u>	
<u>Title XIV ARRA Fund</u>			
General Fund	<u>2,512,794</u>	<u>-</u>	Deficit of pooled cash
<u>Special Revenue Funds</u>			
General Fund	1,573,828	1,057,009	Deficit of pooled cash / reimbursement of expenditures
Agency Fund	<u>617,301</u>	<u>-</u>	Deficit of pooled cash
Total Special Revenue Funds	<u>2,191,129</u>	<u>1,057,009</u>	
<u>Proprietary Fund</u>			
General Fund	<u>45,037</u>	<u>-</u>	Reimbursement of expenditures
<u>Capital Projects Fund</u>			
General Fund	<u>6,632</u>	<u>-</u>	Reimbursement of expenditures
<u>Agency Fund</u>			
General Fund	-	7,645	Deficit of pooled cash
Special Revenue Funds	<u>-</u>	<u>617,301</u>	Deficit of pooled cash
Total Agency Fund	<u>-</u>	<u>624,946</u>	
Totals	<u>\$ 5,820,246</u>	<u>\$ 5,820,246</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, 2011**

NOTE 16. INTERFUND BALANCES AND ACTIVITIES – CONTINUED

The following transfers were made between funds during the year ended June 30, 2011:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
<u>General Fund</u>			
Special Revenue Funds	\$ <u>86,582</u>	\$ <u>-</u>	Reimbursement of expenditures and transfer of Technology Allotment fund balance per State directive
Total General Fund	<u>86,582</u>	<u>-</u>	
<u>Special Revenue Funds</u>			
General Fund	<u>-</u>	<u>86,582</u>	Reimbursement of expenditures and transfer of Technology Allotment fund balance per State directive
Total Special Revenue Funds	<u>-</u>	<u>86,582</u>	
Totals	\$ <u>86,582</u>	\$ <u>86,582</u>	

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

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	\$ 72,067,486	\$ 72,838,898	\$ 73,209,585	\$ 370,687
5800 State Program Revenues	89,067,837	80,428,508	75,269,285	(5,159,223)
5900 Federal Program Revenues	900,000	1,225,000	1,478,710	253,710
5020 Total Revenues	162,035,323	154,492,406	149,957,580	(4,534,826)
EXPENDITURES:				
Current:				
0011 Instruction	102,701,931	99,265,762	97,300,242	1,965,520
0012 Instructional Resources and Media Services	2,674,306	2,650,467	2,592,766	57,701
0013 Curriculum and Instructional Staff Development	1,037,270	904,558	741,950	162,608
0021 Instructional Leadership	2,581,069	1,590,890	1,513,287	77,603
0023 School Leadership	10,458,073	10,461,699	10,368,019	93,680
0031 Guidance, Counseling and Evaluation Services	5,604,611	1,491,965	1,119,967	371,998
0032 Social Work Services	167,262	168,228	151,163	17,065
0033 Health Services	2,372,033	2,329,102	2,257,901	71,201
0034 Student (Pupil) Transportation	3,462,440	3,220,697	2,909,351	311,346
0036 Extracurricular Activities	4,746,661	4,863,762	4,581,926	281,836
0041 General Administration	4,829,974	4,658,517	4,210,800	447,717
0051 Facilities Maintenance and Operations	17,565,591	17,508,457	16,757,122	751,335
0052 Security and Monitoring Services	643,277	665,374	542,517	122,857
0053 Data Processing Services	2,446,766	2,464,936	2,322,397	142,539
0061 Community Services	288,850	306,471	214,596	91,875
Debt Service:				
0071 Principal on Long Term Debt	405,538	405,538	400,096	5,442
0072 Interest on Long Term Debt	53,602	53,602	37,751	15,851
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	114,500	114,500	67,375	47,125
0097 Payments to Tax Increment Fund	125,000	125,000	122,524	2,476
0099 Other Intergovernmental Charges	650,000	650,000	592,949	57,051
6030 Total Expenditures	162,928,754	153,899,525	148,804,699	5,094,826
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(893,431)	592,881	1,152,881	560,000
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	86,582	86,582
8911 Transfers Out (Use)	(92,000)	-	-	-
7080 Total Other Financing Sources (Uses)	(92,000)	-	86,582	86,582
1200 Net Change in Fund Balances	(985,431)	592,881	1,239,463	646,582
0100 Fund Balance - July 1 (Beginning)	48,817,296	48,817,296	48,817,297	1
3000 Fund Balance - June 30 (Ending)	\$ 47,831,865	\$ 49,410,177	\$ 50,056,760	\$ 646,583

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011**

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-3 and J-4.

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	\$(3,436,169)
Instructional Leadership	(990,179)
Guidance, Counseling & Evaluation Services	(4,112,646)
Student (Pupil) Transportation	(241,743)
General Administration	(171,457)

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. The budget should not exceed expenditures in any functional expenditure category under TEA requirements. The original and final amended versions of these budgets are used in this report.

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

Data Control Codes		211 ESEA I, A Improving Basic Program	213 ESEA Title I Part B Even Start	220 Adult Education Federal	224 IDEA - Part B Formula
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	563,181	32,701	27,734	778,655
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1910	Long-term Investments	-	-	-	-
1000	Total Assets	<u>\$ 563,181</u>	<u>\$ 32,701</u>	<u>\$ 27,734</u>	<u>\$ 778,655</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 2,429	\$ 21	\$ -	\$ 18,692
2160	Accrued Wages Payable	326,453	3,942	7,092	456,914
2170	Due to Other Funds	234,299	28,738	20,642	303,049
2000	Total Liabilities	<u>563,181</u>	<u>32,701</u>	<u>27,734</u>	<u>778,655</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>\$ 563,181</u>	<u>\$ 32,701</u>	<u>\$ 27,734</u>	<u>\$ 778,655</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	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula
\$ -	\$ 3,353,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12,084	39,088	48,645	139,793	99,060	173,140	6,265	226,829
-	-	-	-	-	-	-	-
9,585	719,246	-	-	-	-	-	-
-	760	-	-	-	-	-	-
-	108,180	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 21,669</u>	<u>\$ 4,221,257</u>	<u>\$ 48,645</u>	<u>\$ 139,793</u>	<u>\$ 99,060</u>	<u>\$ 173,140</u>	<u>\$ 6,265</u>	<u>\$ 226,829</u>
\$ -	\$ 6,104	\$ -	\$ 3,705	\$ -	\$ 2,572	\$ 960	\$ 17,467
21,669	411,754	5,800	92,235	54,752	103,993	-	164,200
-	-	42,845	43,853	44,308	66,575	5,305	45,162
<u>21,669</u>	<u>417,858</u>	<u>48,645</u>	<u>139,793</u>	<u>99,060</u>	<u>173,140</u>	<u>6,265</u>	<u>226,829</u>
-	108,180	-	-	-	-	-	-
-	3,695,219	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>3,803,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 21,669</u>	<u>\$ 4,221,257</u>	<u>\$ 48,645</u>	<u>\$ 139,793</u>	<u>\$ 99,060</u>	<u>\$ 173,140</u>	<u>\$ 6,265</u>	<u>\$ 226,829</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

Data Control Codes		284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	289 Summer School LEP	315 SSA IDEA, Part B Discretionary
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	8,851	354,628	-	4,306
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1910	Long-term Investments	-	-	-	-
1000	Total Assets	<u>\$ 8,851</u>	<u>\$ 354,628</u>	<u>\$ -</u>	<u>\$ 4,306</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	174,863	-	2,657
2170	Due to Other Funds	8,851	179,765	-	1,649
2000	Total Liabilities	<u>8,851</u>	<u>354,628</u>	<u>-</u>	<u>4,306</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>\$ 8,851</u>	<u>\$ 354,628</u>	<u>\$ -</u>	<u>\$ 4,306</u>

EXHIBIT H-1 (Cont'd)

316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf	340 SSA - IDEA C Deaf - Early Intervention	385 Visually Impaired SSVI	394 Life Skills Program	397 Advanced Placement Incentives	399 Investment Capital Funds	404 Student Success Initiative
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,513	472	-	24,959	50,888	17,197	29,040	194,598
-	-	-	-	-	-	-	-
619	-	-	-	-	5,075	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,132</u>	<u>\$ 472</u>	<u>\$ -</u>	<u>\$ 24,959</u>	<u>\$ 50,888</u>	<u>\$ 22,272</u>	<u>\$ 29,040</u>	<u>\$ 194,598</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,346	\$ -	\$ 960	\$ -
3,132	-	-	4,159	-	-	-	35,484
-	472	-	20,800	42,542	-	28,080	159,114
<u>3,132</u>	<u>472</u>	<u>-</u>	<u>24,959</u>	<u>50,888</u>	<u>-</u>	<u>29,040</u>	<u>194,598</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	22,272	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,272</u>	<u>-</u>	<u>-</u>
<u>\$ 3,132</u>	<u>\$ 472</u>	<u>\$ -</u>	<u>\$ 24,959</u>	<u>\$ 50,888</u>	<u>\$ 22,272</u>	<u>\$ 29,040</u>	<u>\$ 194,598</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

Data Control Codes		409 High School Completion and Success	411 Technology Allotment	415 Kindergarten and Pre-K Grants	423 LEP Success Initiative
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	-	-	-	8,625
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	-	44,570	82,874	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1910	Long-term Investments	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 44,570</u>	<u>\$ 82,874</u>	<u>\$ 8,625</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 960
2160	Accrued Wages Payable	-	44,570	82,874	-
2170	Due to Other Funds	-	-	-	7,665
2000	Total Liabilities	<u>-</u>	<u>44,570</u>	<u>82,874</u>	<u>8,625</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>\$ 44,570</u>	<u>\$ 82,874</u>	<u>\$ 8,625</u>

427 Awards for Teacher Excellence	429 Other State Programs	435 SSA Regional Day School - Deaf	459 SSA Pre-K Grant	461 Campus Activity Funds	483 Local Fine Arts	487 Workshops	490 Local Special Projects
\$ -	\$ 3,148	\$ -	\$ -	\$ 1,295,913	\$ 20,345	\$ 17,599	\$ 607,844
-	-	172,382	297,412	-	-	-	-
-	-	-	-	-	-	-	-
6,341	-	161,425	-	-	-	-	-
-	-	-	-	-	-	-	37
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 6,341</u>	<u>\$ 3,148</u>	<u>\$ 333,807</u>	<u>\$ 297,412</u>	<u>\$ 1,295,913</u>	<u>\$ 20,345</u>	<u>\$ 17,599</u>	<u>\$ 607,881</u>
\$ 6,341	\$ -	\$ -	\$ 2,629	\$ -	\$ -	\$ -	\$ -
-	-	134,944	5,092	-	-	-	-
-	-	-	289,691	617,301	-	-	423
<u>6,341</u>	<u>-</u>	<u>134,944</u>	<u>297,412</u>	<u>617,301</u>	<u>-</u>	<u>-</u>	<u>423</u>
-	-	-	-	-	-	-	-
-	3,148	198,863	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	678,612	20,345	17,599	607,458
-	3,148	198,863	-	678,612	20,345	17,599	607,458
<u>\$ 6,341</u>	<u>\$ 3,148</u>	<u>\$ 333,807</u>	<u>\$ 297,412</u>	<u>\$ 1,295,913</u>	<u>\$ 20,345</u>	<u>\$ 17,599</u>	<u>\$ 607,881</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

Data Control Codes		496 United Way Grant	497 Foundation Grants	498 Scholarship Fund	Total Nonmajor Special Revenue Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 15,446	\$ -	\$ 811,443	\$ 6,125,721
1240	Receivables from Other Governments	-	-	-	3,313,046
1250	Accrued Interest	-	-	53,562	53,562
1260	Due from Other Funds	-	7,274	20,000	1,057,009
1290	Other Receivables	5,168	-	-	5,965
1300	Inventories	-	-	-	108,180
1910	Long-term Investments	-	-	7,516,635	7,516,635
1000	Total Assets	<u>\$ 20,614</u>	<u>\$ 7,274</u>	<u>\$ 8,401,640</u>	<u>\$ 18,180,118</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 6,205	\$ 104	\$ -	\$ 77,495
2160	Accrued Wages Payable	14,409	-	-	2,150,988
2170	Due to Other Funds	-	-	-	2,191,129
2000	Total Liabilities	<u>20,614</u>	<u>104</u>	<u>-</u>	<u>4,419,612</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	108,180
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	7,170	-	3,926,672
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	8,401,640	9,725,654
3000	Total Fund Balances	<u>-</u>	<u>7,170</u>	<u>8,401,640</u>	<u>13,760,506</u>
4000	Total Liabilities and Fund Balances	<u>\$ 20,614</u>	<u>\$ 7,274</u>	<u>\$ 8,401,640</u>	<u>\$ 18,180,118</u>

699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 3,309,224	\$ 9,434,945
-	3,313,046
-	53,562
-	1,057,009
-	5,965
-	108,180
-	7,516,635
<u>\$ 3,309,224</u>	<u>\$ 21,489,342</u>

\$ 111,522	\$ 189,017
-	2,150,988
6,632	2,197,761
<u>118,154</u>	<u>4,537,766</u>

-	108,180
-	3,926,672
3,191,070	3,191,070
-	9,725,654
<u>3,191,070</u>	<u>16,951,576</u>
<u>\$ 3,309,224</u>	<u>\$ 21,489,342</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Data Control Codes		211 ESEA I, A Improving Basic Program	213 ESEA Title I Part B Even Start	220 Adult Education Federal	224 IDEA - Part B Formula
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	3,058,417	215,607	115,469	3,517,486
5020	Total Revenues	3,058,417	215,607	115,469	3,517,486
EXPENDITURES:					
Current:					
0011	Instruction	2,531,482	81,130	58,059	2,929,786
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	43,123	8,737	-	2,257
0021	Instructional Leadership	292,250	88,131	57,410	176,650
0023	School Leadership	1,902	-	-	-
0031	Guidance, Counseling and Evaluation Services	575	-	-	252,570
0032	Social Work Services	-	-	-	65,759
0033	Health Services	50,000	-	-	-
0034	Student (Pupil) Transportation	-	-	-	90,464
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0061	Community Services	139,085	37,609	-	-
Debt Service:					
0072	Interest on Long Term Debt	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	-	-	-	-
6030	Total Expenditures	3,058,417	215,607	115,469	3,517,486
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	-	-
8911	Transfers Out (Use)	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
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	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula
\$ -	\$ 3,539,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	345,657	-	-	-	-	-	-
120,700	6,820,935	254,072	791,224	424,487	1,908,706	51,796	2,201,737
120,700	10,705,633	254,072	791,224	424,487	1,908,706	51,796	2,201,737
120,700	-	207,978	623,464	374,458	1,156,417	38,026	1,972,815
-	-	-	-	-	-	-	-
-	-	46,094	61,371	15,266	586,487	13,770	82,761
-	-	-	48,418	1,997	133,668	-	29,157
-	-	-	578	-	-	-	-
-	-	-	15,444	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	117,004
-	10,146,989	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	41,949	-	-	-	-
-	-	-	-	-	32,134	-	-
-	-	-	-	32,766	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
120,700	10,146,989	254,072	791,224	424,487	1,908,706	51,796	2,201,737
-	558,644	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	558,644	-	-	-	-	-	-
-	3,244,755	-	-	-	-	-	-
\$ -	\$ 3,803,399	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Data Control Codes		284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	289 Summer School LEP	315 SSA IDEA, Part B Discretionary
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	68,273	1,348,971	21,487	30,729
5020	Total Revenues	68,273	1,348,971	21,487	30,729
EXPENDITURES:					
Current:					
0011	Instruction	63,829	1,251,260	21,487	30,729
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	4,444	85,368	-	-
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	-	-	-	-
0061	Community Services	-	12,343	-	-
Debt Service:					
0072	Interest on Long Term Debt	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	68,273	1,348,971	21,487	30,729
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	-	-
8911	Transfers Out (Use)	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-	-
3000	Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf	340 SSA - IDEA C Deaf - Early Intervention	385 Visually Impaired SSVI	394 Life Skills Program	397 Advanced Placement Incentives	399 Investment Capital Funds	404 Student Success Initiative
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	24,959	51,599	53,196	157,581	194,598
23,845	3,462	880	-	-	-	-	-
23,845	3,462	880	24,959	51,599	53,196	157,581	194,598
21,258	2,966	880	24,959	51,599	23,643	119,589	141,756
-	-	-	-	-	-	-	5,779
2,587	496	-	-	-	29,553	32,452	5,233
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	41,830
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,540	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
23,845	3,462	880	24,959	51,599	53,196	157,581	194,598
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	22,272	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,272	\$ -	\$ -

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Data Control Codes		409 High School Completion and Success	411 Technology Allotment	415 Kindergarten and Pre-K Grants	423 LEP Success Initiative
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	140,711	631,819	644,021	125,826
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>140,711</u>	<u>631,819</u>	<u>644,021</u>	<u>125,826</u>
EXPENDITURES:					
Current:					
0011	Instruction	9,736	-	518,866	65,002
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	108,596	545,237	96,289	60,824
0021	Instructional Leadership	22,379	-	28,866	-
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	-	-	-	-
0061	Community Services	-	-	-	-
Debt Service:					
0072	Interest on Long Term Debt	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	<u>140,711</u>	<u>545,237</u>	<u>644,021</u>	<u>125,826</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>86,582</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	-	-
8911	Transfers Out (Use)	-	(86,582)	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>(86,582)</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

427 Awards for Teacher Excellence	429 Other State Programs	435 SSA Regional Day School - Deaf	459 SSA Pre-K Grant	461 Campus Activity Funds	483 Local Fine Arts	487 Workshops	490 Local Special Projects
\$ - 1,529,454 -	\$ - 24,849 -	\$ 434,325 492,283 -	\$ - 758,574 -	\$ 1,983,286 - -	\$ 63,805 - -	\$ 1,270 - -	\$ 408,794 - -
<u>1,529,454</u>	<u>24,849</u>	<u>926,608</u>	<u>758,574</u>	<u>1,983,286</u>	<u>63,805</u>	<u>1,270</u>	<u>408,794</u>
1,457,145	24,656	861,296	-	68,760	-	-	19,963
-	193	-	-	-	-	-	-
16,616	-	-	-	-	-	2,522	-
55,693	-	65,312	65,526	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,896,473	55,549	-	116,936
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	3,530,140
-	-	-	693,048	-	-	-	-
<u>1,529,454</u>	<u>24,849</u>	<u>926,608</u>	<u>758,574</u>	<u>1,965,233</u>	<u>55,549</u>	<u>2,522</u>	<u>3,667,039</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,053</u>	<u>8,256</u>	<u>(1,252)</u>	<u>(3,258,245)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	370,587
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	370,587
-	-	-	-	18,053	8,256	(1,252)	(2,887,658)
-	3,148	198,863	-	660,559	12,089	18,851	3,495,116
\$ -	\$ 3,148	\$ 198,863	\$ -	\$ 678,612	\$ 20,345	\$ 17,599	\$ 607,458

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Data Control Codes		496 United Way Grant	497 Foundation Grants	498 Scholarship Fund	Total Nonmajor Special Revenue Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 171,835	\$ 14,321	\$ 372,643	\$ 6,989,320
5800	State Program Revenues	-	-	-	5,175,127
5900	Federal Program Revenues	-	-	-	20,978,283
5020	Total Revenues	171,835	14,321	372,643	33,142,730
EXPENDITURES:					
Current:					
0011	Instruction	18,805	7,151	139,086	15,038,736
0012	Instructional Resources and Media Services	-	-	-	5,972
0013	Curriculum and Instructional Staff Development	5,202	-	-	1,855,285
0021	Instructional Leadership	79,057	-	-	1,144,514
0023	School Leadership	-	-	-	44,310
0031	Guidance, Counseling and Evaluation Services	-	-	-	268,589
0032	Social Work Services	-	-	-	65,759
0033	Health Services	-	-	-	50,000
0034	Student (Pupil) Transportation	-	-	-	207,468
0035	Food Services	-	-	-	10,146,989
0036	Extracurricular Activities	-	-	-	2,068,958
0041	General Administration	-	-	-	41,949
0051	Facilities Maintenance and Operations	-	-	-	37,674
0061	Community Services	68,771	-	-	290,574
Debt Service:					
0072	Interest on Long Term Debt	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	3,530,140
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	693,048
6030	Total Expenditures	171,835	7,151	139,086	35,489,965
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	7,170	233,557	(2,347,235)
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	-	370,587
8911	Transfers Out (Use)	-	-	-	(86,582)
7080	Total Other Financing Sources (Uses)	-	-	-	284,005
1200	Net Change in Fund Balance	-	7,170	233,557	(2,063,230)
0100	Fund Balance - July 1 (Beginning)	-	-	8,168,083	15,823,736
3000	Fund Balance - June 30 (Ending)	\$ -	\$ 7,170	\$ 8,401,640	\$ 13,760,506

699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 8,497	\$ 6,997,817
-	5,175,127
-	20,978,283
8,497	33,151,227
-	15,038,736
-	5,972
-	1,855,285
-	1,144,514
-	44,310
-	268,589
-	65,759
-	50,000
-	207,468
-	10,146,989
-	2,068,958
-	41,949
-	37,674
-	290,574
180,327	180,327
2,934,471	6,464,611
-	693,048
3,114,798	38,604,763
(3,106,301)	(5,453,536)
-	370,587
-	(86,582)
-	284,005
(3,106,301)	(5,169,531)
6,297,371	22,121,107
\$ 3,191,070	\$ 16,951,576

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2011

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ 5,204,280,044
2003	1.455000	0.162000	5,668,493,380
2004	1.455000	0.162000	5,899,556,044
2005	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 (School year under audit)	1.040000	0.385000	7,031,622,459
1000 TOTALS			
9000 Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code			\$ -

(10) Beginning Balance 7/1/2010		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 6/30/2011	
\$	1,854,962	\$	-	\$	20,066	\$	3,223	\$	5,465	\$	1,837,138
	246,052		-		5,076		534		777		241,219
	325,763		-		9,542		1,062		925		316,084
	306,430		-		11,363		1,179		(1,426)		292,462
	323,362		-		23,437		2,432		5,002		302,495
	406,172		-		44,348		7,485		6,880		361,219
	443,066		-		59,091		20,739		14,167		377,403
	690,762		-		247,418		88,024		131,488		486,808
	2,052,789		-		1,515,982		532,072		771,173		775,908
	-		97,439,698		69,225,147		25,626,625		(43,303)		2,544,623
<u>\$</u>	<u>6,649,358</u>	<u>\$</u>	<u>97,439,698</u>	<u>\$</u>	<u>71,161,470</u>	<u>\$</u>	<u>26,283,375</u>	<u>\$</u>	<u>891,148</u>	<u>\$</u>	<u>7,535,359</u>
<u>\$</u>	<u>-</u>	<u>\$</u>	<u>120,834</u>	<u>\$</u>	<u>120,834</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ 26,355	\$ -	\$ 216,187	\$ 3,350,008	\$ -	\$ -	\$ 3,592,550
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	201,311	-	-	-	-	-	201,311
6212	Audit Services	-	-	-	52,000	-	-	52,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	592,949	-	-	-	-	592,949
621X	Other Professional Services	-	-	-	136,819	-	-	136,819
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	-	167,902	-	167,902
6250	Utilities	-	-	-	-	880	-	880
6260	Rentals	-	-	-	27,609	-	-	27,609
6290	Miscellaneous Contr.	-	-	-	200,980	-	-	200,980
6320	Textbooks and Reading	-	-	344	2,425	-	-	2,769
6330	Testing Materials	-	-	-	120,323	-	-	120,323
63XX	Other Supplies Materials	345	-	1,177	48,725	-	-	50,247
6410	Travel, Subsistence, Stipends	20,901	-	10,828	192	-	-	31,921
6420	Ins. and Bonding Costs	71,193	-	-	-	-	-	71,193
6430	Election Costs	65	-	-	143,477	-	-	143,542
6490	Miscellaneous Operating	16,366	-	6,621	10,315	-	-	33,302
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 336,536	\$ 592,949	\$ 235,157	\$ 4,092,873	\$ 168,782	\$ -	\$ 5,426,297

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 194,113,268

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 4,184,627
Total Debt & Lease(6500)	(11) 437,847
Plant Maintenance (Function 51, 6100-6400)	(12) 16,688,952
Food (Function 35, 6341 and 6499)	(13) 3,574,509
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	4,092,873

SubTotal: 28,978,808

Net Allowed Direct Cost \$ 165,134,460

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 418,766,417
Historical Cost of Building over 50 years old	(16) \$ 14,265,092
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 11,948,746
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 1,914,506
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ 3,600,394

(8) NOTE A: \$580,599 in Function 53 expenditures are included in this report on administrative costs.

\$592,949 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

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, 2011

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 4,107,600	\$ 4,107,600	\$ 3,539,041	\$ (568,559)
5800	State Program Revenues	355,040	355,040	345,657	(9,383)
5900	Federal Program Revenues	5,706,000	5,706,000	6,820,935	1,114,935
5020	Total Revenues	10,168,640	10,168,640	10,705,633	536,993
EXPENDITURES:					
0035	Food Services	10,242,051	10,242,051	10,146,989	95,062
6030	Total Expenditures	10,242,051	10,242,051	10,146,989	95,062
1200	Net Change in Fund Balances	(73,411)	(73,411)	558,644	632,055
0100	Fund Balance - July 1 (Beginning)	3,244,755	3,244,755	3,244,755	-
3000	Fund Balance - June 30 (Ending)	\$ 3,171,344	\$ 3,171,344	\$ 3,803,399	\$ 632,055

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, 2011

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	\$ 26,331,464	\$ 26,153,912	\$ 26,449,566	\$ 295,654
5800	State Program Revenues	462,282	534,278	716,396	182,118
5020	Total Revenues	26,793,746	26,688,190	27,165,962	477,772
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	10,795,647	10,795,647	10,795,647	-
0072	Interest on Long Term Debt	16,492,141	16,492,141	16,492,140	1
0073	Bond Issuance Cost and Fees	30,000	30,000	10,251	19,749
6030	Total Expenditures	27,317,788	27,317,788	27,298,038	19,750
1200	Net Change in Fund Balances	(524,042)	(629,598)	(132,076)	497,522
0100	Fund Balance - July 1 (Beginning)	6,725,038	6,725,038	6,725,038	-
3000	Fund Balance - June 30 (Ending)	\$ 6,200,996	\$ 6,095,440	\$ 6,592,962	\$ 497,522

FEDERAL AWARDS SECTION

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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*

Board of Trustees
Birdville Independent School District
Haltom City, Texas

We have audited the 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the Texas Education Agency, and appropriate federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants

November 8, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Birdville Independent School District
Haltom City, Texas

Compliance

We have audited Birdville Independent School District's (the "District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2.

Internal Control Over Compliance

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

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the Texas Education Agency, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants

November 8, 2011

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

An unqualified opinion was issued on the financial statements.

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

An unqualified opinion was issued on compliance for major programs.

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☒ Yes ☐ No

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION I – SUMMARY OF AUDITORS' RESULTS – CONTINUED

Identification of major programs:

CFDA
Number

Program

Child Nutrition Cluster:

10.553

School Breakfast Program

10.555

National School Lunch Program

Title I Cluster:

84.010A

ESEA, Title I, Part A - Improving Basic Programs

84.389

ESEA, Title I, A-ARRA - Improving Basic Programs

Special Education Cluster:

84.027

IDEA - Part B, Formula

84.027

IDEA - Part B, Discretionary

84.027

IDEA - Part B, Deaf

84.173

IDEA - Part B, Preschool

84.173

IDEA - Part B, Preschool Deaf

84.391

IDEA - Part B, Formula - ARRA

84.392

IDEA - Part B, Preschool – ARRA

84.394

Title XIV, State Fiscal Stabilization Fund – ARRA

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

\$932,660

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

Finding 2011-01 – Noncompliance: Child Nutrition Program

CFDA 10.553 School Breakfast Program

CFDA 10.555 National School Lunch Program

Criteria or Specified Requirement

In accordance with U. S. Department of Agriculture program requirements, each student participating in the School Breakfast and Lunch Program must be directly certified as eligible by the State of Texas or approved based on income amounts included on an application submitted to the District.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS
– CONTINUED**

Condition

During our testing of students participating or declined for the School Breakfast and Lunch Program, two students were noted that were classified incorrectly. Of the 60 students tested, one student was denied based on family income in excess of allowable levels. The family income was incorrectly computed, and the student should have been approved for reduced-price meals. Another student was approved based on direct certification, but could not be located in the direct certification reports.

Questioned Costs

None

Cause

The incorrect classifications were caused by clerical errors in processing the application in one case and entering of directly certified students in the other case. Because of the large number of applications processed at the beginning of the school year, the District uses temporary employees to assist in processing the applications. These employees are not as familiar with the system for processing of applications as the full-time employees of the Food Service Department.

Effect

The District incorrectly classified two students. The student that was denied was not able to participate in the program. The student that was incorrectly approved was a Pre-K student and was not served any reimbursable meals.

Recommendation

We recommend that the District provide additional training and supervision of clerical staff assigned to processing of program applications.

Views of Responsible Officials and Planned Corrective Actions

Refer to Corrective Action Plan prepared by District management.

Finding 2011-02 – Noncompliance: Allowable Costs and Costs Principals

CFDA 84.010A	ESEA, Title I, Part A – Improving Basic Programs
CFDA 84.027	IDEA – Part B, Formula

Criteria or Specified Requirement

In accordance with OMB Circular A-87, charges for employees' reimbursable meal costs are to be based on the actual costs incurred for meals up to the maximum allowable under the grant (\$36 per day).

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS
– CONTINUED**

Condition

During our testing of Federal program expenditures, we noted that employees were reimbursed for meals based on a \$36 per day per diem rate rather than the actual costs of meals incurred. We selected 60 expenditures for testing and 4 of the items tested included reimbursements for meals based on per diem rates as opposed to actual costs incurred by the employees.

Questioned Costs

Total meal reimbursements noted at the per diem rate were \$522.

Cause

The District's employee travel policy does not specify that meals charged to a Federal program subject to OMB Circular A-87 be limited to actual costs incurred up to the maximum amount allowable.

Effect

The District did not comply with OMB Circular A-87 cost principles.

Recommendation

We recommend that the District change its employee travel policy to specify when employees can be reimbursed for meals based on a per diem rate and when meal reimbursements will only be made for actual costs incurred as well as the maximum limit on actual costs incurred.

Views of Responsible Officials and Planned Corrective Actions

Refer to Corrective Action Plan prepared by District management.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

There were no prior year findings or questioned costs.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2011**

Finding 2011-01 – Noncompliance: Child Nutrition Program

An error occurred in the processing of two students. The District will implement procedures to provide additional training and supervision for seasonal employees involved in processing program applications and direct certifications.

Contact Person: Judy Sargent, Food Service Director

Finding 2011-02 – Noncompliance: Allowable Costs and Costs Principals

Reimbursements to employees for meals were not made in accordance with OMB Circular A-87. The District will modify its policies and procedures for employee travel to ensure that meal reimbursements chargeable to a Federal grant complies with OMB Circular A-87.

Contact Person: Edward Sorola, Director of Business

BIRDEVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
Adult Education (ABE) - Federal	84.002	114100087110386	\$ 117,915
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11610101220902	3,123,189
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389	10551001220902	1,377,287
Total Title I, Part A Cluster			4,500,476
*IDEA - Part B, Formula	84.027	116600012209026600	3,591,530
*SSA - IDEA - Part B, Discretionary	84.027	116600022209026673	30,729
*SSA - IDEA - Part B, Deaf	84.027	116600012209026601	24,350
Total CFDA Number 84.027			3,646,609
*IDEA - Part B, Preschool	84.173	116610012209026610	120,946
*SSA - IDEA - Part B, Preschool Deaf	84.173	116610012209026611	3,535
Total CFDA Number 84.173			124,481
*IDEA, Part B, Formula - ARRA	84.391	10554001220902	2,246,402
*IDEA, Part B, Preschool - ARRA	84.392	10555001220902	69,719
Total Special Education Cluster (IDEA)			6,087,211
Career and Technical - Basic Grant	84.048	11420006220902	259,453
SSA - IDEA, Part C - Early Intervention (Deaf)	84.181A	113911012209023911	880
ESEA, Title I, Part B - Even Start Family Literacy	84.213	116120017110402	215,607
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	106950137110009	1,921,176
*Title II D Enhancing Ed Through Technology - ARRA	84.386	10553001220902	52,271
Title III, Part A - English Language Acquisition	84.365A	11671001220902	432,973
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	11694501220902	807,982
Summer School LEP	84.369A	69551002	21,487
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11557001220902	9,818,603
Total Passed Through State Department of Education			\$ 24,236,034
TOTAL DEPARTMENT OF EDUCATION			\$ 24,236,034
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 31,692
Total Passed Through Texas Dept of Human Services			\$ 31,692
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 31,692
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401101	\$ 1,279,841
*National School Lunch Program - Cash Assistance	10.555	71301101	4,935,528
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301101	605,566
Total CFDA Number 10.555			5,541,094
Total Child Nutrition Cluster			6,820,935
Total Passed Through the State Department of Agriculture			\$ 6,820,935
TOTAL DEPARTMENT OF AGRICULTURE			\$ 6,820,935
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 31,088,661

*Clustered Programs

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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 assets.

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 \$605,566 for the year ended June 30, 2011.
4. ROTC reimbursements of \$269,694 and SHARS reimbursements of \$917,241 are both recorded as federal revenue in the General Fund, 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 collectibility of any related receivable at June 30, 2011, 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.