

BIRDVILLE
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

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**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD**

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

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

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

for the year ended June 30, 2016 at a meeting of the Board of Trustees of such school district on the 15th day of November, 2016.

Chris Davis
Signature of Board Secretary

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

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Birdville Independent School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Birdville Independent School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 11 through 23, the *budgetary comparison information* on page 67, and the *pension schedules* on pages 68 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016 on our consideration of Birdville Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Birdville Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay

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

October 31, 2016

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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, 2016. It should be read in conjunction with the independent auditors' report and the basic financial statements.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$68,836,903 (net position). The unrestricted portion of \$24,285,529 may be used to meet the District's ongoing obligations.
- The District's total net position increased by \$10,958,741 during the year ended June 30, 2016.
- At the close of the fiscal year, the District reported \$139,848,463 combined governmental fund balance, a decrease of \$50,021,374 from the prior year. The majority of the decrease pertained to the expenditure of capital outlay from the 2014 bond program. Bonds were issued in the prior year.
- Of the combined governmental fund balance at year end, the District had \$52,151,763 of committed fund balance, \$61,435,168 in restricted fund balance, \$11,419,680 in assigned fund balance, and \$14,139,855 of unassigned fund balance. The remainder pertained to non-spendable balances.
- As of June 30, 2016, the General Fund had \$57,939,277 in total fund balance, which represented 30.9 percent of fiscal 2016 expenditures. Of this total, the District committed \$29,159,041 (15.0% of fiscal year 2017 budgeted expenditures) and assigned \$11,419,680 to fund future needs. Of the remainder, \$14,139,855 was also available to fund future spending, and \$3,220,701 was comprised of other committed and non-spendable amounts.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

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

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

Government-wide financial statements distinguish net position and the changes in net position between *governmental activities*, which are supported principally by taxes and intergovernmental revenues, and *business-type activities*, which are intended to recover all or a significant portion of their costs through user fees and charges. All of the District's activities are reported as *governmental activities* as they are primarily financed by property taxes, state aid, and federal grants. The District has no *business-type activities*. The government-wide financial statements can be found on pages 24-25 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 26-33 of this report.

Proprietary funds

Proprietary funds are used to account for operations that provide services and or goods for a fee, whether to outside users or units within the District. Proprietary funds use the accrual basis of accounting similar to the government-wide financial statements. There are two types of proprietary funds, enterprise funds and internal service funds. The enterprise funds report the same functions presented as *business-type activities* in the government-wide financial statements. Internal service funds are an accounting tool used to accumulate and allocate costs internally among various functions. For a number of years, the District used an internal service fund to report activities for its self-funded workers' compensation insurance program. In 2015-16, this fund represents only the residual claims from 2012-13 and prior, since the District began participation in a fully-insured workers' compensation program on July 1, 2013. The District has no enterprise funds. The proprietary fund financial statements can be found on pages 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 Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses & Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	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 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 38-66 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 67-71 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 72.

The Texas Education Agency (TEA) requires that certain information be included in this report and those schedules can be found on pages 84-87. The Federal Awards Section of the report can be found on pages 89-102.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The District's net position was \$68.8 million at June 30, 2016 (see Table II). The largest portion of net position, approximately \$28.2 million or 41 percent, includes investment in capital assets less related outstanding debt to purchase those assets. The District's investment in capital assets includes land, buildings, and furniture/equipment. Due to the nature of these assets, they are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Unrestricted net position, the second largest portion of the total, increased from \$15.4 million to \$24.3 million due to increased revenues; accelerated bond principal payments; and an increase in depreciable capital assets reclassified to the balance sheet. Restricted net position of \$16.3 million or 23.7 percent represents the smallest portion of the total. Restricted funds are used predominately in food service and debt service.

Table II			
NET POSITION			
	Governmental Activities		
	2016	2015	% Change
ASSETS & DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 182,050,470	\$ 227,638,934	-20.0%
Capital assets	270,335,039	227,325,618	18.9%
Total Assets	<u>452,385,509</u>	<u>454,964,552</u>	-0.6%
Deferred outflows of resources	29,892,999	14,662,988	103.9%
Total assets and deferred outflows of resources	<u>482,278,508</u>	<u>469,627,540</u>	2.7%
LIABILITIES & DEFERRED INFLOWS OF RESOURCES			
Other liabilities	65,899,351	61,317,953	7.5%
Long-term liabilities outstanding	343,383,656	340,884,265	0.7%
Total Liabilities	<u>409,283,007</u>	<u>402,202,218</u>	1.8%
Deferred Inflows of resources	4,158,598	9,547,160	-56.4%
Total liabilities and deferred inflows of resources	<u>413,441,605</u>	<u>411,749,378</u>	0.4%
NET POSITION			
Net Investment in Capital Assets	28,265,856	26,019,999	8.6%
Restricted	16,285,518	16,456,903	-1.0%
Unrestricted	24,285,529	15,401,260	57.7%
Total Net Position	<u>\$ 68,836,903</u>	<u>\$ 57,878,162</u>	18.9%

The District's net position increased approximately \$11 million during the year ended June 30, 2016 from revenues exceeding expenses (see Table III).

Table III			
Changes in Net Position			
	Governmental Activities		
Revenues:	2016	2015	% Change
Program Revenues:			
Charges for services	\$ 10,958,922	\$ 8,445,030	29.8%
Operating grants and contributions	44,517,948	39,973,336	11.4%
General Revenues:			
Property taxes	109,344,253	108,716,297	0.6%
State aid and unrestricted grants	97,133,989	94,236,279	3.1%
Investment earnings	649,772	281,075	131.2%
Miscellaneous	4,361,847	2,585,300	68.7%
Total Revenues	<u>266,966,731</u>	<u>254,237,317</u>	5.0%
Expenses:			
Instruction, curriculum and media services	155,572,970	145,049,361	7.3%
Instructional and school leadership	16,818,314	15,012,459	12.0%
Student support services	17,465,288	15,503,622	12.7%
Food services	10,433,789	10,573,657	-1.3%
Cocurricular/extracurricular activities	9,308,786	6,815,380	36.6%
General administration	6,297,516	5,521,268	14.1%
Plant maintenance, security and data processing	24,387,710	22,910,564	6.4%
Community services	653,963	669,205	-2.3%
Debt service	11,658,180	12,638,356	-7.8%
Capital Outlay	2,684,221	4,712,649	-43.0%
Intergovernmental charges	727,253	781,853	-7.0%
Total Expenses	<u>256,007,990</u>	<u>240,188,374</u>	6.6%
Increase in net position	10,958,741	14,048,943	-22.0%
Beginning net position	57,878,162	79,807,081	-27.5%
Prior Period Adjustment	-	(35,977,862)	-100.0%
Ending Net Position	<u>\$ 68,836,903</u>	<u>\$ 57,878,162</u>	18.9%

Revenues

Overall revenues of the District were \$267 million, a \$12.7 million or 5 percent increase from the prior year. The majority of this increase, approximately \$10 million, came from three areas: operating grants and contributions, state aid, and charges for services. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, implemented in 2014-15, included an additional revenue and related expense for 2015-16 of \$4.7 million for on-behalf expense by the State of Texas for the Teacher Retirement System of Texas pension fund. Charges for services increased predominately from federal reimbursement increases in the child nutrition program along with additional revenue from the reclassification of certain student activity funds (previously reported as fiduciary funds) to campus activity funds. Increases in state aid resulted from changes in the Texas state aid funding formulas for the 2015-16 fiscal year.

Figures 1 and 2 depict the District's revenue sources for fiscal year 2016 and 2015. The graphs show that property taxes are the primary source of revenue for the District followed by state aid and operating grants. The graphs reflect slight changes from the 2015 fiscal year regarding the revenue categories as a percentage of total revenues.

Figure 1

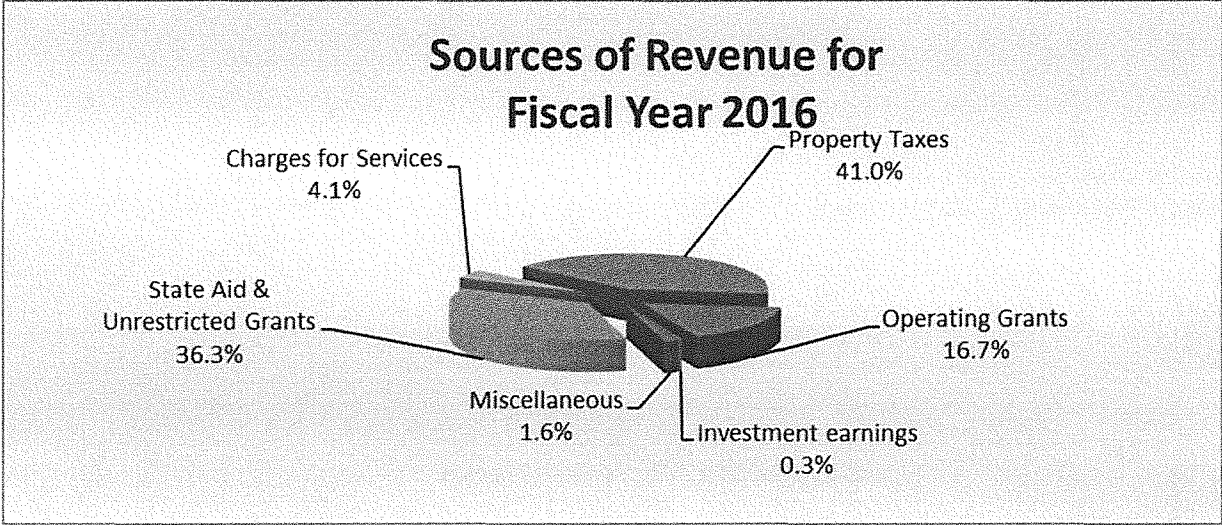
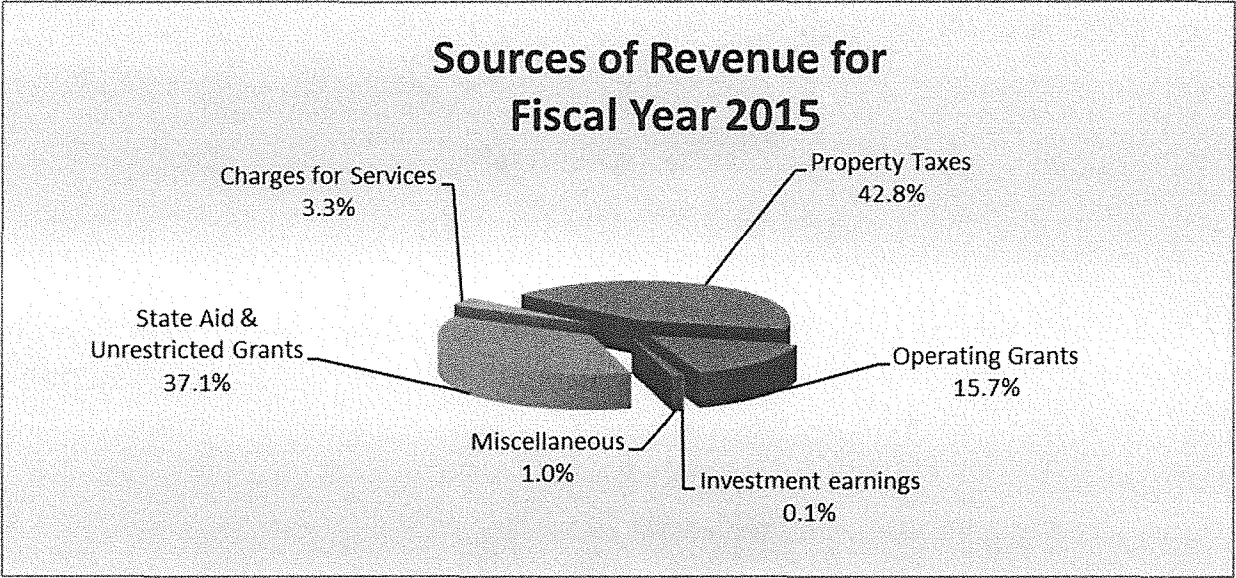


Figure 2

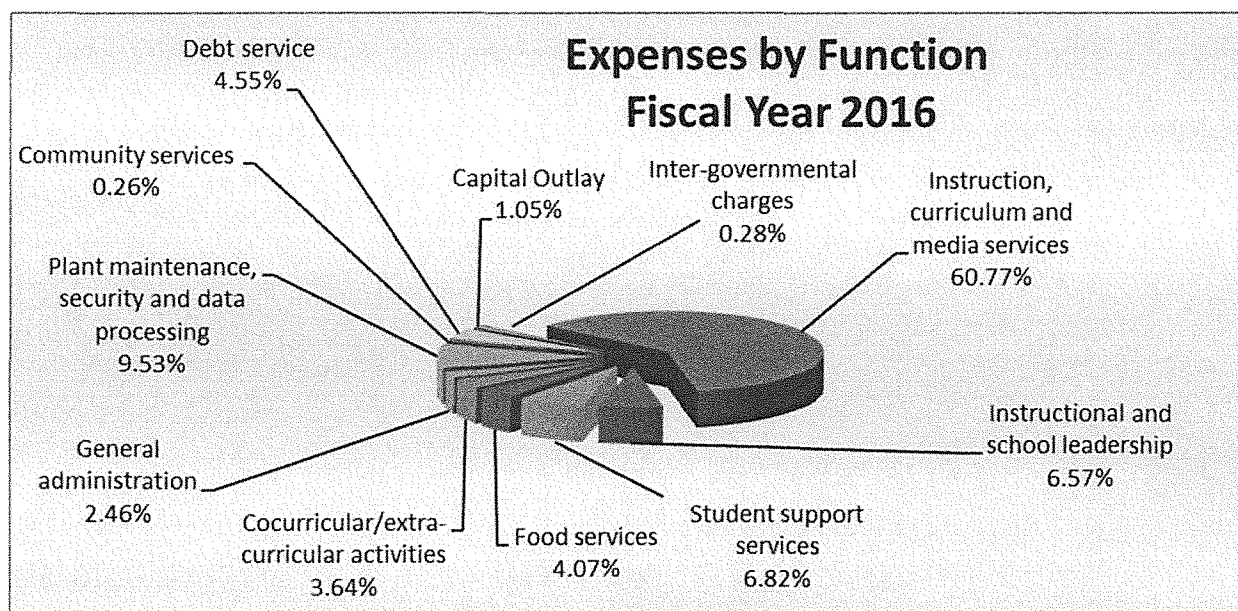


Expenses

Expenses are shown in Table III by functional categories that reflect the purpose of the transaction. Various operating expenses are reflected in each functional category. Total expenses in the current fiscal year were \$256 million, a \$15.8 million or 6.6 percent increase from the prior year. The District adopted a district-wide salary increase of 2.5 percent during fiscal year 2015-16 along with an increase in the District's employee health contribution. In addition, a number of positions were created in the instruction and curriculum areas due to projected enrollment increases and to provide additional support for the instructional programs of the District. Non-personnel increases included software and materials for new instructional programs and expenses related to the reclassification of certain student activity funds to campus activity funds mentioned earlier.

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

Figure 3



	Total Cost of Services			Net Cost of Services		
	2016	2015	% Change	2016	2015	% Change
Instruction, Curriculum & Media Services	\$155,572,970	\$145,049,361	7.3%	\$125,611,435	\$118,629,602	5.9%
Maintenance, Security, & Data Processing	24,387,710	22,910,564	6.4%	23,337,827	21,990,834	6.1%
Student Support Services	17,465,288	15,503,622	12.7%	15,025,966	13,223,076	13.6%

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 \$139,848,463 (as presented in the Balance Sheet on pages 26-27), a decrease of \$50,021,374 from the prior year. An increase in the General Fund of \$3.3 million offset the \$53.1 million decrease in the Capital Projects Fund from expenditures in the 2014 bond program.

The following non-spendable and restricted items, which total \$62,137,165 or 44.4 percent of fund balances, are either unavailable for new spending or limited to specific types of expenditures due to legal restrictions:

An additional 37.3 percent of fund balance, or \$52,151,763, has been committed by the District's Board of Trustees for specific purposes. While technically not available for legal expenditures, these funds are nonetheless at the control of the District. The committed purposes are:

The District has set aside \$11,419,680 million or 8.2 percent of the remaining fund balance as assigned for future contingencies and reserves. The remaining 10.1 percent of fund balance, or \$14,139,855, is available for any legal expenditure at the District's discretion.

The General Fund is the primary operating fund of the District. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. At the end of the current fiscal year, the total fund balance of the General Fund was \$57,939,277 which represents 30.9 percent of fiscal year 2015-16 General Fund expenditures. Of the total fund balance, the District's Board of Trustees elected to commit 15 percent of the fiscal 2016-17 General Fund expenditure budget as the minimum reserve or committed fund balance along with \$2.6 million for future payments to employees for compensated absences. At June 30, 2016, the total committed amount was \$31,759,041.

The fund balance of the General Fund increased \$3,290,533 during the current fiscal year. This increase represents facility projects incomplete at the end of the fiscal year and underspent budgets.

The fund balance of the Debt Service Fund increased \$441,228 from the prior year. Increased property values and previous bond refinancing opportunities allowed the District to prepay \$1.2 million of bond principal and interest during the fiscal year. The entire ending fund balance of \$13,858,413 is reserved for the payment of debt service.

At year end, the Capital Projects Fund had a fund balance of \$42,449,326, a decrease of \$53,137,458 from the prior year. Voters approved a bond election in November 2014 for \$163.2 million. The decrease in the fund is attributable to the expenditure of bonds issued in 2014-15 on the projects approved by the voters. The Capital Projects Fund is reserved for construction.

The District's various special revenue funds ended the year with a combined fund balance of \$25,601,447. This represents a decrease of \$615,677 from the prior year. Revenues typically approximate expenditures in the special revenue funds as grant monies are generally earned when expended. Three noteworthy items for the fiscal year include: a \$3.5 million gas lease settlement from Chesapeake Energy reported as revenue in the Legacy Fund; a Board approved transfer of \$4.2 million from the Legacy Fund to the Local Special Projects fund; and over \$4 million of expenditures in that Local Special Projects fund spent on approved projects.

Proprietary Funds

The District's only proprietary fund is an internal service fund to process the remaining claims from a self-funded workers' compensation program that ended on June 30, 2013. On July 1, 2013, the District moved to a fully-insured workers' compensation plan. This internal service fund exists to handle the residual claims for accidents that occurred prior to July 1, 2013. At year end, the fund had \$476,842 in total net position representing a decrease from the prior year of \$206,302.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. In accordance with Board Policy CE (Local), the District submits amendments during the course of the budget year to the Board of Trustees for approval. The most significant General Fund expenditure amendment presented to the Board of Trustees for approval during the year included the rollover of \$2.7 million in 2014-15 incomplete facility improvement projects.

Budget amendments for general fund revenues included both property tax and state foundation revenues. These were adjusted early in the year to reflect actual certified values and estimated funding for student enrollment. The net effect to the General Fund revenue budget was a \$1.6 million decrease.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the District had invested approximately \$270.3 million in a broad range of capital assets, including land, equipment, and buildings, less depreciation (see Table V). Net capital assets increased approximately \$43 million from the prior year. The largest increase, construction-in-progress, included projects related to the 2014 bond program.

	Governmental Activities		
	2016	2015	% Change
Land	\$16,410,537	\$16,410,537	0.0%
Buildings and Improvements	196,397,295	196,193,228	0.1%
Furniture and Equipment	9,683,296	7,575,812	27.8%
Construction-in-Progress	47,843,911	7,146,041	569.5%
Totals	<u>\$270,335,039</u>	<u>\$227,325,618</u>	18.9%

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

Long-Term Debt

The District had \$312.8 million in long-term debt at year end, a decrease of \$22.6 million from the prior year. The decrease resulted from bond principal payments. The District prepaid \$1.14 million in bond principal during the fiscal year. Over \$10 million in bond principal payments have been prepaid by the District over the last three years. The District has also continued the practice of setting a maximum maturity for facility bonds of no longer than 25 years and an average 5 year maturity for technology equipment purchases.

Table VI			
Long-Term Debt			
	Governmental Activities		
	2016	2015	%
Bonds Payable	\$237,568,750	\$256,386,620	-7.3%
Accreted Interest	25,554,498	27,087,856	-5.7%
Bond Premiums	46,322,087	48,768,401	-5.0%
Capital Leases	58,586	114,650	-48.9%
Public Property Finance Contrac	569,086	-	100.0%
Compensated Absences	2,692,708	3,081,996	-12.6%
Totals	\$312,765,715	\$335,439,523	-6.8%

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

Bond Ratings

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Fiscal year 2015-16 was a period of continued financial improvement for the District. Property values initially increased around 2.6 percent. In November 2015, Texas voters approved a new \$10,000 homestead exemption effective for the 2015-16 fiscal year. While this new exemption decreased tax values, there was no overall loss of revenue due to hold harmless funding provided by the Texas Legislature which covered the drop in values. This hold harmless funding will continue to be provided to districts in future years.

Although student enrollment was relatively flat for the year, increases in the Texas state funding formulas provided additional revenue for the District. This funding provided staff compensation increases and multiple personnel units in the instructional and curriculum areas. Prudent spending during the year resulted in an increase in the General Fund balance of around \$3.3 million. This prudent spending and careful monitoring of resources has allowed the District to continue to maintain a healthy General Fund balance.

Calculating financial forecasts for the 2016-17 fiscal year proved challenging. State funding formulas were basically unchanged by the Texas Legislature during the 84th Legislative session. However, District property values rose over eleven percent, \$200 million above the budgeted projection of eight percent. Projecting student enrollment provided a significant challenge. A new charter school began construction within the District boundaries in January 2016 with plans to open in the fall of 2016. The charter would house 1,200 students from kindergarten through eighth grade. The charter school conducted a lottery in April but provided very little information regarding students from Birdville that would be transferring. Enrollment was estimated to decline 175 students during budget preparation based on preliminary reports from the charter. Around 500 students actually moved to the charter school for the 2016-17 fiscal year. While this loss of students reduced projected revenue, the significant increase in tax values mentioned above offset that loss.

Compensation increases approved by the Board of Trustees included a one percent increase coupled with a one-time \$500 retention bonus for all staff due to the uncertainty of enrollment and final tax values during budget preparation. Most of the additional budgeted items for 2016-17 were classified as one-time expenditures. This classification limited the impact on future budgets in case revenue numbers were lower than expected.

Careful planning by the District, during the preparation of 2016-17 budget, allowed the District to provide competitive compensation for staff; continue strong instructional programs for students; and maintain a balanced budget even with the loss of 500 students to the charter. The M&O tax rate remains at \$1.04 per \$100 of property valuation, the maximum rate allowed without a tax rate election.

In regard to the Debt Service Fund, the District adopted a tax rate of \$0.4139 per \$100 of property value reflecting no increase over the prior year. The tax rate adopted is \$.0135 lower than the rate presented to voters during the 2014 bond election. As mentioned earlier, the District has prepaid over \$10 million in bond principal over the last three years saving taxpayers millions in interest payments.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 111,227,909
1120 Current Investments	26,394,370
1220 Property Taxes Receivable (Delinquent)	8,141,593
1230 Allowance for Uncollectible Taxes	(2,229,362)
1240 Due from Other Governments	30,135,440
1250 Accrued Interest	145,494
1290 Other Receivables, net	301,883
1300 Inventories	615,520
1410 Prepayments	93,788
Capital Assets:	
1510 Land	16,410,537
1520 Buildings, Net	196,397,295
1530 Furniture and Equipment, Net	9,683,296
1580 Construction in Progress	47,843,911
1910 Long Term Investments	7,223,835
1000 Total Assets	452,385,509
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge on Bond Refundings	7,745,830
1705 Deferred Outflows Related to TRS	22,147,169
1700 Total Deferred Outflows of Resources	29,892,999
LIABILITIES	
2110 Accounts Payable	10,481,763
2140 Accrued Interest Payable	3,825,912
2150 Payroll Deductions & Withholdings	2,075,558
2160 Accrued Wages Payable	22,481,598
2177 Due to Fiduciary Funds	844,735
2180 Due to Other Governments	212
2190 Due to Student Groups	249,803
2200 Accrued Expenses	113,727
2300 Unearned Revenue	572,726
Noncurrent Liabilities	
2501 Due Within One Year	25,253,317
2502 Due in More Than One Year	287,512,398
2540 Net Pension Liability (District's Share)	55,871,258
2000 Total Liabilities	409,283,007
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows Related to TRS	4,158,598
2600 Total Deferred Inflows of Resources	4,158,598
NET POSITION	
3200 Net Investment in Capital Assets	28,265,856
3820 Restricted for Federal and State Programs	5,208,724
3850 Restricted for Debt Service	11,076,794
3900 Unrestricted	24,285,529
3000 Total Net Position	\$ 68,836,903

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 145,964,399	\$ 3,282,989	\$ 23,509,692	\$ (119,171,718)
12 Instructional Resources and Media Services	2,759,948	-	151,867	(2,608,081)
13 Curriculum and Staff Development	6,848,623	-	3,016,987	(3,831,636)
21 Instructional Leadership	3,552,478	-	858,065	(2,694,413)
23 School Leadership	13,265,836	-	903,950	(12,361,886)
31 Guidance, Counseling and Evaluation Services	10,124,072	-	1,009,749	(9,114,323)
32 Social Work Services	482,312	-	22,892	(459,420)
33 Health Services	2,923,965	-	198,395	(2,725,570)
34 Student (Pupil) Transportation	3,934,939	-	1,208,286	(2,726,653)
35 Food Services	10,433,789	3,096,980	7,786,621	449,812
36 Extracurricular Activities	9,308,786	4,395,619	245,130	(4,668,037)
41 General Administration	6,297,516	-	1,678,883	(4,618,633)
51 Facilities Maintenance and Operations	19,287,270	182,563	712,377	(18,392,330)
52 Security and Monitoring Services	1,021,077	771	5,562	(1,014,744)
53 Data Processing Services	4,079,363	-	148,610	(3,930,753)
61 Community Services	653,963	-	375,138	(278,825)
72 Debt Service - Interest on Long Term Debt	11,645,621	-	2,407,065	(9,238,556)
73 Debt Service - Bond Issuance Cost and Fees	12,559	-	-	(12,559)
81 Capital Outlay	2,684,221	-	278,679	(2,405,542)
95 Payments to Juvenile Justice Alternative Ed. Prg.	26,832	-	-	(26,832)
97 Payments to Tax Increment Fund	106,705	-	-	(106,705)
99 Other Intergovernmental Charges	593,716	-	-	(593,716)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 256,007,990	\$ 10,958,922	\$ 44,517,948	(200,531,120)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	78,308,528
DT	Property Taxes, Levied for Debt Service	31,035,725
SF	State Aid - Formula Grants	97,117,237
GC	Grants and Contributions not Restricted	16,752
IE	Investment Earnings	649,772
MI	Miscellaneous Local and Intermediate Revenue	4,361,847
TR	Total General Revenues	211,489,861
CN	Change in Net Position	10,958,741
NB	Net Position - Beginning	57,878,162
NE	Net Position--Ending	\$ 68,836,903

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 48,928,418	\$ 10,413,006	\$ 30,936,808
1120 Investments - Current	6,632,277	3,012,467	16,749,626
1220 Property Taxes - Delinquent	6,309,670	1,831,923	-
1230 Allowance for Uncollectible Taxes (Credit)	(1,727,738)	(501,624)	-
1240 Receivables from Other Governments	27,045,228	83,323	-
1250 Accrued Interest	21,968	15,625	25,823
1260 Due from Other Funds	2,135,513	406,757	3,096,104
1290 Other Receivables	96,406	16,574	153,040
1300 Inventories	534,438	-	-
1410 Prepayments	86,263	-	-
1910 Long-Term Investments	-	-	-
1000 Total Assets	<u>\$ 90,062,443</u>	<u>\$ 15,278,051</u>	<u>\$ 50,961,401</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,267,890	\$ -	\$ 8,512,075
2150 Payroll Deductions and Withholdings Payable	2,075,558	-	-
2160 Accrued Wages Payable	20,089,912	-	-
2170 Due to Other Funds	4,823,053	-	-
2180 Due to Other Governments	183	-	-
2190 Due to Student Groups	-	-	-
2300 Unearned Revenues	5,820	375,345	-
2000 Total Liabilities	<u>28,262,416</u>	<u>375,345</u>	<u>8,512,075</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	3,860,750	1,044,293	-
2600 Total Deferred Inflows of Resources	<u>3,860,750</u>	<u>1,044,293</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	534,438	-	-
3430 Prepaid Items	86,263	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	42,449,326
3480 Retirement of Long-Term Debt	-	13,858,413	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	31,759,041	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	11,419,680	-	-
3600 Unassigned Fund Balance	14,139,855	-	-
3000 Total Fund Balances	<u>57,939,277</u>	<u>13,858,413</u>	<u>42,449,326</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 90,062,443</u>	<u>\$ 15,278,051</u>	<u>\$ 50,961,401</u>

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

Other Funds	Total Governmental Funds
\$ 20,358,474	\$ 110,636,706
-	26,394,370
-	8,141,593
-	(2,229,362)
3,006,889	30,135,440
82,078	145,494
475,457	6,113,831
35,863	301,883
81,082	615,520
7,525	93,788
7,223,835	7,223,835
<u>\$ 31,271,203</u>	<u>\$ 187,573,098</u>
\$ 701,798	\$ 10,481,763
-	2,075,558
2,391,686	22,481,598
2,134,879	6,957,932
29	212
249,803	249,803
191,561	572,726
<u>5,669,756</u>	<u>42,819,592</u>
-	4,905,043
-	4,905,043
81,082	615,520
214	86,477
5,127,429	5,127,429
-	42,449,326
-	13,858,413
20,392,722	52,151,763
-	11,419,680
-	14,139,855
<u>25,601,447</u>	<u>139,848,463</u>
<u>\$ 31,271,203</u>	<u>\$ 187,573,098</u>

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BIRDVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balances - Governmental Funds	\$ 139,848,463
1 The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	476,842
2 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.	538,004,483
3 Accumulated depreciation is not reported in the fund financial statements.	(267,669,444)
4 Bonds payable, capital leases payable, and loans payable are not reported in the fund financial statements.	(238,196,422)
5 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.	(25,554,498)
6 Bond premiums on outstanding bonds payable are not reported in the fund financial statements.	(46,322,087)
7 Revenue from property taxes reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	4,905,043
8 Accrued liabilities for compensated absences have not been recorded in the fund financial statements.	(2,692,708)
9 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are recorded when due.	(3,825,912)
10 The deferred charge on bond refundings is not recorded in the fund financial statements, but is shown as a deferred outflow of resources in the government-wide financial statements.	7,745,830
11 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$55,871,258, Deferred Resource Inflows related to TRS in the amount of \$11,312,832, and Deferred Resource Outflows related to TRS in the amount of \$29,301,403. This results in a decrease in Net Position in the amount of \$37,882,687.	(37,882,687)
19 Net Position of Governmental Activities	\$ 68,836,903

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, 2016

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 79,415,573	\$ 30,918,847	\$ 169,939
5800	State Program Revenues	106,855,997	2,407,065	-
5900	Federal Program Revenues	3,644,958	-	257,184
5020	Total Revenues	189,916,528	33,325,912	427,123
EXPENDITURES:				
Current:				
0011	Instruction	115,312,196	-	-
0012	Instructional Resources and Media Services	2,503,370	-	-
0013	Curriculum and Instructional Staff Development	3,528,658	-	-
0021	Instructional Leadership	2,492,550	-	-
0023	School Leadership	11,708,752	-	-
0031	Guidance, Counseling and Evaluation Services	8,600,291	-	-
0032	Social Work Services	429,271	-	-
0033	Health Services	2,580,223	-	-
0034	Student (Pupil) Transportation	4,158,531	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	4,872,962	-	-
0041	General Administration	5,385,362	-	-
0051	Facilities Maintenance and Operations	19,522,473	-	-
0052	Security and Monitoring Services	1,023,773	-	-
0053	Data Processing Services	3,948,717	-	80,243
0061	Community Services	256,614	-	-
Debt Service:				
0071	Principal on Long Term Debt	56,064	17,677,870	-
0072	Interest on Long Term Debt	5,158	14,001,205	-
0073	Bond Issuance Cost and Fees	5,000	7,559	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	377,863	-	53,484,338
Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	26,832	-	-
0097	Payments to Tax Increment Fund	106,705	-	-
0099	Other Intergovernmental Charges	593,716	-	-
6030	Total Expenditures	187,495,081	31,686,634	53,564,581
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	2,421,447	1,639,278	(53,137,458)
OTHER FINANCING SOURCES (USES):				
7914	Non-Current Loans	569,086	-	-
7915	Transfers In	300,000	-	-
8911	Transfers Out (Use)	-	-	-
8949	Other (Uses)	-	(1,198,050)	-
7080	Total Other Financing Sources (Uses)	869,086	(1,198,050)	-
1200	Net Change in Fund Balances	3,290,533	441,228	(53,137,458)
0100	Fund Balance - July 1 (Beginning)	54,648,744	13,417,185	95,586,784
3000	Fund Balance - June 30 (Ending)	\$ 57,939,277	\$ 13,858,413	\$ 42,449,326

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

	Other Funds	Total Governmental Funds
\$	13,263,398	\$ 123,767,757
	4,269,976	113,533,038
	20,600,350	24,502,492
	38,133,724	261,803,287
	15,009,569	130,321,765
	13,855	2,517,225
	2,618,385	6,147,043
	613,097	3,105,647
	2,914	11,711,666
	317,205	8,917,496
	-	429,271
	608	2,580,831
	64,342	4,222,873
	10,658,217	10,658,217
	4,087,530	8,960,492
	347,240	5,732,602
	1,103,372	20,625,845
	771	1,024,544
	27,690	4,056,650
	341,812	598,426
	-	17,733,934
	-	14,006,363
	-	12,559
	3,542,794	57,404,995
	-	26,832
	-	106,705
	-	593,716
	38,749,401	311,495,697
	(615,677)	(49,692,410)
	-	569,086
	4,134,385	4,434,385
	(4,134,385)	(4,134,385)
	-	(1,198,050)
	-	(328,964)
	(615,677)	(50,021,374)
	26,217,124	189,869,837
\$	25,601,447	\$ 139,848,463

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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ (50,021,374)
The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net effect of this consolidation is to decrease net position.	(206,302)
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions increases government-wide net position.	58,755,263
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease government-wide net position.	(15,745,842)
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.	17,733,934
The current year decrease in accreted interest payable on capital appreciation bonds is not recorded in the fund financial statements. The net effect of the current year's change in accreted interest payable on capital appreciation bonds is to increase government-wide net position.	1,533,358
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.	2,446,314
Current year amortization of the deferred charge on bond refundings is not reflected in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.	(689,488)
The current year change in accrued liabilities for compensated absences has not been recorded in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	389,288
Interest is accrued on outstanding debt in the government-wide financial statements, but interest is expended as due in the fund financial statements.	(929,442)
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.	475,548

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, 2016

<p>The current year proceeds from loans payable is shown as other resources in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.</p>	(569,086)
<p>The current year payment to the escrow agent for refunding debt is an other financing use in the fund financial statements, but is reported as a reduction in long-term debt in the government-wide financial statements. The payments of \$131,440,657 include the payments to refund bonds of \$123,396,485 plus accrued interest of \$475,018 and a deferred loss on bond refundings of \$7,569,154.</p>	1,198,050
<p>The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase by \$256,531. These contributions were replaced with the District's pension expense for the year of \$3,668,011, which caused a decrease in the change in net position. The net effect of all of these is to decrease the change in net position by \$3,411,480.</p>	(3,411,480)
<p>Change in Net Position of Governmental Activities</p>	<hr style="border: 0.5px solid black;"/> \$ 10,958,741 <hr style="border: 0.5px solid black;"/>

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

EXHIBIT D-1

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 591,203
Total Assets	591,203
LIABILITIES	
Current Liabilities:	
Due to Other Funds	634
Accrued Expenses	113,727
Total Liabilities	114,361
NET POSITION	
Unrestricted Net Position	476,842
Total Net Position	\$ 476,842

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 92,387
Total Operating Revenues	92,387
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	1,311
Total Nonoperating Revenues (Expenses)	1,311
Income Before Transfers	93,698
Transfers Out	(300,000)
Change in Net Position	(206,302)
Total Net Position - July 1 (Beginning)	683,144
Total Net Position - June 30 (Ending)	\$ 476,842

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, 2016

	Governmental Activities -
	Internal Service Fund
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Payments for Claims	\$ (32,474)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	(300,000)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	1,311
Net Decrease in Cash and Cash Equivalents	(331,163)
Cash and Cash Equivalents at Beginning of Year	922,366
Cash and Cash Equivalents at End of Year	\$ 591,203
<hr/>	
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income:	\$ 92,387
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Due to Other Funds	(16,417)
Increase (decrease) in Accrued Expenses	(108,444)
Net Cash Used for Operating Activities	\$ (32,474)

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

EXHIBIT E-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 21,813
Due from Other Funds	844,735
Total Assets	<u>\$ 866,548</u>
LIABILITIES	
Accounts Payable	\$ 2,398
Due to Student Groups	864,150
Total Liabilities	<u>\$ 866,548</u>

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

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

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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.

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

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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

D. Fund Accounting

The District reports the following major governmental funds:

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

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

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.

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.

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.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Fund Accounting – Continued

Fiduciary Funds:

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

E. Implementation of New Standards

In fiscal year 2015, the District implemented the following new standards:

GASB Statement 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71") amends the transition provisions of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Implementation is reflected in the financial statements and the notes to the financial statements.

F. 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.

G. Investments

In accordance with GASB Statement No, 31, the District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at June 30, 2016. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. 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.

I. 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.

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.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. 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.

K. Accounting Estimates

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

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

L. 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.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. 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.

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

Assets	Years
Buildings	15-45
Vehicles	5-10
Office Equipment	5-15
Computer Equipment	3-10

N. Long-Term Debt

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

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

NOTE 2. FUND BALANCE

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2. FUND BALANCE – CONTINUED

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventories and prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees delegated this authority to the Superintendent or the Superintendent's designee. 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, 2016 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.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2. FUND BALANCE – CONTINUED

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

General Fund

The General Fund has unassigned fund balance of \$14,139,855 at June 30, 2016. Inventories of \$534,438 and \$86,263 of prepaid items are considered nonspendable fund balance.

The Board of Trustees has adopted a resolution committing a portion of the General Fund fund balance equal to fifteen percent of General Fund operating expenditures in the following year's adopted budget. This commitment was \$29,159,041 as of June 30, 2016. The District has also committed General Fund fund balance of \$2,600,000 for future payments of compensated absences.

The District has assigned \$11,419,680 of the General Fund fund balance as additional operating reserves.

Other Major Funds

The Debt Service Fund has restricted funds of \$13,858,413 at June 30, 2016 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

The fund balance of \$42,449,326 in the Capital Projects Fund is shown as restricted for capital acquisitions.

Other Funds

Inventories of \$81,082 and \$214 of prepaid items in the National School Breakfast and Lunch Program Fund are considered nonspendable fund balance.

The following special revenue funds fund balances are restricted by Federal, State or other grant restrictions:

National Breakfast & Lunch Program	\$5,097,582
Advanced Placement Incentives	<u>29,847</u>
Total	<u>\$5,127,429</u>

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

Campus Activities	\$ 703,200
Other Local Special Revenue Funds	122,116
Local Special Projects	6,032,599
Legacy Fund	<u>13,534,807</u>
Total	<u>\$20,392,722</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3. BONDED DEBT PAYABLE

Bonded debt payable as of June 30, 2016 is as follows:

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 7/1/2014	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 6/30/2015
Unlimited Tax Building Bonds Series 1998	3.70-4.90	9,495,589	\$ 5,141,444	\$ -	\$ -	\$ 226,219	\$ 4,915,225
Unlimited Tax School Building and Refunding Bonds Series 1999	4.60-6.27	11,827,132	4,490,515	-	-	1,533,304	2,957,211
Unlimited Tax Building Bonds Series 2000	5.30-6.79	10,140,000	326,347	-	-	246,229	80,118
Unlimited Tax School Building and Refunding Bonds Series 2002	3.88-5.54	15,673,486	9,460,794	-	-	780,784	8,680,010
Unlimited Tax School Building and Refunding Bonds Series 2007	3.26-4.23	95,507,115	10,838,842	-	1,140,000	644,737	9,054,105
Unlimited Tax School Building Bonds Series 2008A	2.00-4.21	37,850,000	4,010,000	-	-	750,000	3,260,000
Unlimited Tax School Building Bonds Series 2008B	2.00-3.42	4,750,000	2,265,000	-	-	2,265,000	-
Unlimited Tax Refunding Bonds Series 2012	0.95-1.73	21,616,597	21,616,597	-	-	996,597	20,620,000
Unlimited Tax Refunding Bonds Series 2014	0.16-0.33	20,245,000	7,950,000	-	-	7,950,000	-
Unlimited Tax School Building Bonds Series 2015A	2.00-5.00	91,975,000	91,975,000	-	-	2,060,000	89,915,000
Unlimited Tax Refunding Bonds Series 2015B	1.21-5.00	98,312,081	98,312,081	-	-	225,000	98,087,081
Total bonded debt payable			<u>\$ 256,386,620</u>	<u>\$ -</u>	<u>\$ 1,140,000</u>	<u>\$ 17,677,870</u>	<u>\$ 237,568,750</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3. BONDED DEBT PAYABLE – CONTINUED

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

Fiscal Year Ending June 30	Principal	Interest	Total
2017	\$ 12,729,055	\$ 20,558,376	\$ 33,287,431
2018	11,174,123	19,498,158	30,672,281
2019	8,682,472	21,723,959	30,406,431
2020	12,498,611	18,069,970	30,568,581
2021	17,925,565	13,199,016	31,124,581
2022-2026	73,128,924	34,915,202	108,044,126
2027-2031	58,400,000	18,667,250	77,067,250
2032-2036	25,755,000	7,424,500	33,179,500
2037-2040	17,275,000	2,212,000	19,487,000
	<u>\$237,568,750</u>	<u>\$156,268,431</u>	<u>\$393,837,181</u>

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

NOTE 4. DEBT REFUNDING AND DEFEASED BONDS OUTSTANDING

In February 2016, the District advance refunded \$1,140,000 (par value) of bonds by paying \$1,198,050 into an irrevocable escrow account. All future payments on the refunded bonds will be paid from the escrow account. The refunded bonds will be redeemed in February 2017, the call date of the bonds.

In prior years, the District has defeased other bond series in advance refunding transactions. As of June 30, 2016, there were \$103,237,700 (par value) of defeased bonds outstanding.

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

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

Balance – June 30, 2015	\$8,377,268
Current year deferred loss on bond refundings	58,050
Current year amortization	<u>(689,488)</u>
Balance – June 30, 2016	<u>\$7,745,830</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 5. PUBLIC PROPERTY FINANCE CONTRACT

The District has executed an agreement under the Public Property Finance Act to provide funds for the District to purchase buses. The agreement, dated December 1, 2015, provides for borrowing of \$569,086. The balance due on the contract as of June 30, 2016 was \$569,086.

The contract calls for five annual principal payments plus semi-annual interest payments. The first interest payment is due August 15, 2016.

Presented below is a summary of the debt service requirements to maturity:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$109,981	\$11,663	\$121,644
2018	111,866	7,805	119,671
2019	113,784	5,903	119,687
2020	115,735	3,969	119,704
2021	117,720	2,001	119,721
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$569,086</u>	<u>\$31,341</u>	<u>\$600,427</u>

NOTE 6. CAPITAL LEASE

The District has entered into a financing agreement involving software pursuant to Section 4 of Article 2358 A.2 of the Texas Education Code, which has been classified as a capital lease with an interest rate of 4.50%. The current servicing of the capital lease is accounted for in the General Fund.

The following is a schedule by year of the future minimum lease payments under the capital lease together with the present value of net minimum future lease payments as of June 30, 2016:

<u>Year Ending</u> <u>June 30</u>	
2017	<u>\$ 61,222</u>
Total future minimum lease payments	61,222
Less amount representing interest	<u>2,636</u>
Present value of net minimum lease payments	<u>\$ 58,586</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 7. ACCUMULATED UNPAID SICK LEAVE BENEFITS

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

Balance, July 1, 2015	\$ 3,081,996
New entrants and sick leave accruals	(24,012)
Payments to participants	<u>(365,276)</u>
Balance, June 30, 2016	<u>\$ 2,692,708</u>

NOTE 8. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended June 30, 2016 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental Activities					
Bonds and Notes Payable					
General Obligation Bonds	\$256,386,620	\$ -	\$ 18,817,870	\$237,568,750	\$12,729,055
Accreted Interest	27,087,856	2,893,804	4,427,162	25,554,498	9,951,446
Bond Premiums	48,768,401	-	2,446,314	46,322,087	2,146,969
Capital Leases	114,650	-	56,064	58,586	58,586
Public Property Finance Contract	-	569,086	-	569,086	109,981
Compensated Absences	<u>3,081,996</u>	<u>(24,012)</u>	<u>365,276</u>	<u>2,692,708</u>	<u>257,280</u>
	<u>\$335,439,523</u>	<u>\$3,438,878</u>	<u>\$ 26,112,686</u>	<u>\$312,765,715</u>	<u>\$25,253,317</u>

NOTE 9. CAPITAL ASSET ACTIVITY

Capital asset activity for the district for the year ended June 30, 2016 was as follows:

Primary government:

	Balance <u>7/1/2015</u>	Additions <u>(Transfers)</u>	<u>Deletions</u>	Balance <u>6/30/2016</u>
Capital assets, not being depreciated				
Land	\$ 16,410,537	\$ -	\$ -	\$ 16,410,537
Construction in Progress	<u>7,146,041</u>	<u>45,754,410</u>	<u>5,056,540</u>	<u>47,843,911</u>
Total capital assets, not being depreciated	<u>23,556,578</u>	<u>45,754,410</u>	<u>5,056,540</u>	<u>64,254,448</u>
Capital assets, being depreciated				
Buildings and Improvements	427,926,202	13,641,122	-	441,567,324
Furniture and Equipment	<u>27,932,109</u>	<u>4,416,271</u>	<u>165,669</u>	<u>32,182,712</u>
Total capital assets, being depreciated	<u>455,858,311</u>	<u>18,057,393</u>	<u>165,669</u>	<u>473,750,035</u>
Less accumulated depreciation on				
Buildings and Improvements	231,732,974	13,437,055	-	245,170,029
Furniture and Equipment	<u>20,356,297</u>	<u>2,308,787</u>	<u>165,669</u>	<u>22,499,415</u>
Total capital assets, being depreciated, net	203,769,040	2,311,551	-	206,080,591
Governmental activities capital assets, net	<u>\$227,325,618</u>	<u>\$ 48,065,961</u>	<u>\$ 5,056,540</u>	<u>\$270,335,039</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 9. CAPITAL ASSET ACTIVITY - CONTINUED

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

Instruction	\$ 10,474,165
Instructional resources and media services	170,882
Curriculum and instructional staff development	461,425
Instructional leadership	259,376
School leadership	1,005,627
Guidance, counseling, and evaluation services	738,512
Social work services	37,590
Health services	220,428
Student (pupil) transportation	268,524
Food services	378,469
Co-curricular/extracurricular activities	262,223
General administration	364,260
Plant maintenance and operations	857,159
Security and monitoring services	9,621
Data processing services	195,877
Community services	<u>41,704</u>
 Total depreciation expense	 <u><u>\$ 15,745,842</u></u>

NOTE 10. DEPOSITS AND INVESTMENTS

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

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 9. DEPOSITS AND INVESTMENTS - CONTINUED

<u>Authorized Investment Type</u>	<u>Maximum Maturity *</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	5 years	none	none
U.S. Agency obligations	5 years	none	none
State and municipal securities	5 years	none	none
Certificates of deposit	5 years	none	none
Repurchase agreements	5 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 Legacy 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, 2016 are classified in the accompanying financial statements as follows:

Primary government	\$111,227,909
Fiduciary funds	<u>21,813</u>
	<u>\$111,249,722</u>

Cash and investments as of June 30, 2016 consist of the following:

Deposits with financial institutions	\$ 3,016,427
Other cash equivalents	108,233,295
Investments – Current	26,394,370
Investments – Long-term	<u>7,223,835</u>
	<u>\$144,867,927</u>

Disclosures Relating to Interest Rate Risk

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 9. DEPOSITS AND INVESTMENTS – CONTINUED

As of June 30, 2016, the District had the following cash equivalents and investments:

<u>Account/Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
TexPool	\$105,430,791	47 days
Lone Star	557,759	25 days
MBIA Texas CLASS	2,236,045	56 days
Certificates of deposit	831,311	(1)
U.S. Agency securities	26,530,815	(1)
State and municipal securities	<u>6,256,079</u>	(1)
	<u>\$141,842,800</u>	

(1) These securities have various maturity dates ranging from August 2016 through October 2026.

Disclosures Relating to Credit Risk

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

<u>Account/Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of June 30, 2016</u>
TexPool	\$105,430,791	AAA	AAAm
Lone Star	557,759	AAA	AAAm
MBIA Texas CLASS	2,236,045	AAA	AAAm
Certificates of deposit	831,311	N/A	N/A
U.S. Agency securities	26,530,815	N/A	N/A
State and municipal securities	6,256,079	A or better	A or better

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. As of June 30, 2016, other than bank deposits, external investment pools, and securities guaranteed by the U.S. Government, the District did not have 5% or more of its investment with one issuer.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 9. DEPOSITS AND INVESTMENTS - CONTINUED

Custodial Credit Risk

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

As of June 30, 2016 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: Frost Bank
- B. Security pledged as of the date of the highest combined balance on deposit was \$58,494,000.
- C. Largest cash, savings and time deposit combined account balance amounted to \$55,853,000 and occurred during the month of August 2015.
- D. Total amount of FDIC coverage at the time of largest combined balance was \$250,000.

Investment in State Investment Pools

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

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 9. DEPOSITS AND INVESTMENTS – CONTINUED

Investment in State Investment Pools - continued

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

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

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

<u>Investments by Fair Value level:</u>	<u>Fair Value Measurements Using</u>			
	<u>Balance at 6/30/16</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificates of Deposit	\$ 831,311	\$ -	\$ 831,311	\$ -
U.S. Agency Securities	26,530,815	-	26,530,815	-
State and Municipal Securities	6,256,079	-	6,256,079	-
Total	<u>\$33,618,205</u>	<u>\$ -</u>	<u>\$33,618,205</u>	<u>\$ -</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 9. DEPOSITS AND INVESTMENTS – CONTINUED

Fair Value Measurements - continued

The fair value of the certificates of deposit, U.S. Agency securities and state and municipal securities at June 30, 2016 was determined based on level 2 inputs. The District estimates the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District's investment in State Investment Pools (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

NOTE 10. DEFINED BENEFIT PENSION PLAN

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

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

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

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 10. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2015 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016.

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Birdville ISD FY2016 Employer Contributions	\$	4,786,612
Birdville ISD FY2016 Member Contributions	\$	10,629,688
Birdville ISD 2015 NECE On-Behalf Contributions	\$	6,908,151

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 10. DEFINED BENEFIT PENSION PLAN – CONTINUED

Contributions - continued

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during the fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source.

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

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

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 10. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 10. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Birdville ISD's proportionate share of the net pension liability:	\$87,539,728	\$55,871,258	\$29,493,386

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, Birdville Independent School District reported a liability of \$55,871,258 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Birdville Independent School District. The amount recognized by Birdville Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Birdville Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 55,871,258
State's proportionate share that is associated with the District	<u>82,444,446</u>
Total	<u>\$138,315,704</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.1580576%, an increase of 35.3% from its proportionate share of 0.1168407% at August 31, 2014.

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

Economic Assumptions

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 10. DEFINED BENEFIT PENSION PLAN – CONTINUED

Changes Since the Prior Actuarial Valuation - continued

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 10. DEFINED BENEFIT PENSION PLAN – CONTINUED

Changes Since the Prior Actuarial Valuation – continued

For the year ended June 30, 2016, Birdville Independent School District recognized pension expense of \$11,747,007 and revenue of \$11,747,007 for support provided by the State.

At June 30, 2016, Birdville Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 401,420	\$2,147,182
Changes in actuarial assumptions	1,687,178	1,993,242
Difference between projected and actual investment earnings	6,605,613	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	9,422,046	18,174
Contributions paid to TRS subsequent to the measurement date	4,030,912	-
Total	\$22,147,169	\$4,158,598

\$4,030,912 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2017	\$ 2,369,405
2018	2,369,405
2019	2,369,406
2020	4,754,149
2021	1,289,162
2022	806,132

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% (0.5% prior to September 1, 2012) and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. 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, 2016, 2015 and 2014, the State's contributions to TRS-Care were \$1,409,925, \$1,361,951, and \$876,247, respectively, the active member contributions were \$970,823, \$938,559, and \$913,721, respectively, and the school district's contribution were \$905,112, \$876,185, and \$875,634, 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, 2016, the contribution made on behalf of the District was \$440,892.

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.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 12. RISK MANAGEMENT - CONTINUED

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

The claims liability of \$113,727 reported in the self-insurance fund at June 30, 2016 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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Liability, beginning of year	\$ 222,171	\$ 361,490
Current year claims and changes in estimates	(92,387)	(38,301)
Claim payments	<u>(16,057)</u>	<u>(101,018)</u>
Liability, end of year	<u>\$ 113,727</u>	<u>\$ 222,171</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, 2016, 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.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 14. DUE FROM STATE AGENCIES - CONTINUED

<u>Fund</u>	State <u>Entitlements</u>	Federal <u>Grants</u>	<u>Total</u>
General	\$ 27,045,228	\$ -	\$ 27,045,228
Debt Service	83,323	-	83,323
Special Revenue	<u>228,236</u>	<u>2,778,653</u>	<u>3,006,889</u>
Total	<u>\$ 27,356,787</u>	<u>\$ 2,778,653</u>	<u>\$ 30,135,440</u>

NOTE 15. UNEARNED REVENUE

Unearned revenue at June 30, 2016 consisted of the following:

	General <u>Fund</u>	Debt Service <u>Fund</u>	Special Revenue <u>Funds</u>	<u>Total</u>
Grant funds	\$ -	\$ -	\$191,561	\$191,561
State funding	-	375,345	-	375,345
Tuition	<u>5,820</u>	-	-	<u>5,820</u>
Total	<u>\$ 5,820</u>	<u>\$375,345</u>	<u>\$191,561</u>	<u>\$572,726</u>

NOTE 16. INTERFUND BALANCES AND ACTIVITIES

Interfund balances at June 30, 2016 consisted of the following individual fund balances:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
<u>General Fund</u>			
Special Revenue Funds	\$2,134,879	\$ 475,457	Deficit of pooled cash / reimbursement of expenditures
Debt Service Fund	-	406,757	Pending tax collection transfers
Capital Projects Fund	-	3,096,104	Reimbursement of expenditures
Internal Service Fund	634	-	Reimbursement of expenditures
Agency Fund	-	<u>844,735</u>	Deficit of pooled cash
Total General Fund	<u>2,135,513</u>	<u>4,823,053</u>	
<u>Debt Service Funds</u>			
General Fund	<u>406,757</u>	-	Pending tax collection transfers
<u>Capital Projects Fund</u>			
General Fund	<u>3,096,104</u>	-	Reimbursement of expenditures
<u>Special Revenue Funds</u>			
General Fund	<u>475,457</u>	<u>2,134,879</u>	Deficit of pooled cash / reimbursement of expenditures
<u>Proprietary Fund</u>			
General Fund	-	<u>634</u>	Reimbursement of expenditures
<u>Agency Fund</u>			
General Fund	<u>844,735</u>	-	Deficit of pooled cash
Totals	<u>\$ 6,958,566</u>	<u>\$ 6,958,566</u>	

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 16. INTERFUND BALANCES AND ACTIVITIES – CONTINUED

During the year ended June 30, 2016, the District transferred \$300,000 from the District's Internal Service Fund to the District's General Fund as a residual equity transfer.

NOTE 17. CONSTRUCTION COMMITMENTS

As of June 30, 2016, the District had entered into several construction contracts for various construction projects totaling \$100,520,502. At June 30, 2016, there was \$61,697,114 remaining costs under these contracts.

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT G-1

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 82,303,849	\$ 79,394,138	\$ 79,415,573	\$ 21,435
5800	State Program Revenues	105,323,059	107,396,279	106,855,997	(540,282)
5900	Federal Program Revenues	2,673,120	3,584,200	3,644,958	60,758
5020	Total Revenues	190,300,028	190,374,617	189,916,528	(458,089)
EXPENDITURES:					
Current:					
0011	Instruction	117,492,346	117,324,485	115,312,196	2,012,289
0012	Instructional Resources and Media Services	2,596,638	2,678,083	2,503,370	174,713
0013	Curriculum and Instructional Staff Development	3,878,593	3,887,819	3,528,658	359,161
0021	Instructional Leadership	2,637,518	2,694,622	2,492,550	202,072
0023	School Leadership	11,921,836	12,073,186	11,708,752	364,434
0031	Guidance, Counseling and Evaluation Services	8,630,261	8,804,902	8,600,291	204,611
0032	Social Work Services	446,437	432,126	429,271	2,855
0033	Health Services	2,648,128	2,636,427	2,580,223	56,204
0034	Student (Pupil) Transportation	4,011,177	4,648,217	4,158,531	489,686
0036	Extracurricular Activities	5,094,790	5,072,018	4,872,962	199,056
0041	General Administration	5,529,006	5,834,265	5,385,362	448,903
0051	Facilities Maintenance and Operations	18,871,176	21,585,908	19,522,473	2,063,435
0052	Security and Monitoring Services	1,213,490	1,148,616	1,023,773	124,843
0053	Data Processing Services	4,381,486	4,488,242	3,948,717	539,525
0061	Community Services	350,308	330,008	256,614	73,394
Debt Service:					
0071	Principal on Long Term Debt	56,074	56,074	56,064	10
0072	Interest on Long Term Debt	5,159	5,159	5,158	1
0073	Bond Issuance Cost and Fees	-	5,000	5,000	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	70,000	615,023	377,863	237,160
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	65,000	65,000	26,832	38,168
0097	Payments to Tax Increment Fund	145,000	115,000	106,705	8,295
0099	Other Intergovernmental Charges	667,000	637,000	593,716	43,284
6030	Total Expenditures	190,711,423	195,137,180	187,495,081	7,642,099
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(411,395)	(4,762,563)	2,421,447	7,184,010
OTHER FINANCING SOURCES (USES):					
7914	Non-Current Loans	-	569,086	569,086	-
7915	Transfers In	300,000	300,000	300,000	-
7080	Total Other Financing Sources (Uses)	300,000	869,086	869,086	-
1200	Net Change in Fund Balances	(111,395)	(3,893,477)	3,290,533	7,184,010
0100	Fund Balance - July 1 (Beginning)	54,648,744	54,648,744	54,648,744	-
3000	Fund Balance - June 30 (Ending)	\$ 54,537,349	\$ 50,755,267	\$ 57,939,277	\$ 7,184,010

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT G-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.1580576%	0.1168407%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 55,871,258	\$ 31,209,767
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	82,444,446	71,390,585
Total	<u>\$ 138,315,704</u>	<u>\$ 102,600,352</u>
District's Covered-Employee Payroll	\$ 144,396,132	\$ 141,661,698
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	38.69%	22.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

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

EXHIBIT G-3

	2016	2015
Contractually Required Contribution	\$ 4,654,113	\$ 4,258,222
Contribution in Relation to the Contractually Required Contribution	(4,654,113)	(4,258,222)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 149,356,292	\$ 144,396,132
Contributions as a Percentage of Covered-Employee Payroll	3.12%	2.95%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

BUDGETARY DATA

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

The following procedures are followed in establishing the budgetary data:

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

<u>Function</u>	<u>Increase (Decrease)</u>
Student Transportation	\$ 637,040
General Administration	305,259
Facilities Maintenance and Operations	2,714,732
Facilities Acquisition and Construction	545,023

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

PENSION INFORMATION

Changes of benefit terms.

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

Changes of assumptions.

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

Economic Assumptions

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

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	220 Adult Education Federal	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS				
1110	\$ -	\$ -	\$ -	\$ -
1240	795,941	75,828	1,106,640	26,607
1250	-	-	-	-
1260	-	-	-	-
1290	1,615	-	-	-
1300	-	-	-	-
1410	-	-	-	-
1910	-	-	-	-
1000	<u>\$ 797,556</u>	<u>\$ 75,828</u>	<u>\$ 1,106,640</u>	<u>\$ 26,607</u>
LIABILITIES				
2110	\$ 7,981	\$ -	\$ 1,425	\$ -
2160	470,352	10,238	726,182	17,682
2170	319,223	65,590	379,033	8,925
2180	-	-	-	-
2190	-	-	-	-
2300	-	-	-	-
2000	<u>797,556</u>	<u>75,828</u>	<u>1,106,640</u>	<u>26,607</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	-	-	-	-
3430	-	-	-	-
Restricted Fund Balance:				
3450	-	-	-	-
Committed Fund Balance:				
3545	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 797,556</u>	<u>\$ 75,828</u>	<u>\$ 1,106,640</u>	<u>\$ 26,607</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	272 Medicaid Admin. Claim MAC	276 Title I - SIP Academy Grant	289 Other Federal Special Revenue Funds
\$ 5,710,679	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
50,104	37,617	126,355	69,364	457,643	129	-	12,989
-	-	-	-	-	-	-	-
-	-	-	-	-	7,401	29	-
25,960	-	-	-	303	-	-	-
81,082	-	-	-	-	-	-	-
214	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 5,868,039</u>	<u>\$ 37,617</u>	<u>\$ 126,355</u>	<u>\$ 69,364</u>	<u>\$ 457,946</u>	<u>\$ 7,530</u>	<u>\$ 29</u>	<u>\$ 12,989</u>
\$ 41,697	\$ 1,156	\$ -	\$ -	\$ 30,256	\$ -	\$ -	\$ 1,238
614,156	15,156	82,506	43,118	154,097	7,530	-	-
33,308	21,305	43,849	26,246	273,593	-	-	11,751
-	-	-	-	-	-	29	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>689,161</u>	<u>37,617</u>	<u>126,355</u>	<u>69,364</u>	<u>457,946</u>	<u>7,530</u>	<u>29</u>	<u>12,989</u>
81,082	-	-	-	-	-	-	-
214	-	-	-	-	-	-	-
5,097,582	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>5,178,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 5,868,039</u>	<u>\$ 37,617</u>	<u>\$ 126,355</u>	<u>\$ 69,364</u>	<u>\$ 457,946</u>	<u>\$ 7,530</u>	<u>\$ 29</u>	<u>\$ 12,989</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

Data Control Codes	315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf	340 SSA - IDEA C Deaf - Early Intervention
ASSETS				
1110	\$ -	\$ -	\$ -	\$ -
1240	5,561	8,619	3,708	1,548
1250	-	-	-	-
1260	1,622	-	-	-
1290	-	-	-	-
1300	-	-	-	-
1410	-	-	-	-
1910	-	-	-	-
1000	<u>\$ 7,183</u>	<u>\$ 8,619</u>	<u>\$ 3,708</u>	<u>\$ 1,548</u>
LIABILITIES				
2110	\$ -	\$ -	\$ -	\$ -
2160	7,183	3,368	-	-
2170	-	5,251	3,708	1,548
2180	-	-	-	-
2190	-	-	-	-
2300	-	-	-	-
2000	<u>7,183</u>	<u>8,619</u>	<u>3,708</u>	<u>1,548</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	-	-	-	-
3430	-	-	-	-
Restricted Fund Balance:				
3450	-	-	-	-
Committed Fund Balance:				
3545	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 7,183</u>	<u>\$ 8,619</u>	<u>\$ 3,708</u>	<u>\$ 1,548</u>

385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 Instructional Materials Fund	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf	461 Campus Activity Funds	489 Other Local Special Revenue Funds	490 Local Special Projects
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,807,696	\$ -	\$ 6,564,801
4,454	-	109,966	9,589	104,227	-	-	-
-	-	-	-	-	-	-	-
-	27,453	-	-	85,577	-	319,387	-
-	-	-	-	1,138	-	6,847	-
-	-	-	-	-	-	-	-
-	2,399	4,912	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 4,454</u>	<u>\$ 29,852</u>	<u>\$ 114,878</u>	<u>\$ 9,589</u>	<u>\$ 190,942</u>	<u>\$ 1,807,696</u>	<u>\$ 326,234</u>	<u>\$ 6,564,801</u>
\$ 65	\$ 5	\$ 1,320	\$ -	\$ 1,090	\$ 19,783	\$ 5,799	\$ 532,202
-	-	21,508	-	189,852	-	6,758	-
4,389	-	92,050	9,589	-	834,974	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	249,739	-	-
-	-	-	-	-	-	191,561	-
<u>4,454</u>	<u>5</u>	<u>114,878</u>	<u>9,589</u>	<u>190,942</u>	<u>1,104,496</u>	<u>204,118</u>	<u>532,202</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	29,847	-	-	-	-	-	-
-	-	-	-	-	703,200	122,116	6,032,599
-	29,847	-	-	-	703,200	122,116	6,032,599
<u>\$ 4,454</u>	<u>\$ 29,852</u>	<u>\$ 114,878</u>	<u>\$ 9,589</u>	<u>\$ 190,942</u>	<u>\$ 1,807,696</u>	<u>\$ 326,234</u>	<u>\$ 6,564,801</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

Data Control Codes	496 United Way Grant	498 Legacy Fund	Total Nonmajor Governmental Funds
ASSETS			
1110	\$ -	\$ 6,275,298	\$ 20,358,474
1240	-	-	3,006,889
1250	-	82,078	82,078
1260	33,988	-	475,457
1290	-	-	35,863
1300	-	-	81,082
1410	-	-	7,525
1910	-	7,223,835	7,223,835
1000	<u>\$ 33,988</u>	<u>\$ 13,581,211</u>	<u>\$ 31,271,203</u>
LIABILITIES			
2110	\$ 11,988	\$ 45,793	\$ 701,798
2160	22,000	-	2,391,686
2170	-	547	2,134,879
2180	-	-	29
2190	-	64	249,803
2300	-	-	191,561
2000	<u>33,988</u>	<u>46,404</u>	<u>5,669,756</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410	-	-	81,082
3430	-	-	214
Restricted Fund Balance:			
3450	-	-	5,127,429
Committed Fund Balance:			
3545	-	13,534,807	20,392,722
3000	<u>-</u>	<u>13,534,807</u>	<u>25,601,447</u>
4000	<u>\$ 33,988</u>	<u>\$ 13,581,211</u>	<u>\$ 31,271,203</u>

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BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	220 Adult Education Federal	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	4,290,652	257,837	4,724,521	102,021
5020 Total Revenues	<u>4,290,652</u>	<u>257,837</u>	<u>4,724,521</u>	<u>102,021</u>
EXPENDITURES:				
Current:				
0011 Instruction	3,366,102	163,675	4,499,402	102,021
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	717,481	506	5,268	-
0021 Instructional Leadership	144,092	91,656	-	-
0023 School Leadership	650	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	155,509	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	64,342	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	2,000	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	62,327	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>4,290,652</u>	<u>257,837</u>	<u>4,724,521</u>	<u>102,021</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</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>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	272 Medicaid Admin. Claim MAC	276 Title I - SIP Academy Grant	289 Other Federal Special Revenue Funds
\$ 3,107,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
267,410	-	-	-	-	-	-	-
7,451,889	244,364	520,967	407,076	2,420,091	77,302	-	36,363
<u>10,826,424</u>	<u>244,364</u>	<u>520,967</u>	<u>407,076</u>	<u>2,420,091</u>	<u>77,302</u>	<u>-</u>	<u>36,363</u>
-	4,547	-	192,016	1,492,733	-	-	23,374
-	-	-	-	-	-	-	-
-	212,244	520,967	154,730	607,740	-	-	12,989
-	-	-	-	185,142	-	-	-
-	-	-	-	-	-	-	-
-	27,573	-	-	-	77,302	-	-
-	-	-	-	365	-	-	-
-	-	-	-	-	-	-	-
10,658,217	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	99,133	-	-	-
-	-	-	-	-	-	-	-
-	-	-	60,330	34,978	-	-	-
-	-	-	-	-	-	-	-
<u>10,658,217</u>	<u>244,364</u>	<u>520,967</u>	<u>407,076</u>	<u>2,420,091</u>	<u>77,302</u>	<u>-</u>	<u>36,363</u>
<u>168,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
168,207	-	-	-	-	-	-	-
5,010,671	-	-	-	-	-	-	-
<u>\$ 5,178,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf	340 SSA - IDEA C Deaf - Early Intervention
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	38,324	23,760	3,635	1,548
5020 Total Revenues	<u>38,324</u>	<u>23,760</u>	<u>3,635</u>	<u>1,548</u>
EXPENDITURES:				
Current:				
0011 Instruction	38,324	23,760	2,310	1,548
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	1,325	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>38,324</u>	<u>23,760</u>	<u>3,635</u>	<u>1,548</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</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>

385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 Instructional Materials Fund	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf	461 Campus Activity Funds	489 Other Local Special Revenue Funds	490 Local Special Projects
\$ -	\$ -	\$ -	\$ -	\$ 423,435	\$ 4,668,136	\$ 265,146	\$ 10,671
10,032	27,000	3,533,031	15,594	416,909	-	-	-
-	-	-	-	-	-	-	-
<u>10,032</u>	<u>27,000</u>	<u>3,533,031</u>	<u>15,594</u>	<u>840,344</u>	<u>4,668,136</u>	<u>265,146</u>	<u>10,671</u>
10,032	-	3,186,997	15,567	689,840	603,939	152,256	302,278
-	-	-	27	-	-	13,828	-
-	15,750	317,256	-	3,297	-	48,832	-
-	-	-	-	90,116	-	-	-
-	-	-	-	-	-	2,264	-
-	-	-	-	56,821	-	-	-
-	-	-	-	-	-	35	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	4,087,320	210	-
-	-	-	-	-	-	-	-
-	-	28,778	-	-	420	-	971,641
-	-	-	-	-	771	-	-
-	-	-	-	-	-	-	27,690
-	-	-	-	270	-	-	-
-	-	-	-	-	-	49,629	3,493,165
<u>10,032</u>	<u>15,750</u>	<u>3,533,031</u>	<u>15,594</u>	<u>840,344</u>	<u>4,692,450</u>	<u>267,054</u>	<u>4,794,774</u>
-	11,250	-	-	-	(24,314)	(1,908)	(4,784,103)
-	-	-	-	-	-	-	4,134,385
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	4,134,385
-	11,250	-	-	-	(24,314)	(1,908)	(649,718)
-	18,597	-	-	-	727,514	124,024	6,682,317
\$ -	\$ 29,847	\$ -	\$ -	\$ -	\$ 703,200	\$ 122,116	\$ 6,032,599

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	496 United Way Grant	498 Legacy Fund	Total Nonmajor Governmental Funds
REVENUES:			
5700	\$ 289,240	\$ 4,499,645	\$ 13,263,398
5800	-	-	4,269,976
5900	-	-	20,600,350
5020	<u>289,240</u>	<u>4,499,645</u>	<u>38,133,724</u>
EXPENDITURES:			
Current:			
0011	1,634	137,214	15,009,569
0012	-	-	13,855
0013	-	-	2,618,385
0021	102,091	-	613,097
0023	-	-	2,914
0031	-	-	317,205
0033	208	-	608
0034	-	-	64,342
0035	-	-	10,658,217
0036	-	-	4,087,530
0041	-	347,240	347,240
0051	1,400	-	1,103,372
0052	-	-	771
0053	-	-	27,690
0061	183,907	-	341,812
Capital Outlay:			
0081	-	-	3,542,794
6030	<u>289,240</u>	<u>484,454</u>	<u>38,749,401</u>
1100	-	4,015,191	(615,677)
OTHER FINANCING SOURCES (USES):			
7915	-	-	4,134,385
8911	-	(4,134,385)	(4,134,385)
7080	-	(4,134,385)	-
1200	-	(119,194)	(615,677)
0100	-	13,654,001	26,217,124
3000	<u>\$ -</u>	<u>\$ 13,534,807</u>	<u>\$ 25,601,447</u>

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BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2016

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.365000	7,052,993,271
2009	1.040000	0.370000	7,556,727,742
2010	1.040000	0.365000	7,562,473,674
2011	1.040000	0.385000	7,031,622,459
2012	1.040000	0.395000	7,018,286,448
2013	1.040000	0.395000	7,139,921,201
2014	1.040000	0.395000	7,356,610,245
2015	1.040000	0.395000	7,729,615,278
2016 (School year under audit)	1.040000	0.413900	7,655,135,278
1000 TOTALS			
9000 Portion of Row 1000 for Taxes Paid into Tax Increment Zone (See Footnote)			\$ -

(10) Beginning Balance 7/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2016
\$ 2,669,181	\$ -	\$ 19,759	\$ 2,643	\$ (9,770)	\$ 2,637,009
244,728	-	3,837	1,347	(2,579)	236,965
287,387	-	9,778	3,479	(2,673)	271,457
290,525	-	17,344	6,087	(2,663)	264,431
289,577	-	27,425	10,153	6,574	258,573
285,482	-	34,858	13,240	14,508	251,892
376,522	-	40,164	15,255	9,216	330,319
725,018	-	92,177	35,010	1,004	598,835
2,344,329	-	1,009,183	383,296	177,339	1,129,189
-	108,400,018	75,951,276	30,227,150	(58,669)	2,162,923
<u>\$ 7,512,749</u>	<u>\$ 108,400,018</u>	<u>\$ 77,205,801</u>	<u>\$ 30,697,660</u>	<u>\$ 132,287</u>	<u>\$ 8,141,593</u>
\$ -	\$ 106,705	\$ 76,328	\$ 30,377	\$ -	\$ -

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, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,439,033	\$ 3,446,533	\$ 3,107,125	\$ (339,408)
5800	State Program Revenues	247,362	247,362	267,410	20,048
5900	Federal Program Revenues	8,156,461	8,156,461	7,451,889	(704,572)
5020	Total Revenues	11,842,856	11,850,356	10,826,424	(1,023,932)
EXPENDITURES:					
0035	Food Services	11,825,562	12,214,441	10,658,217	1,556,224
6030	Total Expenditures	11,825,562	12,214,441	10,658,217	1,556,224
1200	Net Change in Fund Balances	17,294	(364,085)	168,207	532,292
0100	Fund Balance - July 1 (Beginning)	5,010,671	5,010,671	5,010,671	-
3000	Fund Balance - June 30 (Ending)	\$ 5,027,965	\$ 4,646,586	\$ 5,178,878	\$ 532,292

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, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 32,098,662	\$ 30,930,765	\$ 30,918,847	\$ (11,918)
5800	State Program Revenues	1,538,384	2,410,583	2,407,065	(3,518)
5020	Total Revenues	33,637,046	33,341,348	33,325,912	(15,436)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	17,677,870	18,817,870	17,677,870	1,140,000
0072	Interest on Long Term Debt	14,001,206	14,058,206	14,001,205	57,001
0073	Bond Issuance Cost and Fees	30,000	30,000	7,559	22,441
6030	Total Expenditures	31,709,076	32,906,076	31,686,634	1,219,442
1100	Excess of Revenues Over Expenditures	1,927,970	435,272	1,639,278	1,204,006
OTHER FINANCING SOURCES (USES):					
8949	Other (Uses)	-	-	(1,198,050)	(1,198,050)
1200	Net Change in Fund Balances	1,927,970	435,272	441,228	5,956
0100	Fund Balance - July 1 (Beginning)	13,417,185	13,417,185	13,417,185	-
3000	Fund Balance - June 30 (Ending)	\$ 15,345,155	\$ 13,852,457	\$ 13,858,413	\$ 5,956

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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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities each major fund, and the aggregate remaining fund information of Birdville Independent School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Birdville Independent School District's basic financial statements, and have issued our report dated October 31, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001.

Birdville Independent School District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Hankins, Eastup, Deaton, Tonn & Seay

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

October 31, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Birdville Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Birdville Independent School District's major federal programs for the year ended June 30, 2016. Birdville Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Birdville Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Hankins, Eastup, Deaton, Tonn & Seay

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

October 31, 2016

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

An unmodified opinion was issued on compliance for major programs.

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION I – SUMMARY OF AUDITORS' RESULTS – CONTINUED

Identification of major programs:

<u>CFDA Number</u>	<u>Program</u>
84.010A	ESEA, Title I, Part A
84.287C	Title IV, Part B - 21 st Century Community Learning Centers

- Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None

SECTION IV – OTHER FINDING

Finding 2016-01 – Pledged collateral less than required amount

Criteria: The Texas Public Funds Investment Act (the Act) requires the District's depository bank to pledge securities or letters of credit to the District to fully secure any bank balances that exceed the FDIC deposit insurance coverage on District bank balances. When certain types of securities are pledged, the Act requires that the value of the pledged collateral must equal 110% of uninsured deposits.

Condition: During the year ended June 30, 2016, there was one day on which the amount of collateral pledged by the depository bank was less than the District's uninsured deposits.

Questioned Costs: None

Cause: The District monitors the level of deposits and pledged securities on a regular basis. The District changed its depository bank effective July 1, 2015. During the transition to the new depository bank there was confusion on the part of the new depository bank as to the amount of collateral required. As District accounts were transitioned to the new depository bank there was one day before additional required securities were pledged.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION IV – OTHER FINDING - Continued

Effect: Pledged collateral was less than the amount required by the Act on one day during the fiscal year. The amount of deposits not fully collateralized were approximately \$184,000.

Recommendation: The District has procedures in place to monitor balances and pledged securities on a regular basis. The District will continue to closely monitor daily deposits and pledged collateral as necessary.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

Finding 2015-01 – Pledged collateral less than required amount

Status: The District changed its depository bank effective July 1, 2015. As accounts were transitioned to the new bank, there was one day when District deposits were not fully collateralized. See Finding 2016-001.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2016**

CORRECTIVE ACTION PLAN

Finding 2016-001 – Pledged collateral less than required amount

The District will continue to monitor its cash balances and securities pledged on a daily basis and have its depository bank pledge additional collateral when needed.

Contact Person: Katie Bowman, CPA, Associate Superintendent for Finance

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
<u>Direct Programs</u>			
Science Program	43.001	NNX16AG15G	\$ 12,989
Total Direct Programs			\$ 12,989
TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			\$ 12,989
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
Junior ROTC	12.000	220902	\$ 301,962
Total Direct Programs			\$ 301,962
TOTAL U.S. DEPARTMENT OF DEFENSE			\$ 301,962
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Fort Worth ISD</u>			
Adult Education (ABE) - Federal	84.002	220902-FY5	\$ 37,837
Adult Education (ABE) - Federal	84.002	220902-FY6	220,000
Total CFDA Number 84.002			257,837
Total Passed Through Fort Worth ISD			\$ 257,837
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101220902	\$ 1,788
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101220902	4,275,856
ESEA, Title I, Part A - Priority & Focus Schools	84.010A	15610112220902043	1,420
ESEA, Title I, Part A - Priority & Focus Schools	84.010A	16610112220902000	95,085
Total CFDA Number 84.010A			4,374,149
*IDEA - Part B, Formula	84.027A	156600012209026600	13,497
*IDEA - Part B, Formula	84.027A	166600012209026600	4,786,655
*SSA - IDEA - Part B, Discretionary	84.027A	166600112209026673	38,324
*SSA - IDEA - Part B, Deaf	84.027A	166600012209026601	24,242
Total CFDA Number 84.027A			4,862,718
*IDEA - Part B, Preschool	84.173A	166610012209026610	103,637
*SSA - IDEA - Part B, Preschool Deaf	84.173A	166610012209026611	3,708
Total CFDA Number 84.173A			107,345
Total Special Education Cluster (IDEA)			4,970,063
Career and Technical - Basic Grant	84.048A	16420006220902	248,913
SSA - IDEA, Part C - Early Intervention (Deaf)	84.181A	163911012209023911	1,548
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287C	156950171100008	144,030
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287C	1669501671100008	2,306,061
Total CFDA Number 84.287C			2,450,091
Title III, Part A - English Language Acquisition	84.365A	16671001220902	415,217
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501220902	531,542
Summer School LEP	84.369A	69551502	23,374
Total Passed Through State Department of Education			\$ 13,014,897
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 13,272,734

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	220902	\$ 77,302
Total Passed Through Texas Dept of Human Services			\$ 77,302
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 77,302</u>
 U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401601	\$ 1,394,480
*National School Lunch Program - Cash Assistance	10.555	71301601	6,005,629
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301601	837,657
Total CFDA Number 10.555			<u>6,843,286</u>
Total Child Nutrition Cluster			<u>8,237,766</u>
Total Passed Through the State Department of Agriculture			\$ 8,237,766
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 8,237,766</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 21,902,753</u></u>

*Clustered Programs

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the General Fund or Special Revenue Fund, components of the Governmental Funds. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used for the Government Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

3. The National School Lunch Program (CFDA 10.555) received like kind goods. The monetary value of these goods was \$721,983 for the year ended June 30, 2015.
4. SHARS reimbursements of \$2,342,555 recorded as federal revenue in the General Fund, and E-Rate reimbursements of \$257,184 recorded as federal revenue in the Capital Projects 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 collectability of any related receivable at June 30, 2016, 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.