

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2008

CONTENTS

	Page	Exhibit
INTRODUCTORY SECTION		
Principal Officials.....	1	
Certificate of Board	2	
FINANCIAL SECTION		
Independent Auditor's Report.....	3	
Management's Discussion and Analysis.....	5	
<u>Basic Financial Statements:</u>		
Government Wide Statements:		
Statement of Net Assets.....	17	A-1
Statement of Activities	18	B-1
Governmental Fund Financial Statements:		
Balance Sheet.....	19	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	20	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance	21	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22	C-4
Proprietary Fund Financial Statements:		
Statement of Net Assets.....	23	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	24	D-2
Statement of Cash Flows	25	D-3
Fiduciary Funds:		
Statement of Fiduciary Net Assets	26	E-1
Notes to Basic Financial Statements	27	

CONTENTS

	Page	Exhibit
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule – General Fund	49	G-1
Notes to Required Supplementary Information.....	50	
<u>Combining Statements:</u>		
Combining Balance Sheet – Nonmajor Governmental Funds	52	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	61	H-2
<u>Required TEA Schedules</u>		
Schedule of Delinquent Property Taxes Receivable.....	70	I-1
Schedule of Expenditures for Computations of Indirect Cost for 2007-2008.....	72	I-2
Optimum Fund Balance Calculation Schedule – General Fund – Unaudited	73	I-3
Budgetary Comparison Schedule – Child Nutrition Fund	74	I-4
Budgetary Comparison Schedule – Debt Service Fund	75	I-5
FEDERAL AWARDS SECTION		
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	76	
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	78	
Schedule of Findings and Questioned Costs.....	80	
Schedule of Prior Audit Findings	83	
Corrective Action Plan.....	84	
Schedule of Expenditures of Federal Awards.....	85	J-1

INTRODUCTORY SECTION

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
PRINCIPAL OFFICIALS
2008-2009 SCHOOL YEAR**

BOARD OF TRUSTEES

Sherry Dunn	President
Dolores Webb	Vice President
Joe Tolbert	Secretary
Richard Davis	
Ralph Kunkel	
David Pokluda	
Wanda Strong	

OTHER PRINCIPAL OFFICIALS

Dr. Stephen F. Waddell	Superintendent
Dr. Jay Thompson	Associate Superintendent, Staff and Student Services
Dr. Quentin Burnett	Associate Superintendent, Finance
Dr. Ellen Bell	Associate Superintendent, Curriculum and Instruction
Ms. Julie Wallace	Technology and Management Information Systems

**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

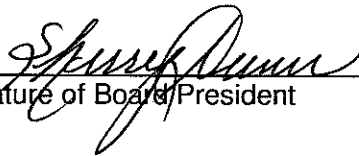
We, the undersigned, certify that the attached annual financial report of the above named school district was reviewed and

approved	disapproved
<input checked="" type="checkbox"/>	<input type="checkbox"/>

for the year ended June 30, 2008 at a meeting of the Board of Trustees of such school district on the 20th day of November, 2008.



Signature of Board Secretary



Signature of Board President

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

FINANCIAL SECTION



**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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 as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Birdville Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 7, 2008, on our consideration of Birdville Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*1600 West Seventh Street
Suite 300
Fort Worth, Texas 76102-2506
817.332.7905
F 817.429.5936*

WWW.WEAVERANDTIDWELL.COM

AN INDEPENDENT MEMBER OF
BAKER TILLY
INTERNATIONAL

Board of Trustees
Birdville Independent School District

Management's discussion and analysis on pages 5 through 16 and budgetary comparison schedule – general fund on pages 49 to 51 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Birdville Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and in addition to the combining statements and the required TEA schedules listed in the table of contents, are not a required part of the financial statements. Such information, excluding the Fund Balance and Cash flow calculation worksheet – General Fund (Exhibit I-3) marked unaudited on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 7, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Birdville Independent School District's (District's) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal period ending June 30, 2008. It should be read in conjunction with the audited financial schedules and statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2008, the District's assets exceeded its liabilities by \$51,769,917 (net assets). The Unrestricted Net Assets were \$26,227,863.
- At the close of the fiscal year, the combined governmental fund balance was \$129,148,396, a decrease of \$41,685,939 in comparison with the prior year. This decrease is the result of current expending of bond construction funds that were held in the prior fiscal year. The General Fund unrestricted, unreserved fund balance of \$31,627,434 represents approximately 24.5 percent of the combined governmental fund balance.
- The District's total liabilities increased by \$13,073,444 (4 percent) during the current fiscal year. This increase represents the many bond construction contracts payable for ongoing projects.
- The General Fund unrestricted, unreserved fund balance decreased by \$1,727,259 to \$31,627,434 during the 07-08 fiscal year representing 24.5 percent of the 07-08 General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements consist of three components:

- 1) *Government-wide financial statements*
- 2) *Fund financial statements*
- 3) *Notes to the financial statements*

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities. The value of assets less liabilities is reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information for all of the current year's revenue and expenses regardless of when cash is received or paid. Thus, revenues and expenses reported in this statement for some items will only result in cash flows for future fiscal periods.

The District's *Government-wide Financial Statements* distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges.

The Government-wide Financial Statements can be found on pages 17-18 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The *Fund Financial Statements* provide detailed information about the District's most significant funds and not the District as a whole.

All of the funds of the District can be divided into three categories:

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the government-wide financial statements, governmental fund financial statements focus *on near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The basic governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary funds

Proprietary funds offer *short- and long-term* financial information about the activities the government operates *like businesses*. There are two types of proprietary funds – *enterprise funds* and *internal service funds*. The *enterprise funds* report the same functions presented as *business-type activities* in the *government-wide financial statements*. *Internal service funds* are an accounting tool used to accumulate and allocate costs internally among various functions. The District uses *internal service funds* to report activities for its self-funded insurance program. (Workers Compensation) The basic proprietary fund financial statements can be found on pages 23-25 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 basic fiduciary fund financial statement can be found on page 26 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 27-48 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 49-51 of this report.

The combining statements for the district's 57 non-major funds are presented immediately following the required supplementary information. Combining statements can be found on pages 52-69.

The Texas Education Agency (TEA) requires that certain information be included in this report and those statements and schedules can be found on pages 70-75.

Government-wide Financial Statements

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Birdville ISD, assets exceeded liabilities by \$51,769,917.

Table A-1

	Net Assets		Percent Change 2007 to 2008
	Governmental Activities		
	2007	2008	
Current and other assets	\$186,869,493	\$170,385,014	-8.82%
Capital assets	163,375,159	205,190,971	25.59%
Total Assets	350,244,652	375,575,985	7.23%
Other liabilities	25,138,066	36,401,877	44.81%
Long-term liabilities outstanding	285,594,558	287,404,191	0.63%
Total Liabilities	310,732,624	323,806,068	4.21%
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	12,650,724	21,239,658	67.89%
Restricted for Food Service	2,484,015	2,794,109	12.48%
Restricted for Debt Service	2,278,914	1,508,287	-33.81%
Unrestricted Net Assets	22,098,375	26,227,863	18.68%
Total Net Assets	\$39,512,028	\$51,769,917	31.02%

Investment in capital assets (e.g., land, buildings, furniture, and equipment) less any outstanding related debt used to acquire those assets is \$21,239,658. The District uses these capital assets to provide services to students; consequently, they are not available for future spending. Although the District's investment in its 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 capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net assets (approximately 8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining net assets of \$26,227,863 (approximately 51 percent) are unrestricted and may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

Governmental Activities

Governmental activities increased the District's Net assets by \$12,257,888. The total cost of all *governmental activities* this year was \$200,899,182. The amount that our taxpayers paid for these activities was \$96,368,640 or 45.21 percent. The large percentage increases from 2007 to 2008 are due to the 2007 fiscal year change that resulted in only 10 months of data for 2007. The loss on disposal of capital assets reflects the undepreciated capital asset balances on the demolition of two elementary schools that were replaced with new buildings. The mineral lease revenue represents a one-time oil and gas lease bonus payment from Snow Operating Company.

Table A-2

Changes in Net Assets			
	Governmental Activities		Percent
	2007	2008	Change 2007 to 2008
Revenues:			
Program Revenues:			
Charges for services	\$6,514,482	\$7,912,827	21.41%
Operating grants & contributions	23,142,695	28,986,749	25.25%
General Revenues and Special Items:			
Property taxes	103,335,167	96,368,640	-6.74%
State grants	41,436,542	62,713,660	51.35%
Loss on Disposal of Capital Assets	-294,175	-1,823,022	519.71%
Mineral Lease Revenue	0	11,381,730	100.00%
Other	8,273,150	7,616,486	-7.94%
Total Governmental Revenues	\$182,407,861	\$213,157,070	16.86%
Expenses:			
Instruction	96,770,914	115,496,129	19.35%
Instructional Resources & Media Services	2,265,074	2,895,807	27.85%
Curriculum & Staff Development	1,725,681	2,007,785	16.35%
Instructional Leadership	2,657,747	2,964,762	11.55%
School Leadership	9,323,125	9,959,924	6.83%
Guidance, Counseling & Evaluation Services	4,785,651	5,244,714	9.59%
Social Work Services	191,141	242,589	26.92%
Health Services	1,823,846	2,244,422	23.06%
Student Transportation	3,316,915	3,872,175	16.74%
Food Services	8,638,790	9,517,885	10.18%
Co Curricular/Extracurricular Activities	5,979,526	6,730,773	12.56%
General Administration	4,596,580	4,814,025	4.73%
Plant Maintenance & Operations	13,491,570	15,545,950	15.23%
Security and Monitoring services	471,012	651,898	38.40%
Data Processing Services	1,868,386	2,518,189	34.78%
Community Services	372,750	307,391	-17.53%
Debt Service	10,036,951	15,117,224	50.62%
Facilities Acquisition & Construction	1,886,392	0	-100.00%
Juvenile Justice Alternative Ed. Prg.	70,320	46,980	-33.19%
Tax Increment Fund	122,013	109,714	-10.08%
Other Governmental Charges	0	610,846	
Total Governmental Expenses	\$170,394,384	\$200,899,182	17.90%
Increase in Net Assets	12,013,477	12,257,888	2.03%
Beginning Net Assets	27,498,552	39,512,029	43.69%
Ending Net Assets	\$39,512,029	\$51,769,917	31.02%

The following graphs depict the District's sources of revenue for the years 2008 and 2007 as a percentage of total revenues. The reduction in the percentage of taxes to total revenue in 2008 in comparison to the 2007 data was the result of the required reduction in the District M&O tax rate for 2008 by the Texas Legislature.

Table A-3

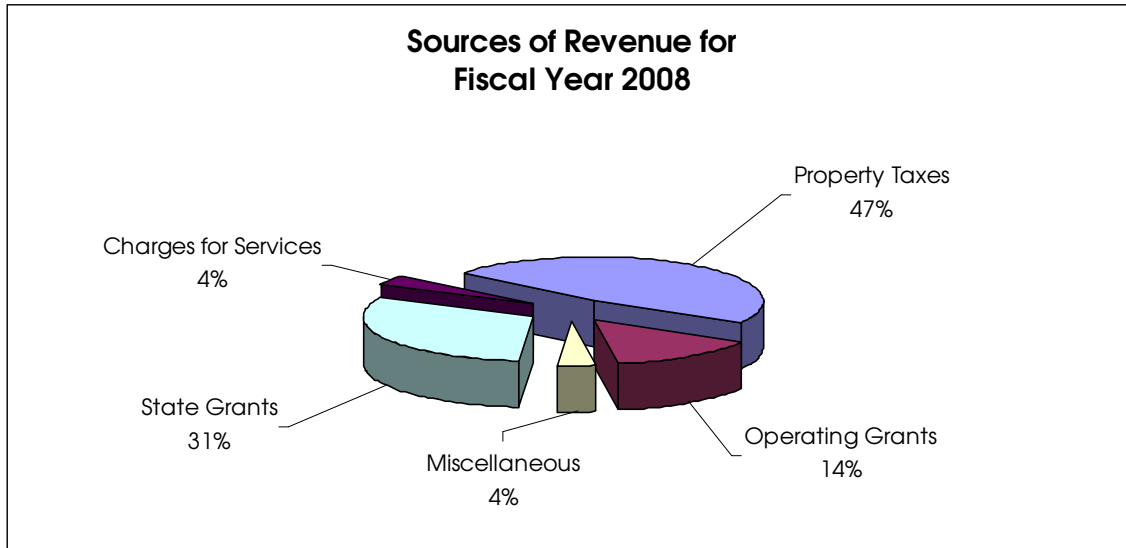


Table A-4

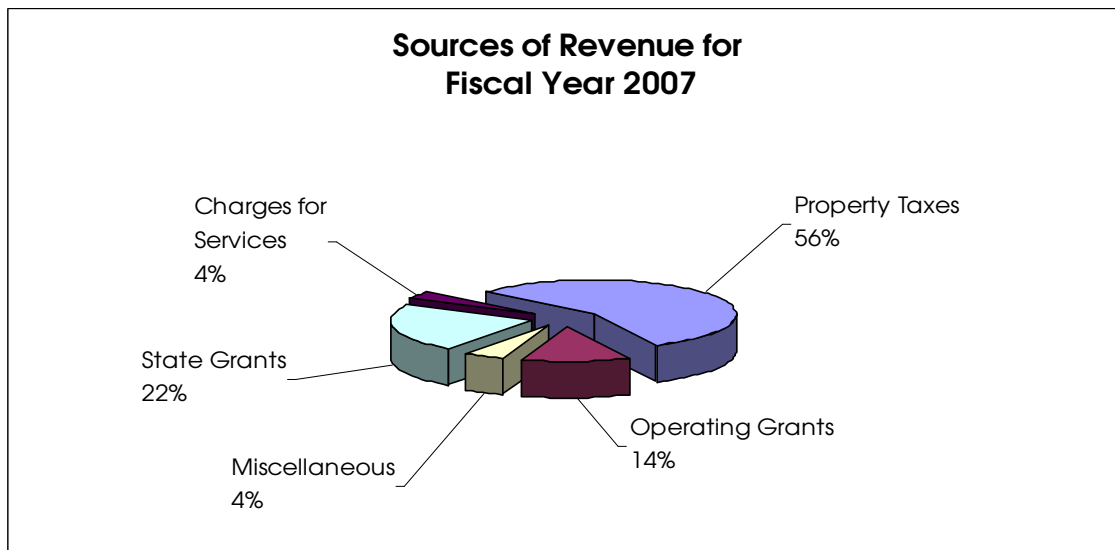


Table A-5 presents the cost of the District's largest programs as well as each program's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. The cost of all *governmental* activities this year was in excess of \$200 million.

Table A-5

Costs of Services for Major Functions						
	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	2007	2008	2007 2008	2007	2008	2007 2008
Instruction	\$96,770,914	\$115,496,129	19.35%	\$81,934,692	\$98,003,817	19.61%
School Leadership	9,323,125	9,959,924	6.83%	8,881,821	9,382,928	5.64%
Plant Maintenance & Operations	13,491,570	15,545,950	15.23%	12,978,296	14,703,952	13.30%
Debt Service	10,036,951	15,117,224	50.62%	10,036,951	13,406,526	33.57%

Total net expenses were up approximately 18 percent from last year. As mentioned earlier, these increases were due to the change in fiscal year during 2007. All major functions increased over 2006-07, with the largest increase coming from Debt Service (33.57 percent). This increase in Debt Services is due to the addition of payments for the January, 2007, \$96 million bond issue.

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. In particular, unreserved, undesignated fund balance 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 ending fund balances of \$129,148,396, a decrease of \$41,685,939. Approximately 37 percent of the total ending fund balance constitutes unreserved, undesignated fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for:

- | | |
|----------------------------|---------------|
| 1) Inventory | \$ 909,319 |
| 2) Debt service payments | \$ 4,379,191 |
| 3) Food Service | \$ 2,794,109 |
| 4) Capital projects | \$ 60,185,324 |
| 5) Budgetary Contingencies | \$ 12,500,000 |

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$31,627,434, while the total fund balance was \$44,909,478. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to the total fund expenditures. Unreserved, undesignated fund balance represents 21 percent of the total general fund expenditures, while total governmental fund balance represents 50 percent of total government expenditures.

The fund balance of the District's general fund represents a decrease of \$1,576,161 during the current fiscal year, which is approximately 3.2 percent less than fiscal year 2007. This decrease in fund balance is largely the result of lower state funding due to lower student enrollment. The debt service fund has a total fund balance of \$4,379,191, all of which is reserved for the payment of debt service.

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 budget amendments related to payroll expenditures. With the change in fiscal year during 2007, the preparation of the 2008 District payroll budget had to shift from a ten month fiscal year back to the full twelve months. In addition for 2008, all Texas public school districts were mandated by the Texas Legislature to move the school start date to a later date in August. These two factors created some confusion regarding original estimates for the 2008 payroll budget and the end of year payroll accruals. Budget adjustments related to payroll expenditures were approved by the Board of Trustees in June 2008 to allow for the necessary corrections.

In addition, at the end of every fiscal year, school districts across the state also adjust their year-end amended budgets to ensure all functional categories will have favorable balances. If unfavorable functional balances are reported in the audit at the close of the fiscal year, the result is a letter issued by the Texas Education Agency stipulating the legal requirements for budgeting. For 2008, the district overspent function 23, School Leadership, by \$46,894 or one-half of one percent of the total function 23 budget. This overage was created by school leadership expenditures that were incurred in the June 2008 summer school session and not paid until July 2008. The year-end salary accruals for these amounts caused the actual expenditures of the function to exceed the estimated year end budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008 the District had invested approximately \$205 million in a broad range of capital assets, including land, equipment, and buildings, less depreciation. (See Table A-6)

Table A-6

	District's Capital Assets		
	Governmental Activities		Percent Change
	2007	2008	2007 to 2008
Land	\$17,450,534	\$17,450,534	0.00%
Construction in Progress	1,925,437	14,834,912	670.47%
Buildings & Improvements	267,062,749	305,904,352	14.54%
Furniture & Equipment	28,962,559	29,846,154	3.05%
Totals	315,401,279	368,035,952	16.69%
Less: Accumulated Depreciation	-152,026,120	-162,844,981	7.12%
Net Capital Assets	\$163,375,159	\$205,190,971	25.59%

The District added \$39 million in building values with technology infrastructure improvements at multiple campuses, complete replacement of two elementary campuses and major track and other renovations at all seven middle schools.

Long-Term Debt

At the end of June 30, 2008, the District had total bonded debt outstanding of \$234,385,476, a decrease of \$17,089,842 or 7 percent less than last year.

Table A-7

Birdville ISD Long-Term Debt			
	Governmental Activities		Percent
	2007	2008	Change
Bonds and Notes Payable:			2007 to 2008
General Obligation Bonds	\$251,475,318	\$234,385,476	-6.80%
Accreted	34,138,107	39,315,506	15.17%
Total Bonds and Notes Payable	285,613,425	273,700,982	-4.17%
Other Liabilities:			
Capital Leases	1,396,629	987,504	-29.29%
Compensated Absences	2,348,363	2,508,732	6.83%
Premium on Issuance	14,884,780	13,511,121	-9.23%
Loss on Refunding	-3,763,859	-3,304,148	0.00%
Total Other Liabilities	14,865,913	13,703,209	-7.82%
Total Governmental Activities			
Long-term debt	<u>\$300,479,338</u>	<u>\$287,404,191</u>	-4.35%

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

Bond Ratings

The bonds have a municipal bond rating of "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's Ratings Services ("S&P") and "AAA" by Fitch Ratings (Fitch) based upon the Permanent School Fund Guarantee of the State of Texas ("PSF Guarantee"). The underlying or secondary credit ratings for the District are "Aa3" by Moody's, "AA" by S&P and "AA" by Fitch.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For fiscal year 2008-2009, general fund revenues were originally budgeted to increase 1.66 percent over 2007-2008 actual revenues. An unexpected increase in student enrollment of over four percent of the original projections pushed that increase to an estimated 2.6 percent. This projected increase in revenue has enabled the district to move from a deficit budget as originally adopted by the Board of Trustees in June 2008 to a balanced budget. The Districts M&O tax rate remains at the 2007 rate of \$1.04 per \$100 of assessed property valuation representing the maximum tax rate allowed without a tax rate election.

The District continues to confront the revenue challenges imposed by the passage of House Bill 1 in the May 2006 Special Session of the Texas Legislature. This legislation created a "target revenue" per weighted average daily attendance (WADA) for each Texas school district based on calculations from their 2006 and 2007 fiscal years. These target revenue amounts cannot be increased without action by the Legislature. The District can only generate additional revenue with increased student enrollment. Currently the District is \$500 per WADA below the state average for other Texas public school districts. These revenue limits will create some unique challenges for the District in the next few years.

The certified property values for the 2008-2009 tax year are over \$7.4 billion. Property values increased approximately \$200 million (2.74 percent) due to value increases on existing properties and new businesses/homes claiming more of the District's 40 square miles. The average annual percentage increase for the previous five years was approximately 4.48 percent. Even though the rising tax values do not enrich the M&O budget, they do help the District keep the debt service rate lower as bonds are issued from the 2006 bond election. The final issue of \$37.85 million was completed in July 2008. For 2008-2009, the debt service tax rate adopted by the Board of Trustees was \$.37 per \$100 of assessed property valuation, reflecting an increase of \$.05 cents over the prior year. The 2008-2009 overall tax rate for the district adopted in September 2008 by the Board of Trustees was \$1.41.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

Data Control Codes		<u>Primary Government Governmental Activities</u>
ASSETS		
1110	Cash and cash equivalents	\$ 143,517,997
1220	Property taxes receivable (delinquent)	8,081,610
1230	Allowance for uncollectible taxes	(1,167,678)
1240	Due from other governments	16,075,438
1520	Interest receivable	1,316,171
1290	Other receivables, net	141,989
1300	Inventories	909,319
1420	Bond issuance costs	1,441,277
1510	Land	17,450,534
1520	Buildings and improvements, net	169,554,439
1530	Furniture and equipment, net	3,351,086
1580	Construction in progress	14,834,912
1800	Restricted assets	68,891
		<hr/>
1000	Total assets	375,575,985
		<hr/>
LIABILITIES		
2110	Accounts payable	12,840,729
2140	Interest payable	4,193,644
2150	Payroll deductions and withholdings payable	1,944,668
2160	Accrued wages payable	15,860,101
2190	Due to student groups	9,158
2200	Accrued expenses	1,354,412
2300	Deferred revenues	133,924
2400	Payable from restricted assets	65,241
	Noncurrent liabilities	
2501	Due within one year	19,237,992
2502	Due in more than one year	268,166,199
		<hr/>
2000	Total liabilities	323,806,068
		<hr/>
NET ASSETS		
3200	Investment in capital assets, net of related debt	21,239,658
3840	Restricted for food service	2,794,109
3850	Restricted for debt service	1,508,287
3900	Unrestricted	26,227,863
		<hr/>
3000	Total net assets	\$ 51,769,917
		<hr/> <hr/>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2008

Data Control Codes		Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants & Contributions	Governmental Activities
0011	Instruction	\$ 115,496,129	\$ 612,652	\$ 16,879,660	\$ (98,003,817)
0012	Instructional resources and media services	2,895,807	-	145,324	(2,750,483)
0013	Curriculum and instructional staff development	2,007,785	385,735	1,243,250	(378,800)
0021	Instructional leadership	2,964,762	-	827,202	(2,137,560)
0023	School leadership	9,959,924	-	576,996	(9,382,928)
0031	Guidance, counseling, and evaluation services	5,244,714	-	554,623	(4,690,091)
0032	Social work services	242,589	-	75,157	(167,432)
0033	Health services	2,244,422	-	115,122	(2,129,300)
0034	Student (pupil) services	3,872,175	-	416,698	(3,455,477)
0035	Food services	9,517,885	4,139,346	4,920,770	(457,769)
0036	Cocurricular/extracurricular activities	6,730,773	2,558,326	58,165	(4,114,282)
0041	General administration	4,814,025	-	717,282	(4,096,743)
0051	Plant maintenance and operations	15,545,950	216,768	625,230	(14,703,952)
0052	Security and monitoring services	651,898	-	5,839	(646,059)
0053	Data processing services	2,518,189	-	71,500	(2,446,689)
0061	Community services	307,391	-	43,233	(264,158)
0072	Debt service - interest on long term debt	14,934,910	-	1,710,698	(13,224,212)
0073	Debt Service - bond issuance costs and fees	182,314	-	-	(182,314)
0095	Payments to juvenile justice alternative ed program	46,980	-	-	(46,980)
0097	Payments to tax increment fund	109,714	-	-	(109,714)
0099	Other intergovernmental charges	610,846	-	-	(610,846)
TOTAL PRIMARY GOVERNMENT:		<u>\$ 200,899,182</u>	<u>\$ 7,912,827</u>	<u>\$ 28,986,749</u>	<u>(163,999,606)</u>

Data Control Codes	General Revenues and Special Items:	
	Taxes:	
MT	Property taxes, levied for general purpose	71,697,279
DT	Property taxes, levied for debt service	24,671,361
SF	State grants, unrestricted	62,713,660
IE	Investment earnings	7,616,486
SI	Special item - loss on disposal of capital assets	(1,823,022)
SI	Special item - mineral lease revenue	11,381,730
TR	Total general revenues and special items	<u>176,257,494</u>
CN	Change in net assets	12,257,888
NB	Net assets -- beginning	<u>39,512,029</u>
NE	Net assets -- ending	<u>\$ 51,769,917</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2008

Data control codes		10 General Fund	50 Debt Service	60 Capital Projects	Nonmajor Funds	Total
ASSETS						
1110	Cash and cash equivalents	\$ 44,649,188	\$ 3,451,623	\$ 71,669,443	\$ 19,694,122	\$139,464,376
1220	Property taxes - delinquent	6,612,568	1,469,042	-	-	8,081,610
1230	Allowance for uncollectible taxes	(1,021,376)	(146,302)	-	-	(1,167,678)
1240	Due from other governments	11,950,554	-	-	4,124,884	16,075,438
1250	Interest receivable	-	-	1,316,171	-	1,316,171
1260	Due from other funds	3,654,874	482,384	-	650,883	4,788,141
1290	Other receivables	141,989	-	-	-	141,989
1300	Inventories	782,044	-	-	127,275	909,319
1800	Restricted assets	68,891	-	-	-	68,891
1000	Total Assets	<u>\$ 66,838,732</u>	<u>\$ 5,256,747</u>	<u>\$ 72,985,614</u>	<u>\$ 24,597,164</u>	<u>\$169,678,257</u>
LIABILITIES and FUND BALANCES						
Liabilities:						
2110	Accounts payable	\$ 1,052,316	\$ -	\$ 11,705,911	\$ 76,966	\$ 12,835,193
2150	Payroll deduction and withholdings payable	1,944,668	-	-	-	1,944,668
2160	Accrued wages payable	13,935,666	-	-	1,924,435	15,860,101
2170	Due to other funds	833,267	-	1,094,379	2,787,406	4,715,052
2190	Due to student groups	9,158	-	-	-	9,158
2300	Deferred revenue	4,088,938	877,556	-	133,954	5,100,448
2400	Payable from restricted assets	65,241	-	-	-	65,241
2000	Total liabilities	<u>21,929,254</u>	<u>877,556</u>	<u>12,800,290</u>	<u>4,922,761</u>	<u>40,529,861</u>
Fund Balances:						
Reserved For:						
3410	Investments in inventory	782,044	-	-	127,275	909,319
3420	Retirement of long term debt	-	4,379,191	-	-	4,379,191
3450	Food service	-	-	-	2,794,109	2,794,109
3470	Capital acquisition	-	-	60,185,324	-	60,185,324
Unreserved designated for:						
3590	Other purposes	12,500,000	-	-	-	12,500,000
Unreserved and undesignated:						
3600	Reported in the general fund	31,627,434	-	-	-	31,627,434
3610	Reported in special revenue funds	-	-	-	16,753,019	16,753,019
3000	Total fund balance	<u>44,909,478</u>	<u>4,379,191</u>	<u>60,185,324</u>	<u>19,674,403</u>	<u>129,148,396</u>
4000	Total liabilities and fund balances	<u>\$ 66,838,732</u>	<u>\$ 5,256,747</u>	<u>\$ 72,985,614</u>	<u>\$ 24,597,164</u>	<u>\$169,678,257</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets

June 30, 2008

Total fund balances - governmental funds	\$ 129,148,396
The District uses internal service funds 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 funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.	2,620,584
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	368,035,952
Accumulated depreciation has not been included in the fund financial statements.	(162,844,981)
Bonds payable and capital leases have not been included in the fund financial statements.	(235,372,980)
Accreted interest on capital appreciation bonds is not capitalized in the fund financial statements.	(39,315,506)
Bond issuance costs are not capitalized in the fund financial statements.	1,441,277
Premiums on the issuance of bonds are not capitalized in the fund financial statements.	(13,511,121)
Revenue from property taxes reported as deferred revenue in the fund financial statements is recognized as revenue in the government-wide statements.	4,966,524
Accrued liabilities for compensated absences have not been recorded in the fund financial statements.	(2,508,732)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are recorded when due.	(4,193,644)
Deferred loss on refunding bonds issued has not been recorded in the fund financial statements.	<u>3,304,148</u>
Net assets of governmental activities	<u><u>\$ 51,769,917</u></u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2008

Data Control Codes	10 General Fund	50 Debt Service	60 Capital Projects	Nonmajor Funds	Total Governmental Funds
REVENUES:					
5700 Total local and intermediate sources	\$ 75,444,430	\$ 24,938,950	4,725,977	\$ 18,223,420	\$ 123,332,777
5800 State program revenues	70,534,744	1,710,698	-	3,898,639	76,144,081
5900 Federal program revenues	440,284	-	-	15,013,677	15,453,961
5020 Total revenues	<u>146,419,458</u>	<u>26,649,648</u>	<u>4,725,977</u>	<u>37,135,736</u>	<u>214,930,819</u>
EXPENDITURES:					
Current:					
0011 Instruction	94,336,000	-	-	11,570,545	105,906,545
0012 Instructional resources and media services	2,522,307	-	-	28,933	2,551,240
0013 Curriculum and instructional staff development	550,304	-	-	1,457,481	2,007,785
0021 Instructional leadership	2,275,008	-	-	665,245	2,940,253
0023 School leadership	9,407,729	-	-	-	9,407,729
0031 Guidance, counseling, and evaluation services	4,882,978	-	-	263,268	5,146,246
0032 Social work services	178,058	-	-	64,531	242,589
0033 Health services	2,161,016	-	-	33,194	2,194,210
0034 Student (pupil) transportation	3,635,412	-	-	177,439	3,812,851
0035 Food services	-	-	-	8,829,957	8,829,957
0036 Cocurricular/extracurricular activities	3,859,561	-	-	2,044,373	5,903,934
0041 General administration	4,112,704	-	-	81,782	4,194,486
0051 Facilities maintenance and operations	15,303,085	-	-	22,000	15,325,085
0052 Security and monitoring services	493,828	-	-	-	493,828
0053 Data processing services	2,357,531	-	-	-	2,357,531
0061 Community services	210,785	-	-	40,788	251,573
Debt Service:					
0071 Principal on long term debt	945,227	17,089,841	-	-	18,035,068
0072 Interest on long term debt	58,217	9,808,692	-	-	9,866,909
0073 Cost and fees from issuance	-	15,460	-	-	15,460
Capital Outlay:					
0081 Facilities acquisition and construction	266,188	-	56,660,853	-	56,927,041
Intergovernmental:					
0095 Payments to juvenile justice alternative ed. program	46,980	-	-	-	46,980
0097 Payments to tax increment fund	109,714	-	-	-	109,714
0099 Other intergovernmental charges	610,846	-	-	-	610,846
6030 Total expenditures	<u>148,323,478</u>	<u>26,913,993</u>	<u>56,660,853</u>	<u>25,279,536</u>	<u>257,177,860</u>
1100 Excess (deficiency) of revenues over (under) expenditures	<u>(1,904,020)</u>	<u>(264,345)</u>	<u>(51,934,876)</u>	<u>11,856,200</u>	<u>(42,247,041)</u>
Other Financing Sources (Uses):					
7913 Proceeds from capital leases	536,102	-	-	-	536,102
7915 Transfers in	239,635	-	-	775,761	1,015,396
8911 Transfers out	<u>(447,878)</u>	<u>-</u>	<u>-</u>	<u>(542,518)</u>	<u>(990,396)</u>
Total other financing sources (uses)	<u>327,859</u>	<u>-</u>	<u>-</u>	<u>233,243</u>	<u>561,102</u>
1200 Net change in fund balance	(1,576,161)	(264,345)	(51,934,876)	12,089,443	(41,685,939)
0100 Fund balance - July 1 (beginning)	46,485,639	4,643,536	112,120,200	7,584,960	170,834,335
3000 Fund balance - June 30 (ending)	<u>\$ 44,909,478</u>	<u>\$ 4,379,191</u>	<u>\$ 60,185,324</u>	<u>\$ 19,674,403</u>	<u>\$ 129,148,396</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Reconciliation of the
Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds
to the Statement of Activities

Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$ (41,685,939)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net effect of this consolidation is to increase net assets.	356,203
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2008 capital outlays increase net assets.	58,141,525
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(14,502,691)
Loss on capital asset disposals are not recognized in the fund financial statements. The net effect of the current year's loss on disposal of capital assets is to decrease net assets.	(1,823,022)
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 in long-term debt in the government-wide financial statements.	18,035,069
Current year change in accreted interest capital appreciation on bonds are not shown in the fund financial statements. The net effect of the current year's change in accreted interest on capital appreciation bonds is to decrease net assets.	(5,177,399)
Current year amounts financed through capital leases are other financing resources in the fund financial statements but are shown as increases in liabilities in the government-wide financial statements. The net effect of these lease proceeds is to decrease net assets.	(536,102)
Current year amortization of bond issuance costs is not reflected in the fund financial statements, but is shown as reductions to the bond issuance costs asset in the government-wide financial statements.	(166,854)
Current year amortization of the premium on bonds payable and deferred gain/loss on refunding is not recorded in the fund financial statements but is shown as a reduction of the balances on the government-wide financial statements.	913,948
The current year change in accrued liabilities for compensated absences has not been recorded in the fund financial statements.	(160,369)
Interest is accrued on outstanding debt in the government-wide financial statements, but interest is expended as due in the fund financial statements.	(804,551)
Revenue from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures but such revenues are recongnized when assessed net of an allowance for uncollectible accounts in the government-wide statements.	(331,930)
Change in Net Assets of Governmental Activities	\$ 12,257,888

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Statement of Net Assets

Proprietary Funds

June 30, 2008

	Governmental Activities
	Internal Service Funds
ASSETS	
Current Assets:	
Cash and cash equivalents	4,053,621
Total assets	<u>4,053,621</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	5,536
Due to other funds	73,089
Accrued expenses	<u>1,354,412</u>
Total liabilities	<u>1,433,037</u>
NET ASSETS	
Unrestricted net assets	<u>2,620,584</u>
Total net assets	<u><u>\$ 2,620,584</u></u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2008

	Governmental Activities Internal Service Funds
Operating Revenues	
Local, intermediate	955,920
Total operating revenues	955,920
Operating Expenses	
Contracted services	726,993
Total operating expenses	726,993
Operating income	228,927
Nonoperating Revenues (Expenses)	
Investment earnings	152,276
Change in net assets before transfers	381,203
Transfers out	(25,000)
Change in net assets	356,203
Total net assets - September 1 (beginning)	2,264,381
Total net assets - August 31 (ending)	<u>\$ 2,620,584</u>

The Notes to Financial Statements
are an integral part of this statement.

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2008

	Internal Service Funds
<u>Cash flows from operating activities :</u>	
Cash received from quasi-external charges	\$ 955,920
Cash payments for insurance claims	(644,648)
Repayment of interfund loans	(41,064)
Net cash provided by operating activities	<u>270,208</u>
<u>Cash flows from noncapital financing activities</u>	
Transfer to other funds	(25,000)
Net cash used by noncapital financing activities	<u>(25,000)</u>
<u>Cash flows from investing activities</u>	
Interest and dividends on investments	152,276
Net cash provided by investing activities	<u>152,276</u>
Net increase in cash and cash equivalents	397,484
Cash and cash equivalents at beginning of the year	<u>3,656,137</u>
Cash and cash equivalents at end of the year	<u>\$ 4,053,621</u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	\$ 228,927
Effects of increases and decreases in current assets and liabilities:	
Increase in accounts payable	5,536
Increase in other accrued expenses	76,809
Decrease in due to other funds	(41,064)
Net cash provided by operating activities	<u>\$ 270,208</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2008

	Agency Funds
Assets	
Cash and temporary investments	\$ 592,972
Total assets	\$ 592,972
Liabilities	
Due to student groups	\$ 592,972
Total liabilities	\$ 592,972

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

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. Effective September 1, 2006, the District changed its fiscal year from August 31 to June 30. 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 made 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".

The Birdville Independent School District Foundation for Educational Excellence (Foundation) was found to be a component unit of the District and is included in the basic financial statements. The Foundation was created for the purpose of the assistance, development and maintenance of charitable, educational or specific programs or activities for the Birdville Independent School District. The Foundation's governing body is appointed by the Board of Trustees of the District and the Foundation provides all of its services to the District. As a result, a blended presentation has been used to report the financial information of this component unit.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Birdville Independent School District non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

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.

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.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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.

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

D. Fund Accounting

The District reports the following major governmental funds:

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

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Fund Accounting – Continued

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

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

Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes 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 fund.

Fiduciary Funds:

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

E. Cash and Cash Equivalents

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

F. Temporary Investments

In accordance with GASB Statement No, 31, the District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Temporary Investments – Continued

a legal contract exists which guarantees a higher value. The term “short-term” refers to investments which have a remaining term of one year or less at the time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes.

G. Inventory

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

H. Compensated Absences

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

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, is established as a cap for the compensation of unused paid leave at retirement or death. This capped amount shall be 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 compensation reduced by 20 percent. If retirement does not occur prior to July 1, 2005, the employee shall have his or her capped amount 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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. Compensated Absences – Continued

\$10,000 compensation benefit at retirement. This benefit shall be determined by calculating 50 percent of the employee's daily rate of pay multiplied by the number of local leave days up to a maximum of 100 days earned in the District, to include days earned in the current school year, at the time of retirement or death.

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

I. Account Code Reporting

In accordance with 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 Resource Guide. Mandatory codes are recorded in the order provided in that section.

J. Accounting Estimates

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

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula becomes available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate as of June 30, 2008 will change.

K. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the 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.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Property Taxes – Continued

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

L. Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 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

M. Long-Term Debt

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Long-Term Debt – Continued

In the fund financial statements, governmental fund types recognized 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.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. BONDED DEBT PAYABLE

Bonded debt payable as of June 30, 2008 is as follows:

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 7/1/2007	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 6/30/2008
Unlimited Tax School Building and Refunding Bonds Series 1994	2.50-5.50	\$ 59,525,000	\$ 565,000	\$ -	\$ -	\$ -	\$ 565,000
Unlimited Tax School Building Bonds Series 1997	3.90-5.60	31,189,385	16,450,666	-	-	427,412	16,023,254
Unlimited Tax School Building Bonds Series 1997A	4.10-5.40	27,995,000	4,765,000	-	-	-	4,765,000
Unlimited Tax School Building Bonds Series 1997B	3.90-5.00	7,385,000	4,040,000	-	-	4,040,000	-
Unlimited Tax Building Bonds Series 1998	3.70-4.90	9,495,589	7,185,993	-	-	305,310	6,880,683
Unlimited Tax School Building and Refunding Bonds Series 1999	4.60-6.27	11,827,132	10,418,757	-	-	570,000	9,848,757
Unlimited Tax Building Bonds Series 2000	5.30-6.79	10,140,000	2,184,586	-	-	250,934	1,933,652
Unlimited Tax School Building and Refunding Bonds Series 2002	3.88-5.54	15,673,486	15,562,015	-	-	-	15,562,015
Unlimited Tax Refunding Bonds Series 2002A	3.88-5.54	22,725,000	7,855,000	-	-	1,715,000	6,140,000
Unlimited Tax Refunding Bonds Series 2003	5.00	19,925,000	19,925,000	-	-	4,300,000	15,625,000
Unlimited Tax Refunding Bonds Series 2004	3.00-5.00	25,701,186	25,701,186	-	-	176,186	25,525,000
Unlimited Tax School Building Bonds Series 2006	3.26-4.23	40,315,000	40,315,000	-	-	3,220,000	37,095,000
Unlimited Tax School Building and Refunding Bonds Series 2007	3.26-4.23	95,507,115	96,507,115	-	-	2,085,000	94,422,115
Total bonded debt payable			\$ 251,475,318	\$ -	\$ -	\$17,089,842	\$ 234,385,476

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. BONDED DEBT PAYABLE – CONTINUED

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

Due to Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$ 16,516,377	\$ 8,390,281	\$ 24,906,658
2010	17,478,899	7,817,728	25,296,627
2011	10,785,647	14,807,713	25,593,360
2012	11,491,400	14,337,902	25,829,302
2013	9,544,392	15,771,198	25,315,590
2014-2018	64,358,562	62,409,062	126,767,624
2019-2023	38,779,815	71,849,038	110,628,853
2024-2028	29,230,384	25,349,126	54,579,510
2029-2033	36,200,000	5,742,250	41,942,250
	<u>\$ 234,385,476</u>	<u>\$ 226,474,298</u>	<u>\$ 460,859,774</u>

Bonded debt payable is collateralized by revenue from the District's tax collections. In prior years, the District issued \$35,728,426 in General Obligation Bonds to defease \$35,728,426 in School Building Bonds then outstanding. Of the \$35,728,426 of bonds originally defeased, \$17,878,426 remains outstanding at June 30, 2008.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 3. CAPITAL LEASES

The District has entered into financing agreements involving equipment and buses pursuant to Section 4 of Article 2358 A.2 of the Texas Education Code, which have been classified as capital leases and have interest rates between 2.43% and 7.15%. The current servicing of the capital leases is accounted for in the General Fund.

The following is a schedule by year of the future minimum lease payments under capital leases together with the present value of net minimum lease payments as of June 30, 2008:

Year Ending June 30		
2009	\$	399,251
2010		339,939
2011		206,023
2012		118,514
2013		21,538
Minimum lease payments		1,085,265
Less amount representing interest		97,761
Present value of net minimum lease payments	\$	987,504

Included in Fixed Assets is \$4,565,505 for equipment and buses related to capital leases and \$3,495,886 in accumulated depreciation.

NOTE 4. ACCUMULATED UNPAID SICK LEAVE BENEFITS

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

Balance, July 1, 2007	\$	2,348,363
New entrants and salary increments		437,299
Payments to participants		(276,930)
Balance, June 30, 2008	\$	2,508,732

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation Bonds	\$ 251,475,318	\$ -	\$ 17,089,842	\$ 234,385,476	\$ 16,516,377
Accreted Interest	34,138,107	6,692,558	1,515,159	39,315,506	1,183,623
Capital Leases	1,396,629	536,102	945,227	987,504	318,424
Compensated Absences	2,348,363	437,299	276,930	2,508,732	305,620
Premium on Issuance	14,884,780	-	1,373,659	13,511,121	1,373,659
Deferred Gain (Loss) on Bond Refunding	(3,763,859)	-	(459,711)	(3,304,148)	(459,711)
	<u>\$ 300,479,338</u>	<u>\$ 7,665,959</u>	<u>\$ 20,741,106</u>	<u>\$ 287,404,191</u>	<u>\$ 19,237,992</u>

NOTE 6. CAPITAL ASSET ACTIVITY

Capital asset activity for the district for the year ended June 30, 2008 was as follows:

Primary government:

	Balance 7/1/2007	Additions (Transfers)	Deletions	Balance 6/30/2008
Capital assets, not being depreciated				
Land	\$ 17,450,534	\$ -	\$ -	\$ 17,450,534
Construction in Progress	1,925,437	12,909,475	-	14,834,912
Total capital assets, not being depreciated	<u>19,375,971</u>	<u>12,909,475</u>	<u>-</u>	<u>32,285,446</u>
Capital assets, being depreciated				
Buildings and Improvements	267,062,749	44,348,455	5,506,852	305,904,352
Furniture and Equipment	28,962,559	883,595	-	29,846,154
Total capital assets, being depreciated	<u>296,025,308</u>	<u>45,232,050</u>	<u>5,506,852</u>	<u>335,750,506</u>
Less accumulated depreciation on				
Buildings and Improvements	128,269,683	11,764,060	3,683,830	136,349,913
Furniture and Equipment	23,756,437	2,738,631	-	26,495,068
Total capital assets, being depreciated, net	<u>143,999,188</u>	<u>30,729,359</u>	<u>1,823,022</u>	<u>172,905,525</u>
Governmental activities capital assets, net	<u>\$ 163,375,159</u>	<u>\$ 43,638,834</u>	<u>\$ 1,823,022</u>	<u>\$ 205,190,971</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. CAPITAL ASSET ACTIVITY – CONTINUED

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

Instruction	\$ 9,449,101
Instructional resources and media services	344,567
Instructional leadership	24,509
School leadership	552,195
Guidance, counseling, and evaluation services	98,468
Health services	50,212
Student (pupil) transportation	574,025
Food services	1,048,686
Co-curricular/extracurricular activities	842,555
General administration	619,539
Plant maintenance and operations	456,581
Security and monitoring services	158,070
Data processing services	228,365
Community services	<u>55,818</u>
 Total depreciation expense	 <u><u>\$ 14,502,691</u></u>

NOTE 7. 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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 7. DEPOSITS AND INVESTMENTS – CONTINUED

policy authorized the District to invest in the following investments as summarized in the following table:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	10 years	none	none
U.S. Agency obligations	10 years	none	none
State of Texas securities	10 years	none	none
Collateralized mortgage obligations	10 years	none	none
Certificates of deposit	none	none	none
Repurchase agreements	90 days	none	none
Securities lending program	1 year	none	none
Banker's acceptance	270 days	none	none
Commercial paper	270 days	none	none
No-load mutual funds	2 years	15%	none
Guaranteed investment contracts	5 years	none	none
Public funds investment pool	N/A	none	none

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 investments as of June, 30 2008 are classified in the accompanying financial statements as follows:

Primary government	
Cash and cash equivalents	\$ 143,517,997
Restricted assets	68,891
Fiduciary funds	<u>592,972</u>
	<u><u>\$ 144,179,860</u></u>

Cash and investments as of June 30, 2008 consist of the following:

Deposits with financial institutions	\$ 2,377,193
Investments	<u>141,802,667</u>
	<u><u>\$ 144,179,860</u></u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 7. DEPOSITS AND INVESTMENTS – CONTINUED

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 29 days 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 has no specific limitations with respect to this metric.

As of June 30, 2008, the District had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
TexPool	\$ 58,204,333	32 days
Lone Star	1,038,341	37 days
MBIA	2,173,528	42 days
Repurchase Agreement	56,552,952	N/A
U.S. Treasury and U.S. Agency securities	<u>23,833,513</u>	137 days
	<u><u>\$ 141,802,667</u></u>	

As of June 30, 2008 the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 7. DEPOSITS AND INVESTMENTS – CONTINUED

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.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of June 30, 2008</u>
TexPool	\$ 58,204,333	AAA	AAAm
Lone Star	1,038,341	AAA	AAA
MBIA	2,173,528	AAA	AAA
Repurchase Agreement	56,552,952	N/A	N/A
U.S. Treasury and U.S. Agency securities	23,833,513	N/A	N/A

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. As of June 30, 2008, other than external investment pools and securities guaranteed by the U.S. Government, the District did not have 5% or more of its investment with one issuer.

Custodial Credit Risk

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 7. DEPOSITS AND INVESTMENTS – CONTINUED

Custodial Credit Risk – Continued

As of June 30, 2008 the District deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

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

- A. Depository: Bank of America
- B. Security pledged as of the date of the highest combined balance on deposit was \$18,033,343.
- C. Largest cash, savings and time deposit combined account balance amounted to \$15,681,168 and occurred during the month of August 2007.
- D. Total amount of FDIC coverage at the time of largest combined balance was \$148,641.

Investment in State Investment Pools

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

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

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

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. RETIREMENT PLAN

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

Funding Policy. State law provides a state contribution rate of 6.0% and a member contribution rate of 6.4% for fiscal years 2006, 2007 and state contribution rate of 6.58% and a member contribution rate of 6.4% for 2008. In certain instances, the reporting district is required to make all or a portion of the state's 6.58% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.58% of the member's annual compensation and a state contribution rate of not less than 6.58% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of the District's employees and reflected in the District's basic financial statements as both revenue and expenditures for the years ended August 31, 2006, and June 30, 2007 and 2008 were \$6,585,036, \$6,087,716 and \$7,785,788, respectively. The District paid additional state contributions for the years ended August 31, 2006, and June 30, 2007 and 2008 in the amount of \$1,252,681, \$1,251,956 and \$1,745,573, respectively, on a portion of the employees' salaries that exceeded the statutory minimum.

NOTE 9. 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 BASIC FINANCIAL STATEMENTS**

NOTE 9. 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, 2001 the District again maintains a self-insured workers' compensation plan. For this plan, stop-loss coverage is in effect for claims exceeding \$200,000 with an aggregate limit of \$1,000,000. Settled claims have not exceeded the aggregate coverage in any of the past three fiscal years. Insurance coverage has not been reduced for the year from the prior year. Self-insurance fund revenues and expenses are recognized on the accrual basis. Unpaid claims filed prior to June 30 and subsequently approved by the administrator of the plan are recorded as a liability.

The claims liability of \$1,354,412 reported in the self-insurance fund at June 30, 2008 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, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Liability, beginning of year	\$ 1,277,603	\$ 1,867,202
Current year claims and changes in estimates	759,909	(63,417)
Claim payments	<u>(683,100)</u>	<u>(526,182)</u>
Liability, end of year	<u>\$ 1,354,412</u>	<u>\$ 1,277,603</u>

NOTE 10. 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.

The District was obligated at June 30, 2008, under long-term contracts for construction, renovations, and repair of various facilities with an aggregate remaining balance of \$64,664,917.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 11. 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, 2008, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 11,950,554	\$ -	\$ 11,950,554
Special Revenue	577,618	3,547,266	4,124,884
Total	<u>\$ 12,528,172</u>	<u>\$ 3,547,266</u>	<u>\$ 16,075,438</u>

NOTE 12. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Non-Major Funds</u>	<u>Total</u>
State grants received in advance of expenditures	\$ -	\$ -	\$ 133,954	\$ 133,954
Net tax revenue	4,088,938	877,556	-	4,966,494
Total	<u>\$ 4,088,938</u>	<u>\$ 877,556</u>	<u>\$ 133,954</u>	<u>\$ 5,100,448</u>

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 13. INTERFUND BALANCES AND ACTIVITIES

Interfund balances at June 30, 2008 consisted of the following individual fund balances:

	Due to	Due From	Purpose
<u>General Fund</u>			
Special Revenue Funds	\$ 350,883	\$ 2,787,406	Deficit of pooled / cash reimbursement of expenditures
Debt Service Fund	482,384	-	Reimbursement of expenditures
Capital Projects Fund	-	794,379	Reimbursement of expenditures
Internal Service Fund	-	73,089	Reimbursement of expenditures
Total General Fund	833,267	3,654,874	
<u>Special Revenue Funds</u>			
General Fund	2,787,406	350,883	Deficit of pooled cash / reimbursement of expenditures
Capital Projects Fund	-	300,000	Reimbursement of expenditures
Total Special Revenue Funds	2,787,406	650,883	
<u>Debt Service Fund</u>			
General Fund	-	482,384	Interest earnings not yet transferred
<u>Proprietary Fund</u>			
General Fund	73,089	-	Reimbursement of expenditures
<u>Capital Projects Fund</u>			
General Fund	794,379	-	Reimbursement of expenditures
Special Revenue Funds	300,000	-	Reimbursement of expenditures
Total Capital Projects Fund	1,094,379	-	
Totals	<u>\$ 4,788,141</u>	<u>\$ 4,788,141</u>	

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

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 13. INTERFUND BALANCES AND ACTIVITIES - CONTINUED

The following transfers were made between funds during the year ended June 30, 2008:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
<u>General Fund</u>			
Special Revenue Funds	\$ 214,635	\$ 447,878	Reimbursement of expenditures / close out inactive funds
Internal Service Fund	<u>25,000</u>	<u>-</u>	Reimbursement of expenditures
Total General Fund	239,635	447,878	
<u>Special Revenue Funds</u>			
General Fund	447,878	214,635	Reimbursement of expenditures / close out inactive funds
Special Revenue Funds	<u>327,883</u>	<u>327,883</u>	Reimbursement of expenditures
Total Special Revenue Funds	775,761	542,518	
<u>Internal Service Fund</u>			
General Fund	-	25,000	Reimbursement of expenditures
Totals	<u>\$ 1,015,396</u>	<u>\$ 1,015,396</u>	

REQUIRED SUPPLEMENTARY INFORMATION

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the year ended June 30, 2008

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	\$ 73,522,842	\$ 75,020,141	\$ 75,444,430	\$ 424,289
5800	State Program Revenues	76,384,456	68,722,135	70,534,744	1,812,609
5900	Federal Program Revenues	420,000	410,000	440,284	30,284
5020	Total Revenues	150,327,298	144,152,276	146,419,458	2,267,182
EXPENDITURES:					
Current:					
0011	Instruction	93,348,104	95,189,189	94,336,000	853,189
0012	Instructional Resources & Media Services	2,492,926	2,623,486	2,522,307	101,179
0013	Curriculum & Instructional Staff Development	475,615	624,880	550,304	74,576
0021	Instructional Leadership	2,260,479	2,381,854	2,275,008	106,846
0023	School Leadership	9,902,098	9,360,835	9,407,729	(46,894)
0031	Guidance, Counseling & Evaluation Services	4,763,590	5,023,290	4,882,978	140,312
0032	Social Services	160,117	180,117	178,058	2,059
0033	Health Services	2,072,000	2,271,131	2,161,016	110,115
0034	Student (Pupil) Transportation	3,238,990	4,011,269	3,635,412	375,857
0035	Food services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	3,701,399	3,877,242	3,859,561	17,681
0041	General Administration	5,238,826	4,407,238	4,112,704	294,534
0051	Plant Maintenance and Operations	17,492,466	16,404,255	15,303,085	1,101,170
0052	Security and Monitoring Services	625,615	608,215	493,828	114,387
0053	Data Processing Services	2,301,321	2,426,321	2,357,531	68,790
0061	Community Services	270,002	260,002	210,785	49,217
0071	Debt Service	1,004,283	1,044,283	1,003,444	40,839
0081	Facilities Acquisition and Construction	183,902	306,807	266,188	40,619
0095	Juvenile Justice AEP	107,000	51,550	46,980	4,570
0097	Tax Increment Financing	115,000	115,000	109,714	5,286
0099	Other Intergovernmental Charges	-	615,000	610,846	4,154
6030	Total Expenditures	149,753,733	151,781,964	148,323,478	3,458,486
1100	Excess (deficiency) of revenues over expenditures	573,565	(7,629,688)	(1,904,020)	5,725,668
Other Financing Sources:					
7949	Other resources	-	561,529	536,102	(25,427)
8911	Operating Transfers (Out)	-	(437,974)	(208,243)	229,731
	Total other financing (uses)	-	123,555	327,859	204,304
1200	Net Change in Fund Balances	573,565	(7,506,133)	(1,576,161)	5,929,972
0100	Fund Balances - July 1 (Beginning)	46,485,639	46,485,639	46,485,639	-
3000	Fund Balance - June 30 (Ending)	\$ 47,059,204	\$ 38,979,506	\$ 44,909,478	\$ 5,929,972

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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 Exhibit I-4 and I-5.

The following procedures are followed in establishing the budgetary data:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten day’s public notice of the meeting must be given.
3. Prior to September 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:

Function	Increase (Decrease)
Instruction	\$ 1,841,085
Instructional Resources & Media Services	130,560
Curriculum & Instructional Staff Development	149,265
Instructional Leadership	121,375
School Leadership	(541,263)
Guidance, Counseling & Evaluation Services	259,700
Health Services	199,131
Student (Pupil) Transportation	772,279
Cocurricular/Extracurricular Activities	175,843
General Administration	(831,588)
Plant Maintenance and Operations	(1,088,211)
Data Processing Services	125,000
Facilities Acquisition and Construction	122,905
Other Intergovernmental Charges	615,000

4. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

5. The Texas Education Agency requires these budgets to be filed with the Texas Education Agency. The budget should not exceed expenditures in any functional expenditure category under TEA requirements. The original and final amended versions of these budgets are used in this report.

COMBINING STATEMENTS

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2008

	203 Child Care Development Block Grant	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	213 ESEA Title I Part B Even Start	220 Adult Education
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	56,885	785,444	-	39,467
Due from other funds	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 56,885</u>	<u>\$ 785,444</u>	<u>\$ -</u>	<u>\$ 39,467</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 6,110	\$ -	\$ 721
Accrued wages payable	-	990	272,561	-	16,127
Due to other funds	-	55,895	506,773	-	22,619
Deferred revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>56,885</u>	<u>785,444</u>	<u>-</u>	<u>39,467</u>
Fund balances:					
Reserved for:					
Investment in inventory	-	-	-	-	-
Prepays	-	-	-	-	-
Food service	-	-	-	-	-
Unreserved and undesignated:					
Reported in special revenue funds	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 56,885</u>	<u>\$ 785,444</u>	<u>\$ -</u>	<u>\$ 39,467</u>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career & Tech. Basic Grant	255 ESEA, II, A Training and Recruiting	262 Title II, D Education Technology
\$ -	\$ -	\$ 3,425,421	\$ -	\$ -	\$ -
1,575,191	80,029	-	194,813	132,338	23,784
-	-	-	-	-	-
-	-	127,275	-	-	-
-	-	-	-	-	-
<u>\$ 1,575,191</u>	<u>\$ 80,029</u>	<u>\$ 3,552,696</u>	<u>\$ 194,813</u>	<u>\$ 132,338</u>	<u>\$ 23,784</u>
\$ 1,633	\$ -	\$ 22,269	\$ -	\$ -	\$ -
629,241	22,595	376,110	24,401	73,717	-
944,317	57,434	232,933	170,412	58,621	23,784
-	-	-	-	-	-
<u>1,575,191</u>	<u>80,029</u>	<u>631,312</u>	<u>194,813</u>	<u>132,338</u>	<u>23,784</u>
-	-	127,275	-	-	-
-	-	-	-	-	-
-	-	2,794,109	-	-	-
-	-	-	-	-	-
-	-	<u>2,921,384</u>	-	-	-
<u>\$ 1,575,191</u>	<u>\$ 80,029</u>	<u>\$ 3,552,696</u>	<u>\$ 194,813</u>	<u>\$ 132,338</u>	<u>\$ 23,784</u>

(Continued)

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2008

	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	269 Title V, A Innovative Programs	284 Smaller Learning Communities	315 SSA IDEA-B Discretionary
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 945
Due from other governments	210,466	164,845	38,634	237,307	-
Due from other funds	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Total assets	\$ 210,466	\$ 164,845	\$ 38,634	\$ 237,307	\$ 945
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 1,340	\$ 31,092	\$ 2,293	\$ 2,154	\$ 945
Accrued wages payable	53,605	37,982	-	8,333	-
Due to other funds	155,521	95,771	36,341	226,820	-
Deferred revenue	-	-	-	-	-
Total liabilities	210,466	164,845	38,634	237,307	945
Fund balances:					
Reserved for:					
Investment in inventory	-	-	-	-	-
Prepays	-	-	-	-	-
Food service	-	-	-	-	-
Unreserved and undesignated:					
Reported in special revenue funds	-	-	-	-	-
Total fund balances	-	-	-	-	-
Total liabilities and fund balances	\$ 210,466	\$ 164,845	\$ 38,634	\$ 237,307	\$ 945

Exhibit H-1

	316 SSA IDEA-B Deaf	317 SSA IDEA-B PS Deaf	340 SSA IDEA-C Early Int.	383 Professional Staff Development	385 Visually Impaired	390 (LEP) Early Childhood Summer Prog.
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	2,844	3,622	1,597	-	-	-
	-	-	-	-	13,803	-
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u>2,844</u>	<u>3,622</u>	<u>1,597</u>	<u>-</u>	<u>13,803</u>	<u>-</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	13,803	-
	2,844	3,622	1,597	-	-	-
	-	-	-	-	-	-
	<u>2,844</u>	<u>3,622</u>	<u>1,597</u>	<u>-</u>	<u>13,803</u>	<u>-</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>2,844</u>	<u>3,622</u>	<u>1,597</u>	<u>-</u>	<u>13,803</u>	<u>-</u>

(Continued)

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2008

	393 Texas Successful Schools Prog.	394 Pregnancy, Education and Planning	397 Advanced Placement Incentives	399 Investment Capital Funds	401 Optional Extended Year Program
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 27,215	\$ -	\$ 11,262
Due from other governments	-	56,784	-	14,198	-
Due from other funds	-	-	-	-	59,039
Inventories	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Total assets	\$ -	\$ 56,784	\$ 27,215	\$ 14,198	\$ 70,301
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 490	\$ -	\$ -
Accrued wages payable	-	-	-	-	59,039
Due to other funds	-	56,784	-	14,198	-
Deferred revenue	-	-	-	-	11,262
Total liabilities	-	56,784	490	14,198	70,301
Fund balances:					
Reserved for:					
Investment in inventory	-	-	-	-	-
Prepays	-	-	-	-	-
Food service	-	-	-	-	-
Unreserved and undesignated:					
Reported in special revenue funds	-	-	26,725	-	-
Total fund balances	-	-	26,725	-	-
Total liabilities and fund balances	\$ -	\$ 56,784	\$ 27,215	\$ 14,198	\$ 70,301

404 Student Success Initiative	409 Basic Skills Program High School	411 Technology Allotment	413 Telecom Infrastruct. Fund	414 Texas Science Initiative	421 Master Reading Teacher
\$ 130,769	\$ -	\$ -	\$ -	\$ -	\$ -
-	66,878	-	-	13,820	-
-	13,901	52,220	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 130,769</u>	<u>\$ 80,779</u>	<u>\$ 52,220</u>	<u>\$ -</u>	<u>\$ 13,820</u>	<u>\$ -</u>
\$ -	\$ 2,524	\$ -	\$ -	\$ 38	\$ -
8,077	-	52,220	-	4,850	-
-	78,255	-	-	8,932	-
122,692	-	-	-	-	-
<u>130,769</u>	<u>80,779</u>	<u>52,220</u>	<u>-</u>	<u>13,820</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 130,769</u>	<u>\$ 80,779</u>	<u>\$ 52,220</u>	<u>\$ -</u>	<u>\$ 13,820</u>	<u>\$ -</u>

(Continued)

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2008

	426 Educator Excellence Grant	428 High School Allotment	429 Other State Special Revenue	435 SSA School for Deaf	461 Campus Activity Funds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 467,356	\$ 740,875
Due from other governments	5,000	387,744	33,194	-	-
Due from other funds	-	545,172	-	-	-
Inventories	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Total assets	\$ 5,000	\$ 932,916	\$ 33,194	\$ 467,356	\$ 740,875
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 343	\$ 4,244	\$ 770	\$ -	\$ -
Accrued wages payable	-	135,956	-	134,828	-
Due to other funds	4,657	-	29,276	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	5,000	140,200	30,046	134,828	-
Fund balances:					
Reserved for:					
Investment in inventory	-	-	-	-	-
Prepays	-	-	-	-	-
Food service	-	-	-	-	-
Unreserved and undesignated:					
Reported in special revenue funds	-	792,716	3,148	332,528	740,875
Total fund balances	-	792,716	3,148	332,528	740,875
Total liabilities and fund balances	\$ 5,000	\$ 932,916	\$ 33,194	\$ 467,356	\$ 740,875

Exhibit H-1

481 Because We Care	482 Local Deaf Education	484 Connecting Math and Science	487 Workshops	488 Environmental Study Center	489 Guidance and Counseling
\$ -	\$ -	\$ -	\$ 23,595	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,595</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	23,595	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>23,595</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,595</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2008

	490 Special Projects	492 Science Initiative	499 Foundation for Educational Excellence	Total Nonmajor Special Revenue Funds
Assets				
Cash and cash equivalents	\$ 12,262,063	\$ -	\$ 2,604,621	\$ 19,694,122
Due from other governments	-	-	-	4,124,884
Due from other funds	-	-	(33,252)	650,883
Inventories	-	-	-	127,275
Prepaid expenditures	-	-	-	-
Total assets	\$ 12,262,063	\$ -	\$ 2,571,369	\$ 24,597,164
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 76,966
Accrued wages payable	-	-	-	1,924,435
Due to other funds	-	-	-	2,787,406
Deferred revenue	-	-	-	133,954
Total liabilities	-	-	-	4,922,761
Fund balances:				
Reserved for:				
Investment in inventory	-	-	-	127,275
Prepays	-	-	-	-
Food service	-	-	-	2,794,109
Unreserved and undesignated:				
Reported in special revenue funds	12,262,063	-	2,571,369	16,753,019
Total fund balances	12,262,063	-	2,571,369	19,674,403
Total liabilities and fund balances	\$ 12,262,063	\$ -	\$ 2,571,369	\$ 24,597,164

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Year Ended June 30, 2008

	203 Child Care Development Block Grant	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	213 ESEA Title I Part B Even Start	220 Adult Education
Revenues:					
Local, intermediate and out-of-state	\$ -	\$ -	\$ -	\$ -	\$ -
State program revenues	-	-	-	-	-
Federal program revenues	160,734	77,405	2,000,718	10,895	91,952
Total revenues	160,734	77,405	2,000,718	10,895	91,952
Expenditures:					
Current:					
Instruction	5,109	68,017	1,790,783	2,023	43,015
Instructional resources and media services	-	-	-	-	-
Curriculum and instructional staff development	88,167	-	-	-	1,477
Instructional leadership	67,458	-	209,935	7,958	47,460
Guidance, counseling, and evaluation services	-	5,830	-	-	-
Social work services	-	3,558	-	-	-
Health services	-	-	-	-	-
Student (pupil) transportation	-	-	-	-	-
Food services	-	-	-	-	-
Extracurricular/cocurricular activities	-	-	-	-	-
General administration	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-
Community services	-	-	-	914	-
Total expenditures	160,734	77,405	2,000,718	10,895	91,952
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Excess (deficiency) of revenues and other resources over expenditures	-	-	-	-	-
Fund balance July 1 (beginning)	-	-	-	-	-
Fund balance June 30 (ending)	\$ -	\$ -	\$ -	\$ -	\$ -

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career & Tech. Basic Grant	255 ESEA, II, A Training and Recruiting	262 Title II, D Education Technology
\$ -	\$ -	\$ 3,983,872	\$ -	\$ -	\$ -
-	-	275,224	-	-	-
<u>5,158,975</u>	<u>134,352</u>	<u>4,881,587</u>	<u>194,812</u>	<u>788,320</u>	<u>23,784</u>
<u>5,158,975</u>	<u>134,352</u>	<u>9,140,683</u>	<u>194,812</u>	<u>788,320</u>	<u>23,784</u>
4,651,985	134,352	-	194,812	360,062	23,784
-	-	-	-	-	-
22,045	-	-	-	320,165	-
-	-	-	-	62,061	-
257,438	-	-	-	-	-
60,973	-	-	-	-	-
-	-	-	-	-	-
166,534	-	-	-	-	-
-	-	8,829,957	-	-	-
-	-	-	-	-	-
-	-	-	-	46,032	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,158,975</u>	<u>134,352</u>	<u>8,829,957</u>	<u>194,812</u>	<u>788,320</u>	<u>23,784</u>
-	-	310,726	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	310,726	-	-	-
-	-	2,610,658	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,921,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Year Ended June 30, 2008

	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	269 Title V, A Innovative Programs	284 Smaller Learning Communities	315 SSA IDEA-B Discretionary
Revenues:					
Local, intermediate and out-of-state	\$ -	\$ -	\$ -	\$ -	\$ -
State program revenues	-	-	-	-	-
Federal program revenues	404,266	534,905	63,676	426,358	31,871
Total revenues	404,266	534,905	63,676	426,358	31,871
Expenditures:					
Current:					
Instruction	395,266	336,122	63,676	205,368	31,871
Instructional resources and media services	-	28,229	-	-	-
Curriculum and instructional staff development	9,000	15,526	-	57,842	-
Instructional leadership	-	62,468	-	163,148	-
Guidance, counseling, and evaluation services	-	-	-	-	-
Social work services	-	-	-	-	-
Health services	-	-	-	-	-
Student (pupil) transportation	-	-	-	-	-
Food services	-	-	-	-	-
Extracurricular/cocurricular activities	-	-	-	-	-
General administration	-	35,750	-	-	-
Facilities maintenance and operations	-	21,000	-	-	-
Community services	-	35,810	-	-	-
Total expenditures	404,266	534,905	63,676	426,358	31,871
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Excess (deficiency) of revenues and other resources over expenditures	-	-	-	-	-
Fund balance					
July 1 (beginning)	-	-	-	-	-
June 30 (ending)	\$ -	\$ -	\$ -	\$ -	\$ -

Exhibit H-2

	316 SSA IDEA-B Deaf	317 SSA IDEA-B PS Deaf	340 SSA IDEA-C Early Int.	383 Professional Staff Development	385 Visually Impaired	390 (LEP) Early Childhood Summer Prog.
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	22,446	-
	<u>20,226</u>	<u>3,622</u>	<u>1,597</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>20,226</u>	<u>3,622</u>	<u>1,597</u>	<u>-</u>	<u>22,446</u>	<u>-</u>
	20,226	3,622	1,597	-	22,446	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>20,226</u>	<u>3,622</u>	<u>1,597</u>	<u>-</u>	<u>22,446</u>	<u>-</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	(54,475)	-	(26,981)
	-	-	-	(54,475)	-	(26,981)
	-	-	-	54,475	-	26,981
\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Year Ended June 30, 2008

	393 Texas Successful Schools Prog.	394 Pregnancy, Education and Planning	397 Advanced Placement Incentives	399 Investment Capital Funds	401 Optional Extended Year Program
Revenues:					
Local, intermediate and out-of-state	\$ -	\$ -	\$ -	\$ -	\$ -
State program revenues	-	68,315	11,700	95,449	83,884
Federal program revenues	-	-	-	-	-
Total revenues	<u>-</u>	<u>68,315</u>	<u>11,700</u>	<u>95,449</u>	<u>83,884</u>
Expenditures:					
Current:					
Instruction	-	57,410	-	77,420	142,923
Instructional resources and media services	-	-	-	-	-
Curriculum and instructional staff development	-	-	4,240	3,949	-
Instructional leadership	-	-	-	13,080	-
Guidance, counseling, and evaluation services	-	-	-	-	-
Social work services	-	-	-	-	-
Health services	-	-	-	-	-
Student (pupil) transportation	-	10,905	-	-	-
Food services	-	-	-	-	-
Extracurricular/cocurricular activities	-	-	-	-	-
General administration	-	-	-	-	-
Facilities maintenance and operations	-	-	-	1,000	-
Community services	-	-	-	-	-
Total expenditures	<u>-</u>	<u>68,315</u>	<u>4,240</u>	<u>95,449</u>	<u>142,923</u>
Excess (deficiency) of revenues over expenditures	-	-	7,460	-	(59,039)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	59,039
Transfers out	<u>(726)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other resources over expenditures	(726)	-	7,460	-	-
Fund balance July 1 (beginning)	<u>726</u>	<u>-</u>	<u>19,265</u>	<u>-</u>	<u>-</u>
Fund balance June 30 (ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,725</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

404 Student Success Initiative	409 Basic Skills Program High School	411 Technology Allotment	413 Telecom Infrastruct. Fund	414 Texas Science Initiative	421 Master Reading Teacher
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
427,105	95,369	586,536	-	30,434	-
-	-	-	-	-	-
<u>427,105</u>	<u>95,369</u>	<u>586,536</u>	<u>-</u>	<u>30,434</u>	<u>-</u>
484,250	48,626	-	-	16,685	-
-	-	-	-	-	-
19,309	42,233	693,500	-	7,500	-
-	22,928	-	-	6,249	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>503,559</u>	<u>113,787</u>	<u>693,500</u>	<u>-</u>	<u>30,434</u>	<u>-</u>
(76,454)	(18,418)	(106,964)	-	-	-
-	13,901	106,964	-	-	-
<u>(35,195)</u>	<u>(19,223)</u>	<u>-</u>	<u>(32,829)</u>	<u>-</u>	<u>(4,500)</u>
(111,649)	(23,740)	-	(32,829)	-	(4,500)
<u>111,649</u>	<u>23,740</u>	<u>-</u>	<u>32,829</u>	<u>-</u>	<u>4,500</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Year Ended June 30, 2008

	426 Educator Excellence Grant	428 High School Allotment	429 Other State Special Revenue	435 SSA School for Deaf	461 Campus Activity Funds
Revenues:					
Local, intermediate and out-of-state	\$ -	\$ -	\$ -	\$ 351,325	\$ 2,168,252
State program revenues	50,000	1,653,412	53,109	445,656	-
Federal program revenues	-	-	-	-	-
Total revenues	50,000	1,653,412	53,109	796,981	2,168,252
Expenditures:					
Current:					
Instruction	47,500	1,443,739	14,079	792,336	87,819
Instructional resources and media services	-	-	704	-	-
Curriculum and instructional staff development	-	20,131	1,232	-	-
Instructional leadership	2,500	-	-	-	-
Guidance, counseling, and evaluation services	-	-	-	-	-
Social work services	-	-	-	-	-
Health services	-	-	33,194	-	-
Student (pupil) transportation	-	-	-	-	-
Food services	-	-	-	-	-
Extracurricular/cocurricular activities	-	-	-	-	2,044,373
General administration	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-
Community services	-	-	-	-	-
Total expenditures	50,000	1,463,870	49,209	792,336	2,132,192
Excess (deficiency) of revenues over expenditures	-	189,542	3,900	4,645	36,060
Other Financing Sources (Uses)					
Transfers in	-	-	-	327,883	-
Transfers out	-	-	(19,727)	-	-
Excess (deficiency) of revenues and other resources over expenditures	-	189,542	(15,827)	332,528	36,060
Fund balance July 1 (beginning)	-	603,174	18,975	-	704,815
Fund balance June 30 (ending)	\$ -	\$ 792,716	\$ 3,148	\$ 332,528	\$ 740,875

481 Because We Care	482 Local Deaf Education	484 Connecting Math and Science	487 Workshops	488 Environmental Study Center	489 Guidance and Counseling
\$ -	\$ -	\$ -	\$ 1,465	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,465	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,260	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,260	-	-
-	-	-	-	-	-
-	-	-	205	-	-
-	-	-	-	-	-
(105)	(327,883)	(491)	-	(5,000)	(2,235)
(105)	(327,883)	(491)	205	(5,000)	(2,235)
105	327,883	491	23,390	5,000	2,235
\$ -	\$ -	\$ -	\$ 23,595	\$ -	\$ -

(Continued)

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Year Ended June 30, 2008

	490 Special Projects	492 Science Initiative	499 Foundation for Educational Excellence	Total Nonmajor Special Revenue Funds
Revenues:				
Local, intermediate and out-of-state	\$ 11,497,671	\$ -	\$ 220,835	\$ 18,223,420
State program revenues	-	-	-	3,898,639
Federal program revenues	-	-	-	15,013,677
Total revenues	<u>11,497,671</u>	<u>-</u>	<u>220,835</u>	<u>37,135,736</u>
Expenditures:				
Current:				
Instruction	-	-	-	11,570,545
Instructional resources and media services	-	-	-	28,933
Curriculum and instructional staff development	-	-	149,905	1,457,481
Instructional leadership	-	-	-	665,245
Guidance, counseling, and evaluation services	-	-	-	263,268
Social work services	-	-	-	64,531
Health services	-	-	-	33,194
Student (pupil) transportation	-	-	-	177,439
Food services	-	-	-	8,829,957
Extracurricular/cocurricular activities	-	-	-	2,044,373
General administration	-	-	-	81,782
Facilities maintenance and operations	-	-	-	22,000
Community services	4,064	-	-	40,788
Total expenditures	<u>4,064</u>	<u>-</u>	<u>149,905</u>	<u>25,279,536</u>
Excess (deficiency) of revenues over expenditures	11,493,607	-	70,930	11,856,200
Other Financing Sources (Uses)				
Transfers in	267,974	-	-	775,761
Transfers out	-	(13,148)	-	(542,518)
Excess (deficiency) of revenues and other resources over expenditures	11,761,581	(13,148)	70,930	12,089,443
Fund balance				
July 1 (beginning)	<u>500,482</u>	<u>13,148</u>	<u>2,500,439</u>	<u>7,584,960</u>
Fund balance June 30 (ending)	<u>\$ 12,262,063</u>	<u>\$ -</u>	<u>\$ 2,571,369</u>	<u>\$ 19,674,403</u>

REQUIRED TEA SCHEDULES

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Schedule of Delinquent Property Taxes Receivable

For the year ended June 30, 2008

Years ended August 31,	Tax rates		Assessed or appraised valuation	10 Delinquent balance by year July 1
	1 Maintenance	2 Debt service		
1999 and prior	Various	Various	\$ Various	\$ 1,338,020
2000	1.38070	0.15180	4,270,441,117	262,628
2001	1.41630	0.15350	4,712,674,096	284,980
2002	1.41980	0.15000	5,204,280,044	304,120
2003	1.45500	0.16200	5,668,493,380	308,547
2004	1.45500	0.16200	5,899,556,044	492,092
2005	1.46500	0.15200	6,165,856,861	543,554
2006	1.46500	0.15200	6,357,870,019	1,101,881
2007	1.33900	0.22600	6,755,819,844	4,330,649
2008 (current)	1.04000	0.36500	7,052,993,271	-
Totals				<u>\$ 8,966,471</u>

20	31	32	30	40	50
Current year's total levy	Maintenance Collections	Debt Service Collections	Total collections	Adjustments	Delinquent balance by year June 30, 2008
\$ -	\$ 10,318	\$ 2,421	\$ 12,739	\$ (12,001)	\$ 1,313,280
-	3,144	346	3,490	(2,206)	256,932
-	8,411	912	9,323	(3,605)	272,052
-	10,375	1,096	11,471	(6,839)	285,810
-	22,866	2,546	25,412	(5,212)	277,923
-	57,112	6,359	63,471	(44,786)	383,835
-	119,386	12,387	131,773	(26,800)	384,981
-	194,953	20,227	215,180	(60,126)	826,575
-	2,460,525	415,294	2,875,819	(751,982)	702,848
<u>96,076,520</u>	<u>68,617,124</u>	<u>24,081,972</u>	<u>92,699,096</u>	<u>(50)</u>	<u>3,377,374</u>
<u>\$ 96,076,520</u>	<u>\$ 71,504,214</u>	<u>\$ 24,543,560</u>	<u>\$ 96,047,774</u>	<u>\$ (913,607)</u>	<u>\$ 8,081,610</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Schedule of Expenditures for Computation of Indirect Cost for 2007 - 2008
General and Special Revenue Funds

For the year ended June 30, 2008

Function 41 and Related Function 53- General Administration								
Account number	Account Name	1 School board	2 Tax collection	3 Supt's. office	4 Indirect cost	5 Direct cost	6 Misc	7 Total
6100	Payroll costs	\$ 30,959	\$ -	\$255,866	\$3,285,574	\$ -	\$ -	\$ 3,572,399
6211	Legal services	20,542	-	117,761	-	-	-	138,303
6212	Audit services	-	-	-	44,000	-	-	44,000
	Tax appraisal and collection	-	450	-	-	-	-	450
6213	Other professional services	-	-	-	165,715	-	-	165,715
621X	Tuition and transfer payments	-	-	-	-	-	-	-
6220	Education Service Center	-	-	-	-	-	-	-
6230	Contr maint and repair	-	-	-	-	160,760	-	160,760
6240	Utilities	-	-	-	-	13,886	-	13,886
6250	Rentals	-	-	-	13,108	-	-	13,108
6260	Misc contractors	-	-	-	240,820	-	-	240,820
6290	Supplies and materials for maint and/or ops	-	-	-	12,737	-	-	12,737
6310	Textbooks and reading	-	-	1,035	1,649	-	-	2,684
6320	Testing materials	-	-	-	-	-	-	-
6330	Other supplies, materials	-	-	-	159,140	-	-	159,140
63XX	Travel and subsistence	12,548	-	7,641	40,625	-	-	60,814
6410	Insurance and bonding costs	60,000	-	-	121	-	-	60,121
6420	Election costs	485	-	-	-	-	-	485
6430	Misc operating	5,005	-	7,542	109,171	-	16,927	138,645
6490	Debt service	-	-	-	-	-	-	-
6500	Capital outlay	-	-	-	-	-	-	-
6600		-	-	-	-	-	-	-
	Total	<u>\$129,539</u>	<u>\$ 450</u>	<u>\$389,845</u>	<u>\$4,072,660</u>	<u>\$ 174,646</u>	<u>\$16,927</u>	<u>\$ 4,784,067</u>
Total expenditures/expenses for General and Special Revenue Funds							(9)	\$173,603,014
Less: Deductions of unallowable costs								
Fiscal year:								
	Total capital outlay (6600)					\$ 1,480,674	(10)	
	Total debt & lease (6500)					1,003,444	(11)	
	Plant maintenance (function 51, 6100-6400)					15,089,369	(12)	
	Food (function 35, 6341 and 6499)					3,042,334	(13)	
	Stipends (6413)					-	(14)	
	Column 4 (above) - total indirect cost					<u>4,072,660</u>		
	Subtotal							<u>24,688,481</u>
	Net allowed direct cost							<u>\$ 148,914,533</u>
Cumulative:								
	Total cost of building before depreciation (1520)						(15)	\$ 305,904,352
	Historical cost of buildings over 50 years old						(16)	10,497,133
	Amount of federal money in building cost (net of #16)						(17)	-
	Total cost of furniture and equipment before depreciation (1530 & 1540)						(18)	29,846,154
	Historical cost of furniture & equipment over 16 years old						(19)	-
	Amount of federal money in furniture & equipment (net of above)						(20)	2,837,754

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
Optimum Fund Balance Calculation Schedule - General Fund
 As of June 30, 2008
 (unaudited)

1. Total general fund balance as of June 30, 2008		\$ 44,909,478
2. Total reserved fund balance	782,044	
3. Total designated fund balance	12,500,000	
4. Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	26,494,802	
5. Estimate of one month's average cash disbursements during the regular school session (9/1/08 - 5/31/09)	12,732,293	
6. Estimate of delayed payments from state sources (58xx) including August payment delays	<u>7,838,739</u>	
7. Optimum fund balance and cash flow (lines 2+3+4+5+6)		<u>60,347,878</u>
8. Deficiency undesignated unreserved General Fund balance (line 1 minus line 7)		<u><u>\$ (15,438,400)</u></u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Budgetary Comparison Schedule

Child Nutrition Fund

For the year ended June 30, 2008

Data	Budgeted Amounts			Actual Amounts	Variance With
Control				(GAAP Basis)	Final Budget
Codes	Original	Final			Positive or
					(Negative)
REVENUES:					
5700	Total local and intermediate sources	\$ 3,682,000	\$ 3,964,881	\$ 3,983,872	\$ 18,991
5800	State program revenues	255,000	253,848	275,224	21,376
5900	Federal program revenues	4,325,000	4,881,586	4,881,587	1
5020	Total revenues	8,262,000	9,100,315	9,140,683	40,368
EXPENDITURES:					
Current:					
0035	Food service	8,213,227	9,099,617	8,829,957	269,660
0051	Plant maintenance and operations	-	-	-	-
6030	Total expenditures	8,213,227	9,099,617	8,829,957	269,660
1100	Excess (deficiency) of revenues over expenditures	48,773	698	310,726	310,028
Other Financing Sources					
7915	Transfers in	-	-	-	-
1200	Net changes in fund balances	48,773	698	310,726	310,028
0100	Fund balance - July 1 (beginning)	2,610,658	2,610,658	2,610,658	-
3000	Fund balance - June 30 (ending)	\$ 2,659,431	\$ 2,611,356	\$ 2,921,384	\$ 310,028

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Budgetary Comparison Schedule

Debt Service Fund

For the year ended June 30, 2008

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	\$ 25,352,469	\$25,023,803	\$ 24,938,950	\$ (84,853)
5800	State program revenues	<u>1,664,847</u>	<u>1,771,766</u>	<u>1,710,698</u>	<u>(61,068)</u>
5020	Total revenues	<u>27,017,316</u>	<u>26,795,569</u>	<u>26,649,648</u>	<u>(145,921)</u>
EXPENDITURES:					
Current:					
0071	Debt service - principal on long-term debt	17,089,841	17,089,841	17,089,841	-
0072	Debt service - interest on long-term debt	9,178,878	9,808,692	9,808,692	-
0073	Debt service - bond issuance cost and fees	<u>30,000</u>	<u>30,000</u>	<u>15,460</u>	<u>14,540</u>
6030	Total expenditures	<u>26,298,719</u>	<u>26,928,533</u>	<u>26,913,993</u>	<u>14,540</u>
	Excess (deficiency) of revenues over (under) expenditures	<u>718,597</u>	<u>(132,964)</u>	<u>(264,345)</u>	<u>(131,381)</u>
1200	Net change in fund balance	718,597	(132,964)	(264,345)	(131,381)
0100	Fund balance - July 1 (beginning)	<u>4,643,536</u>	<u>4,643,536</u>	<u>4,643,536</u>	<u>-</u>
3000	Fund balance - June 30 (ending)	<u>\$ 5,362,133</u>	<u>\$ 4,510,572</u>	<u>\$ 4,379,191</u>	<u>\$ (131,381)</u>

FEDERAL AWARDS SECTION



L.L.P.
CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

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

Board of Trustees
BIRDVILLE INDEPENDENT SCHOOL DISTRICT
Haltom City, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Birdville Independent School District as of and for the year ended June 30, 2008, which collectively comprise Birdville Independent School District's basic financial statements and have issued our report thereon dated November 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the following to be significant deficiencies:

Accrued Liabilities

We noted that the District's process for recording certain accrued liabilities such as the summer school payroll accrual did not result in the expense being recorded in the proper period. Proper cutoffs are critical for the accuracy of the modified accrual basis of accounting. We recommend that the Accounting Director prepare written instructions to be included as a part of the District accounting policies and procedures manual that emphasizes the proper cutoffs and the individuals responsible for accruing liabilities at the accounting period end.

1600 West Seventh Street
Suite 300
Fort Worth, Texas 76102-2506
817.332.7905
F 817.429.5936

WWW.WEAVERANDTIDWELL.COM

AN INDEPENDENT MEMBER OF
BAKER TILLY
INTERNATIONAL

DALLAS

OFFICES IN
FORT WORTH

HOUSTON

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Accounts Payable

During our search for unrecorded liabilities, we noted exceptions in which invoices relating to construction services performed prior to the year-end date were not recorded as payables in the proper period. Proper cutoffs are critical for the accuracy of the modified accrual basis of accounting. We suggest that the Accounting Director prepare written instructions to be included as a part of the District accounting policies and procedures manual that indicates basic concepts of proper cutoffs and the individuals responsible for accruing payables at the accounting period end.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed above, we identified certain deficiencies in internal control that we consider to be significant deficiencies and material weaknesses.

Compliance and Other Matters

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

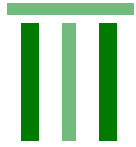
We noted certain matters that we reported to management of Birdville Independent School District in a separate letter dated November 7, 2008.

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 7, 2008



**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

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

Board of Trustees
BIRDVILLE INDEPENDENT SCHOOL DISTRICT
Haltom City, Texas

Compliance

We have audited the compliance of Birdville Independent School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Birdville Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Birdville Independent School District's management. Our responsibility is to express an opinion on Birdville Independent School District's compliance based on our audit.

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

In our opinion, Birdville Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 08-02 and 08-03.

1600 West Seventh Street
Suite 300
Fort Worth, Texas 76102-2506
817.332.7905
F 817.429.5936

WWW.WEAVERANDTIDWELL.COM

AN INDEPENDENT MEMBER OF
BAKER TILLY
INTERNATIONAL

OFFICES IN

DALLAS

FORT WORTH

HOUSTON

Internal Control Over Compliance

The management of Birdville Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Birdville Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the Birdville Independent School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 7, 2008

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

An unqualified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Reportable condition(s) identified that are not considered to be material weakness(es)? X Yes 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
- Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X None reported

An unqualified opinion was issued on compliance for major programs.

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

Identification of major programs:

10.553	National School Breakfast Program
10.555	National School Lunch Program
10.565	USDA Donated Commodities
84.367	ESEA Title II Part A, Improving Teacher Quality State Grants

- Dollar threshold used to distinguish between type A and type B programs? \$ 450,254

Auditee qualified as low-risk auditee? X Yes No

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 08-01

Accrued Expenditures:

The District is responsible for proper cutoff to ensure that expenditures are recorded in the proper period. During the audit, we uncovered several instances of expenditures that were not recorded in the proper period.

Condition:

() Compliance Finding () Significant Deficiency (X) Material Weakness

Recommendation:

The District should prepare and implement formal procedures to determine what liabilities exist at year end, and record them in the appropriate period.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 08-02

CFDA 84.367 ESEA Title II, Part A Improving Teacher Quality State Grants

Criteria or Specific Requirement:

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and signed by the employee and supervisory official having first hand knowledge of the work performed by the employee.

Condition:

(X) Compliance Finding () Significant Deficiency () Material Weakness

Context:

The District has not implemented a consistent District-wide policy that requires certifications on a semi-annual basis, for employees that work solely on a single Federal award or cost objective. The District did not obtain semi-annual certifications for the two employees that work solely on this federal award.

Effect:

The District has not complied with the allowable costs / cost principles associated with its Federal programs.

Recommendation:

The District should establish consistent District-wide procedures to ensure that all employees who work solely on a single Federal award or cost objective sign periodic

certifications that they work solely on that program for the period covered by the certification.

Finding 08-03

CFDA 84.367 ESEA Title II, Part A Improving Teacher Quality State Grants

Criteria or Specific Requirement:

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made.

Condition:

(X) Compliance Finding () Significant Deficiency () Material Weakness

Context:

The District has not implemented a consistent District-wide policy that requires employees who work on multiple activities or cost objectives related to Federal awards to maintain time and effort documentation. The District did not maintain the required documentation for all employees tested or make comparisons of actual costs to budgeted distributions.

Effect:

The District has not complied with the allowable costs / cost principles associated with its Federal programs.

Recommendation:

The District should establish procedures to ensure that all employees who work on multiple activities or cost objectives of Federal awards maintain time and effort documentation. In addition the District should make quarterly comparisons of actual costs to budgeted distributions and make any required adjustments.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding

None

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2008**

<u>Finding Number</u>	<u>Corrective Action Plan</u>
08-01	The District's management is in agreement that procedures should be implemented to ensure proper cut-off of expenditures, and plans to implement these procedures for the next fiscal year end.
08-02	The District grant directors have already started to implement a consistent District-wide procedure that requires certifications on a semi-annual basis for employees that work solely on a single Federal award or cost objective.
08-03	The District grant directors have already started to implement a consistent District-wide procedure that requires employees who work on multiple activities or cost objectives related to Federal awards to maintain time and effort documentation.

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
<i>Adult Education</i>	84.002	084100087110266	\$ 91,953
<i>ESEA Title I, Part A Improving Basic Programs</i>	84.010	08610101220902	2,040,471
<i>IDEA, Part B Formula*</i>	84.027	086600012209026600	5,313,383
<i>Vocational Education - Basic Grant</i>	84.048	0842000622090211	194,813
<i>IDEA Preschool Grant*</i>	84.173	086610012209026610	140,715
<i>IDEA, Part C Early Intervention</i>	84.181	083911012209023911	1,597
<i>ESEA Title IV, Part A Safe and Drug Free School and Communities</i>	84.186	08691001220902	78,969
<i>ESEA Title I, Part B Even Start Family Literacy</i>	84.213	086120017110299	10,896
<i>Smaller Learning Communities</i>	84.215	V2151042224	426,356
<i>ESEA Title IV, Part B 21st Century Community Learning Center</i>	84.287	086950097110003	534,905
<i>ESEA Title V, Part A Innovative Programs</i>	84.298	08685001220902	34,941
<i>ESEA Title II, Part D Enhancing Education Through Technology</i>	84.318	08630001220902	24,257
<i>ESEA Title III, Part A English Language Acquisition</i>	84.365	08671003220902	412,299
<i>ESEA Title II, Part A Teacher/Principal Training/Recruiting</i>	84.367	08694501220902	<u>804,004</u>
Total Passed Through State Department of Education			10,109,559
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through State Department of Health and Human Services			
<i>Child Care Development Block Grant</i>	93.575		<u>160,735</u>
Total Passed Through Department of Education			160,735
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Agriculture			
<i>National School Breakfast Program*</i>	10.553	71400401	721,600
<i>National School Lunch Program*</i>	10.555	71300601	3,765,540
<i>Donated Commodities</i>	10.565		<u>394,445</u>
Total Passed Through State Department of Agriculture			<u>4,881,585</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 15,151,879</u>

* Clustered Programs as required by Compliance Supplement March 2008

Note 1: The schedule of federal awards is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2: ROTC reimbursements of \$202,006, SHARS reimbursements of \$60,628, and Texas Department of Health & Medicaid reimbursements of \$5,826, all of which are recorded as federal revenue in the General Fund, are not considered for the purpose of this schedule.