

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2007

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
TABLE OF 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	18	A-1
Statement of Activities.....	19	B-1
Governmental Fund Financial Statements:		
Balance Sheet.....	20	C-1

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
TABLE OF CONTENTS**

	Page	Exhibit
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule – General Fund	48	G-1
Notes to Required Supplementary Information	49	
<u>Combining Statements:</u>		
Combining Balance Sheet – Nonmajor Governmental Funds	50	H-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	60	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 2006-2007.....	72	I-2
Fund Balance and Cash Flow Calculation Worksheet – General Fund – Unaudited.....	73	I-3
Budgetary Comparison Schedule – Child Nutrition Program	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 Internal Control Over Compliance in Accordance with OMB Circular A-133.....	78	
Schedule of Findings and Questioned Costs.....	80	
Schedule of Prior Audit Findings.....	82	
Corrective Action Plan.....	83	
Schedule of Expenditures of Federal Awards	84	J-1

INTRODUCTORY SECTION

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
PRINCIPAL OFFICIALS
2006-2007 SCHOOL YEAR**

BOARD OF TRUSTEES

Ralph Kunkel	President
Wanda Strong	Vice President
David Pokluda	Secretary
Joe Tolbert	
Dolores Webb	

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD**

Birdville Independent _____

School District

Tarrant

220-902

Name of Local Education Agency

County

County-District-Number No

We, the undersigned, certify that the attached annual financial report of the above named

approved

disapproved

7

0

Board of Trustees
Birdville Independent School District

Management's discussion and analysis on pages 5 through 17 and budgetary comparison schedule – general fund on pages 48 and 49 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 worksheet – General Fund (Exhibit I-3) marked unaudited on which we express no

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, 2007. It should be read in conjunction with the audited financial schedules and statements, which follow this section.

FINANCIAL HIGHLIGHTS

At June 30, 2007, the District's assets exceeded its liabilities by \$39,512,028 (net assets). The Unrestricted Net Assets were \$22,098,375.

At the close of the fiscal year, the combined governmental fund balance was \$170,834,335, an increase of \$95,607,850 in comparison with the prior year. This increase resulted from the issuance of capital project bonds and the effect of changing the end of the fiscal year from August 31st to June 30th. The General Fund unrestricted, unreserved fund balance of \$33,354,693 represents approximately 19.5% of the combined governmental fund balance.

The District's total debt increased by \$79,788,949 (35%) during the current fiscal year. This increase is due to the issuance of over \$96 million in capital project bonds.

The General Fund unrestricted, unreserved fund balance increased by \$10,470,390 to \$33,354,693 during the 06-07 fiscal year representing 25.8% of the 06-07 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

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 28 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 29-47 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 page 48 of this report.

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 \$39,512,028.

Table A-1

Net Assets

The following graphs depict the District's sources of revenue for the years 2007 and 2006 as a percentage of total revenues.

Table A-3

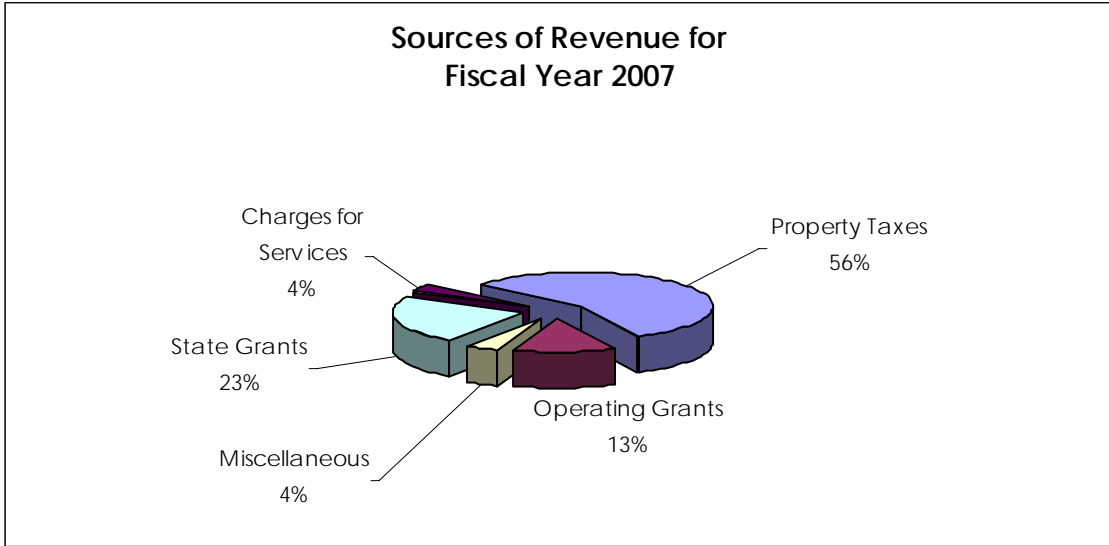


Table A-4

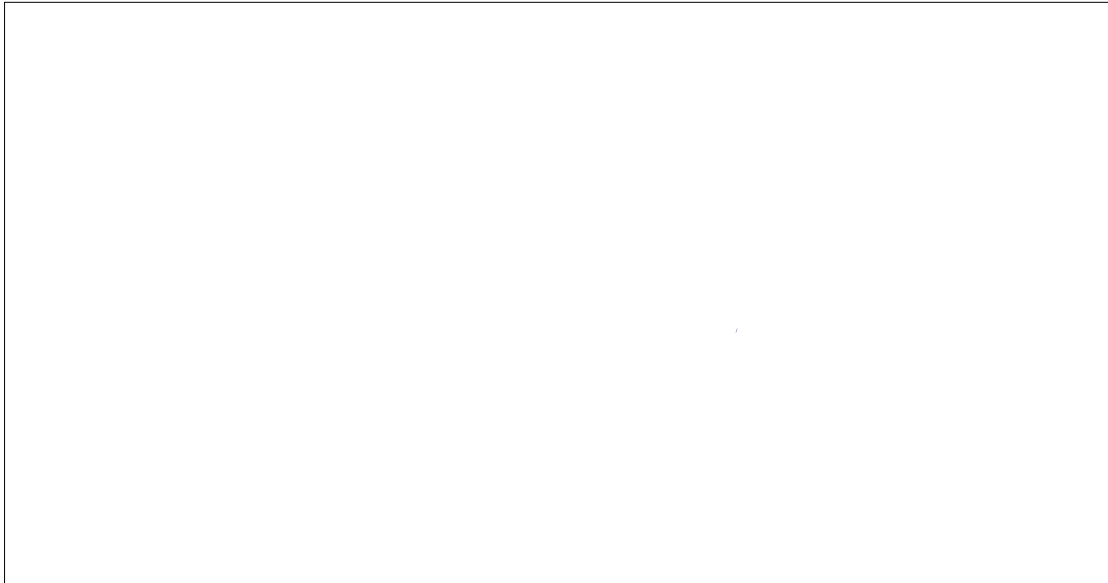


Table A-5 presents the cost of the District's largest programs as well as each program's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. The cost of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

This increase in fund balance is due primarily to the change in the fiscal year. The debt service fund has a total fund balance of \$4,643,536, 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.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For fiscal year 2007-2008, general fund revenues are budgeted to increase eight percent over 2006-2007 actual revenues. Passage of House Bill 1 in the May 2006 Special Session of the Texas Legislature required Texas school districts to compress their maintenance and operations (M&O) property tax rates to 88.67% and 66.67% of their

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, 2007

EXHIBIT A-1



BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE TEN MONTHS ENDED JUNE 30, 2007

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Assets

	1	Program Revenues		6
Data Control Codes	Expenses	3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 96,770,914	\$ 506,042	\$ 14,330,180	\$ (81,934,692)
Instructional Resources and Media Services	2,265,074	-	137,375	(2,127,699)

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total Fund Balances - Governmental Funds	\$	170,834,335
1 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.		2,264,381
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in fund financial statements.		315,401,279
3 Accumulated depreciation has not been included in the fund financial statements.		(152,026,120)
4 Bonds payable and capital leases have not been included in the fund financial statements.		(252,871,947)
5 Accreted interest on capital appreciation bonds is not capitalized in the fund financial statements.		(34,138,107)
6 Bond issuance costs are not capitalized in the fund financial statements.		1,608,131
7 Premiums on the issuance of bonds are not capitalized in the fund financial statements.		(14,884,780)
8 Revenue from property taxes reported as deferred revenue in the fund financial statements is recognized as revenue in the government-wide statements.		5,298,454
9 Accrued liabilities for compensated absences have not been recorded in the fund financial statements.		(2,348,363)
10 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are recorded when due.		(3,389,094)
11 Deferred loss on refunding bonds issued has not been recorded in the fund financial statements.		3,763,859
19 Net Assets of Governmental Activities	\$	39,512,028

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE TEN MONTHS ENDED JUNE 30, 2007

EXHIBIT C-3

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700	91,177,817	\$ 3,113,018	\$ 20,676,390	\$ 114,967,225
5800	47,562,521	-	5,494,515	53,057,036
5900 Federal Program Revenues	442,791	-	13,306,085	13,748,876
5020 Total Revenues				

114,967,225

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE TEN MONTHS ENDED JUNE 30, 2007

Total Net Change in Fund Balances - Governmental Funds

\$

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE TEN MONTHS ENDED JUNE 30, 2007

The premium on the current year bond issuance of bonds is recorded as an other resource in the fund financial statements but is capitalized net of amortization in the government-wide financial statements.	(9,324,528)
The deferred loss on refunding bonds for the current year issuance is recorded as other use in the fund financial statements but is capitalized net of amortization in the government-wide financial statements.	451,436
Current year amortization on the loss on issuance of refunding bonds is not reflected in the fund financial statements but is shown as a reduction of the loss in the government-wide financial statements.	(439,558)
The current year change in accrued liabilities for compensated absences has not been recorded in the fund financial statements.	(161,849)
Current year issuance of bonds is shown as other financing resources in the fund financial statements but are increases to long-term debt in the government-wide statements.	(96,507,115)
Interest is accrued on outstanding debt in the government-wide financial statements, but interest is expended as due in the fund financial statements.	(1,499,399)
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures but such revenues are recognized when assessed net of an allowance for uncollectible accounts in the government-wide statements.	675,303
Change in Net Assets of Governmental Activities	<hr style="border: none; border-top: 1px solid black;"/> \$ 12,013,476 <hr style="border: none; border-top: 3px double black;"/>

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,656,137
Total Assets	<u>3,656,137</u>
LIABILITIES	
Current Liabilities:	
Due to Other Funds	114,153
Accrued Expenses	<u>1,277,603</u>
Total Liabilities	<u>1,391,756</u>
NET ASSETS	
Unrestricted Net Assets	<u>2,264,381</u>
Total Net Assets	<u><u>\$ 2,264,381</u></u>

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2007

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Charges for Services	\$ 916,074
Other Revenues	63,417
Total Operating Revenues	979,491
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	156,387
Total Nonoperating Revenues (Expenses)	156,387
Change in Net Assets	1,135,878
Total Net Assets - September 1 (Beginning)	1,128,503
Total Net Assets - June 30 (Ending)	\$ 2,264,381

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

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE TEN MONTHS ENDED JUNE 30, 2007

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Quasi-External Charges	\$ 916,074
Cash Payments for Insurance Claims	(916,074)
Net Cash Provided by Operating	-
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	156,387
Net Increase in Cash and Cash Equivalents	156,387
Cash and Cash Equivalents at Beginning of the Period:	3,499,750
Cash and Cash Equivalents at the End of the Period:	\$
<u>Reconciliation of Operating Income to Net Cash</u>	
<u> Provided by Operating Activities:</u>	
Operating Income	\$ 979,491

Operating Income 1660471 Sq 111 rg 597 -427 7 -16 re f Q BT 1 0 0 1 0 0608m/F\$Td(Net /F2 16C4r597 -446C4r9,750)TjET597rio93instment re

Assets and Liabilities:

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 516,725
Total Assets	<u>\$ 516,725</u>
LIABILITIES	
Due to Student Groups	\$ 516,725
Total Liabilities	<u>\$ 516,725</u>

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

**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.

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*.

**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

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.

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.

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.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Fund Accounting – continued

Proprietary Funds:

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

Fiduciary Funds:

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

E. Cash and Cash Equivalents

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

F. Temporary Investments

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

G. Inventory

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

H. Compensated Absences

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. Compensated Absences – continued

Leave days are earned at a rate of five State and five local sick days per year. The State days accrue with no limit and the local days may accrue to a maximum of 100 days. For those employees retiring after June 30, 2004, the date of May 31, 2003, 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 \$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.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Accounting Estimates

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

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula becomes available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate as of June 30, 2007 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.

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.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Capital Assets – continued

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

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

M. Long-Term Debt

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

In the fund financial statements, governmental fund types 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.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

For the ten months ended June 30, 2007 the District over expended budgeted amounts at the functional levels in function 34, Student Transportation, in the general fund and function 35, Food Services, in the Child Nutrition Program, a non-major special revenue fund.

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

NOTE 3. BONDED DEBT PAYABLE

Bonded debt payable as of June 30, 2007 is as follows:

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 9-01-06	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 6/30/07
Unlimited Tax School Building and Refunding Bonds Series 1994	2.50-5.50	\$59,525,000	\$1,171,246	\$ -	\$ -	\$ 606,246	\$ 565,000
Unlimited Tax School Building Bonds Series 1997	3.90-5.60	31,189,385	19,639,324	-	2,405,000	783,658	16,450,666
Unlimited Tax School Building Bonds Series 1997A	4.10-5.40	27,995,000	5,570,000	-	-	805,000	4,765,000
Unlimited Tax School Building Bonds Series 1997B	3.90-5.00	7,385,000	6,075,000	-	-	2,035,000	4,040,000
Unlimited Tax Building Bonds Series 1998	3.70-4.90	9,495,589	7,549,835	-	-	363,842	7,185,993
Unlimited Tax School Building and Refunding Bonds Series 1999	4.60-6.27	11,827,132	10,923,757	-	-	505,000	10,418,757
Unlimited Tax School Building Bonds Series 2000	5.30-6.79	10,140,000	9,824,488	-	7,400,565	239,337	2,184,586
Unlimited Tax School Building and Refunding Bonds Series 2002	3.88-5.54	15,673,486	15,673,486	-	-	111,471	15,562,015
Unlimited Tax Refunding Bonds Series 2002A	3.88-5.54	22,725,000	10,475,000	-	-	2,620,000	7,855,000
Unlimited Tax Refunding Bonds Series 2003	5.00	19,925,000	19,925,000	-	-	-	19,925,000
Unlimited Tax Refunding Bonds Series 2004	3.00-5.00	25,701,186	25,701,186	-	-	-	25,701,186
Unlimited Tax School Building Bonds Series 2006	3.26-4.23	40,315,000	40,315,000	-	-	-	40,315,000
Unlimited Tax School Building and Refunding Bonds Series 2007	3.26-4.23	96,507,115	-	96,507,115	-	-	96,507,115
Total bonded debt payable			<u>\$172,843,322</u>	<u>\$ 96,507,115</u>	<u>\$ 9,805,565</u>	<u>\$8,069,554</u>	<u>\$251,475,318</u>

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

NOTE 3. BONDED DEBT PAYABLE – CONTINUED

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

<u>Due Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 17,089,841	\$ 9,441,657	\$ 26,531,498
2009	16,516,375	8,390,281	24,906,656
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
2013-2017	63,783,283	62,409,062	126,192,345
2018-2022	45,594,905	71,849,038	117,443,943
2023-2027	24,564,968	25,349,126	49,914,094
2028-2032	<u>44,170,000</u>	<u>5,742,250</u>	<u>49,912,250</u>
	<u>\$251,475,318</u>	<u>\$220,144,757</u>	<u>\$471,620,075</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 decrease \$35,728,426 in School Building Bonds then outstanding. Of the \$35,728,426 of bonds originally decreased, \$21,068,426 remains outstanding at June 30, 2007.

In February of 2007, the District issued General Obligation and Refunding Bonds. A portion of these bonds was used to refund Series 1997 bonds and 2018 through 2021 maturities of Series 2000 bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$451,436. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2021 using the straight-line method. The City completed the refunding to reduce its total debt service payments over the next fourteen years by \$3,276,700 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,217,788.

NOTE 4. CAPITAL LEASES

The District has e84.5 4\$JT0.Twβ Twþs total debt011 Tci

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

NOTE 4. CAPITAL LEASES - CONTINUED

Year Ending <u>June 30</u>	
2008	\$ 906,468
2009	280,737
2010	221,425
2011	<u>87,509</u>
Minimum lease payments	1,496,139
Less amount representing interest	<u>99,510</u>
Present value of net minimum lease payments	<u>\$1,396,629</u>

Included in Fixed Assets is \$17,611,114 for equipment and buses related to capital leases and \$14,912,540 in accumulated depreciation.

NOTE 5. 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, September 1, 2006	\$ 2,186,514
New entrants and salary increments	435,085
Payments to participants	<u>(273,236)</u>
Balance, June 30, 2007	<u>\$ 2,348,363</u>

NOTE 6. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the ten months ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds and Notes Payable					
General Obligation Bonds	\$172,843,322	\$ 96,507,115	\$ 17,875,119	\$251,475,318	\$ 17,089,841
Accreted Interest	35,713,845	6,627,227	8,202,965	34,138,107	6,692,558
Capital Leases	2,456,511	391,011	1,450,893	1,396,629	864,955
Compensated Absences	2,186,514	435,085	273,236	2,348,363	273,236
Deferred Gain (Loss) on Bond Refunding	<u>(3,751,981)</u>	<u>(451,436)</u>	<u>(439,558)</u>	<u>(3,763,859)</u>	<u>(439,558)</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 209,448,210</u>	<u>\$103,509,002</u>	<u>\$ 27,362,655</u>	<u>\$ 285,594,558</u>	<u>\$ 24,481,032</u>

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

NOTE 8. DEPOSITS AND INVESTMENTS

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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 2007 are classified in the accompanying financial statements as follows:

Primary government	\$ 182,659,371
Fiduciary funds	<u>516,725</u>
	<u>\$ 183,176,096</u>

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

NOTE 8. DEPOSITS AND INVESTMENTS – CONTINUED

Cash and investments as of June 30, 2007 consist of the following:

Deposits with financial institutions	\$ 8,051,089
Investments	<u>175,125,007</u>
	<u>\$ 183,176,096</u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. 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, 2007, the District had the following investments:

Investment Type	Amount	Weighted Average Maturity
TexPool	\$ 50,790,463	32 days
Lone Star	998,610	37 days
MBIA	2,084,950	47 days
Repurchase Agreement	89,786,008	N/A
U.S. Treasury and U.S. Agency securities	<u>31,464,976</u>	201 days
	<u>\$ 175,125,007</u>	

As of June 30, 2007 the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

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.

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

NOTE 8. DEPOSITS AND INVESTMENTS – CONTINUED

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of June 30, 2007</u>
Texpool	\$ 50,790,463	AAA	AAAm
Lone Star	998,610	AAA	AAA
MBIA	2,084,950	AAA	AAA
Repurchase Agreement	89,786,008	N/A	N/A
U.S. Treasury and U.S. Agency securities	31,464,976	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, 2007, 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.

As of June 30, 2007 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:

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

NOTE 9. 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 2005, 2006 and 2007. In certain instances, the reporting district is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action. 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, 2005, 2006 and June 30, 2007 were \$6,393,351, \$6,585,036 and \$6,087,716, respectively. The District paid additional state contributions for the years ended August 31, 2005, 2006 and June 30, 2007 in the amount of \$1,262,699, \$1,252,681 and \$1,251,956, respectively, on a portion of the employees' salaries that exceeded the statutory minimum.

NOTE 10. 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 10. 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 \$1,277,603 reported in the self-insurance fund at June 30, 2007 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 ten months ended June 30, 2007 and year ended August 31, 2006 are as follows:

	2007	2006
Liability, beginning of year	\$ 1,867,202	\$ 2,023,109
Current year claims and changes in estimates	(63,417)	748,613
Claim payments	(526,182)	(904,520)
Liability, end of year	\$ 1,277,603	\$ 1,867,202

NOTE 11. 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 collectibility 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, 2007, under long-term contracts for construction, renovations, and repair of various facilities with an aggregate remaining balance of \$30,309,826.

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

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

NOTE 14. INTERFUND BALANCES AND ACTIVITIES

Interfund balances at June 30, 2007 consisted of the following individual fund balances:

	<u>Due To</u>	<u>Due From</u>	<u>Purpose</u>
<u>General Fund:</u>			
Special Revenue Funds	\$ 6,112,317	\$ 156,377	Deficit of pooled cash/ reimbursement of expenditures
Debt Service Fund		430,788	Interest earnings not yet transferred
Capital Projects Fund		1,940,926	Reimbursement of expenditures
Internal Service Fund	<u>114,153</u>	-	Reimbursement of expenditures
Total General Fund	<u>6,226,470</u>	<u>2,528,091</u>	
<u>Special Revenue Funds:</u>			
General Fund	156,377	6,112,317	Deficit of pooled cash/ reimbursement of expenditures
<u>Debt Service Fund:</u>			
General Fund	430,788	-	Interest earnings not yet transferred
<u>Proprietary Fund:</u>			
Internal Service Fund	-	114,153	Reimbursement of expenditures
<u>Capital Projects Fund:</u>			
General Fund	<u>1,940,926</u>	-	Reimbursement of expenditures
Totals	<u>\$ 8,754,561</u>	<u>\$ 8,754,561</u>	

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

The following transfers were made between funds during the ten months ended June 30, 2007:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
<u>General Fund:</u>			
Special Revenue Funds	\$ 104,821	\$ 376,696	Reimbursement of expenditures
Capital Projects Fund	<u>76,536</u>	-	Close out old funds
Total General Fund	181,357	376,696	
<u>Special Revenue Funds:</u>			
General Fund	376,696	104,821	Reimbursement of expenditures
<u>Capital Projects Fund:</u>			
General Fund	<u>-</u>	<u>76,536</u>	Close out old funds
Totals	<u>\$ 558,053</u>	<u>\$ 558,053</u>	

REQUIRED SUPPLEMENTARY INFORMATION

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE TEN MONTHS ENDED JUNE 30, 2007

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 88,948,687	\$ 89,091,237	\$ 91,177,817	\$ 2,086,580
5800 State Program Revenues	55,328,344	55,328,344	47,562,521	(7,765,823)
5900 Federal Program Revenues	390,000	390,000	442,791	52,791
5020 Total Revenues	144,667,031	144,809,581	139,183,129	(5,626,452)
EXPENDITURES:				
Current:				
0011 Instruction	83,553,988	83,662,864	80,763,795	2,899,069
0012 Instructional Resources and Media Services	2,274,882	2,276,882	1,978,686	298,196
0013 Curriculum and Instructional Staff Development	418,275	448,275	415,671	32,604
0021 Instructional Leadership	2,121,375	2,121,375	1,949,903	171,472
0023 School Leadership	9,180,176	9,190,258	9,034,140	156,118
0031 Guidance, Counseling and Evaluation Services	4,505,344	4,544,969	4,484,183	60,786
0032 Social Work Services	156,128	156,128	128,528	27,600
0033 Health Services	1,812,851	1,812,961	1,790,904	22,057
	3,052,914	3,052,914	3,187,877	

**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

COMBINING STATEMENTS

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET

224	225	226	227	228	240	244	255
IDEA - Part B	IDEA - Part B	IDEA - Part B	IDEA - Part B	IDEA - Part B	National	Vocational Ed	ESEA II,A
Formula	Preschool	Discretionary	Deaf	Preschool	Breakfast and	Basic	Training and
				Deaf	Lunch Program	Grant	Recruiting

BIRDVILLE INDEPENDENT SCHOOL DISTRICT

280 IDEA - Part C Early Intervention	284 Smaller Learning Communities	289 Emergency Impact Aid	339 SSA - Voc. Ed Other Program Improvement	349 SSA Title II, D Ed. Technology	383 Professional Staff Development	385 Visually Impaired	386 Regional Day School for the Deaf
\$ -	\$ -	\$ 5,729	\$ -	\$ -	\$ 54,475	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,842	167,566	-	-	-	-	-	-
-	-	-	-	-	-	8,617	23,265
-	-	-	-	-	-	-	-
<u>\$ 1,842</u>	<u>\$ 167,566</u>	<u>\$ 5,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,475</u>	<u>\$ 8,617</u>	<u>\$ 23,265</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,617	23,265
1,842	167,566	-	-	-	-	-	-
-	-	5,729	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,842</u>	<u>167,566</u>	<u>5,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,617</u>	<u>23,265</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	54,475	-	-
-	-	-	-	-	54,475	-	-
<u>\$ 1,842</u>	<u>\$ 167,566</u>	<u>\$ 5,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,475</u>	<u>\$ 8,617</u>	<u>\$ 23,265</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

Control

397 Advanced Placement Incentives	399 Investment Capital Funds	401 Optional Extended Year Program	404 Student Success Initiative	409 Basic Skills Program High School	411 Technology Allotment	413 Telecom Infrastruct. Fund	414 Texas Reading Initiative
\$ 19,265	\$ -	\$ 51,411	\$ 191,641	\$ 23,740	\$ -	\$ 32,829	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	12,879	-	-	-	-	-	-
-	-	-	-	-	124,495	-	-
-	-	-	-	-	-	-	-
<u>\$ 19,265</u>	<u>\$ 12,879</u>	<u>\$ 51,411</u>	<u>\$ 191,641</u>	<u>\$ 23,740</u>	<u>\$ 124,495</u>	<u>\$ 32,829</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 79,992	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	124,495	-	-
-	12,879	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	51,411	-	-	-	-	-
-	<u>12,879</u>	<u>51,411</u>	<u>79,992</u>	<u>-</u>	<u>124,495</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>19,265</u>	<u>-</u>	<u>-</u>	<u>111,649</u>	<u>23,740</u>	<u>-</u>	<u>32,829</u>	<u>-</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

Data Control Codes	418	421	428	429
	Employee	Master		Other State
	Health	Reading /	211,000.00	21,421
	Insurance	Teacher	Allotment	Revenue Funds
ASSETS				
Cash and Cash Equivalents	-	4,500	-	19,375

461 Campus Activity Funds	481 Because We Care	482 Local Deaf Education	484 Connecting Math and Science	487 Workshops	488 Environmental Study Center	489 Guidance and Counseling	490 Special Donations
\$ 706,400	\$ 105	\$ 578,046	\$ 491	\$ 23,390	\$ 5,000	\$ 4,002	\$ 500,482
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 706,400</u>	<u>\$ 105</u>	<u>\$ 578,046</u>	<u>\$ 491</u>	<u>\$ 23,390</u>	<u>\$ 5,000</u>	<u>\$ 4,002</u>	<u>\$ 500,482</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	1,767	-
-	-	-	-	-	-	-	-
1,585	-	250,163	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,585</u>	<u>-</u>	<u>250,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,767</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>704,815</u>	<u>105</u>	<u>327,883</u>	<u>491</u>	<u>23,390</u>	<u>5,000</u>	<u>2,235</u>	<u>500,482</u>
<u>704,815</u>	<u>105</u>	<u>327,883</u>	<u>491</u>	<u>23,390</u>	<u>5,000</u>	<u>2,235</u>	<u>500,482</u>
<u>\$ 706,400</u>	<u>\$ 105</u>	<u>\$ 578,046</u>	<u>\$ 491</u>	<u>\$ 23,390</u>	<u>\$ 5,000</u>	<u>\$ 4,002</u>	<u>\$ 500,482</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

Data Control Codes	491 Intel Teach the Future	492 Science Initiative	499 Foundation for Education Excellence	Total Nonmajor Special Revenue Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ 13,148	\$ 2,533,691	\$ 10,325,170
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Due from Other Governments	-	-	-	4,954,715
1260 Due from Other Funds	-	-	-	156,377
1300 Inventories	-	-	-	126,643
1000 Total Assets	<u>\$ -</u>	<u>\$ 13,148</u>	<u>\$ 2,533,691</u>	<u>\$ 15,562,905</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ 123,107
2150 Payroll Deductions and Withholdings Payable	-	-	-	1,767
2160 Accrued Wages Payable	-	-	-	1,668,236
2170 Other Funds	-	-	33,252	6,112,317
	-	-	-	-

511	Total
Debt Service	Nonmajor
Fund	Governmental
Fund	Funds
\$ 4,481,891	\$ 14,807,061
1,186,793	1,186,793
(162,321)	(162,321)
-	4,954,715
430,788	587,165
-	126,643
<u>\$ 5,937,151</u>	<u>\$ 21,500,056</u>
\$ 4,526	\$ 127,633
-	1,767
-	1,668,236
-	6,112,317
-	21,107
1,289,089	1,340,500
<u>1,293,615</u>	<u>9,271,560</u>
-	126,643
4,643,536	4,643,536
-	2,484,015
-	4,974,302
<u>4,643,536</u>	<u>12,228,496</u>
<u>\$ 5,937,151</u>	<u>\$ 21,500,056</u>

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE TEN MONTHS ENDED JUNE 30, 2007

	203	204	211	213
Data	Child Care	ESEA Title IV	ESEA I, A	ESEA Title I
Control	Development	Safe & Drug	Improving	Part B
Codes	Block Grant	Free Schools	Basic Program	Even Start

224	225	226	227	255
[REDACTED] - Part B	IDEA - Part B	IDEA - Part B	IDEA - Part B	
Formula	Preschool	Discretionary	Deaf	

IDEA - Part C

Early

Intervention Communities

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE TEN MONTHS ENDED JUNE 30, 2007

Data Control Codes	390 (LEP) Early Childhood Summer Prog.	392 Non-Ed. Community Based Support	393 Texas Successful Schools Prog.	394 Pregnancy, Education and Parenting
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	600	114,830
5900	Federal Program Revenues	-	-	-
5020	Total Revenues	-	600	114,830
EXPENDITURES:				
Current:				
0011	Instruction	-	600	46,605
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-
0021	Instructional Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-
0032	Social Work Services	-	-	-
0034	Student (Pupil) Transportation	-	-	10,148
0035	Food Services	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0061	Community Services	-	-	-
Debt Service:				
		-	-	-

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2007

Data
Control
Codes

Employee	M92 -181
Health	Reading
Insurance	Teacher

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE TEN MONTHS ENDED JUNE 30, 2007

Data Control Codes	491 Intel Teach the Future	492 Science Initiative	499 Foundation for Education Excellence	Total Nonmajor Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 114,249	\$ 5,823,330
5800 State Program Revenues	-	-	-	3,576,430
5900 Federal Program Revenues	-	-	-	13,306,085
5020 Total Revenues	-	-	114,249	22,705,845
EXPENDITURES:				
Current:				
0011 Instruction	-	-	-	9,556,898
0012 Instructional Resources and Media Services	-	-	-	61,619
0013 Curriculum and Instructional Staff Development	-	-	105,864	1,318,276
0021 Instructional Leadership	-	-	-	695,824
0031 Guidance, Counseling and Evaluation Services	-	-	-	248,754
0032 Social Work Services	-	-	-	62,366
0034 Student (Pupil) Transportation	-	-	-	191,524
0035 Food Services	-	-	-	7,800,974
0036 Cocurricular/Extracurricular Activities	-	-	-	1,880,153
0041 General Administration	-	-	-	104,869
0051 Facilities Maintenance and Operations	-	-	-	21,776
0061 Community Services	-	-	-	132,492
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	-	-	-	-
0072 Debt Service - Interest on Long Term Debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-

REQUIRED TEA SCHEDULES

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE TEN MONTHS ENDED JUNE 30, 2007
 AND FOR THE TWELVE MONTHS ENDED AUGUST 31, 2007

(1)	(2)	(3)	(10)	(20)		
Tax Dates	Assessed	Valuation	Beginning Balance September 1	Current Tax	Local Maintenance Collections	Local Maintenance Collections

Last 10 Years	Maintenance	Debt Service	Valuation	2006	10 Months	10 Months	July & August
1998 and prior	Various	Various	\$ Various	\$ 1,404,508	\$ -	\$ 18,023	\$ 3,668
1999	1.30145	0.23705	3,957,901,550	302,607	-	7,891	225
2000	1.38070	0.15180	4,270,441,117	271,336	-	5,834	1,178

EXHIBIT I-1

(31)

Debt

Debt

(32)

(40)

Ending

(50)
Ending

Maintenance

Service

Service

Debt Service

Total

Total

Entire

Balance

Balance

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2008-2009
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2007

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
FOR THE TEN MONTHS ENDED JUNE 30, 2007

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE TEN MONTHS ENDED JUNE 30, 2007

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	\$ 2,892,120	\$ 2,892,120	\$ 3,499,753	\$ 607,633
5800 State Program Revenues	245,000	245,000	238,752	(6,248)
5900 Federal Program Revenues	3,698,000	3,698,000	4,280,440	582,440
5020 Total Revenues	6,835,120	6,835,120	8,018,945	1,183,825
EXPENDITURES:				
0035 Food Services	7,405,085	7,505,085	7,800,974	(295,889)
6030 Total Expenditures	7,405,085	7,505,085	7,800,974	(295,889)
1200 Net Change in Fund Balances	(569,965)	(669,965)	217,971	887,936
0100 Fund Balance - September 1 (Beginning)	2,392,687	2,392,687	2,392,687	-

BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE TEN MONTHS ENDED JUNE 30, 2007

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	\$ 14,302,532	\$ 14,302,532	\$ 14,853,060	\$ 550,528
5800 State Program Revenues	2,042,576	2,042,576	1,918,085	(124,491)
5020 Total Revenues	16,345,108	16,345,108	16,771,145	426,037
EXPENDITURES:				
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	8,069,555	8,069,555	8,069,555	-
0072 Debt Service - Interest on Long Term Debt	10,086,808	9,335,808	7,532,418	1,803,390
0073 Debt Service - Bond Issuance Cost and Fees	30,000	971,773	971,682	91
6030 Total Expenditures	18,186,363	18,377,136	16,573,655	1,803,481
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,841,255)	(2,032,028)	197,490	2,229,518
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	2,021,599	9,805,565	7,783,966
7916 Premium or Discount on Issuance of Bonds	-	-	6,026,078	6,026,078
7917 Prepaid Interest	-	-	309,394	309,394
8949 Payments to Escrow Agent	-	-	(13,425,594)	(13,425,594)
7080 Total Other Financing Sources (Uses)	-	2,021,599	2,715,443	693,844
1200 Net Change in Fund Balances	(1,841,255)	(10,429)	2,912,933	
Fund Balance - September 1 (Beginning)	1,730,603	1,730,603	1,730,603	-
3000 Fund Balance - June 30 (Ending)				

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

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 ten months ended June 30, 2007, which collectively comprise Birdville Independent School District's basic financial statements and have issued our report thereon dated November 6, 2007. 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 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.

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Board of Trustees
BIRDVILLE INDEPENDENT SCHOOL DISTRICT

Page 2

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.

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 6, 2007.

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.

Fort Worth, Texas
November 6, 2007



WEAVER
TIDWELL

L.L.P.

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**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE TEN MONTHS ENDED JUNE 30, 2007**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

An unqualified opinion was issued on the financial statements.

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

An unqualified opinion was issued on compliance for major programs.

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

Identification of major programs:

84.027A
84.365A

IDEA B Cluster
ESEA Title III Part A, English Language
Acquisition

- Dollar threshold used to distinguish between type A and type B programs? \$ 404,040

Auditee qualified as low-risk auditee? Yes No

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE TEN MONTHS ENDED JUNE 30, 2007**

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007**

Finding

None

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2007**

<u>Finding Number</u>	<u>Corrective Action Plan</u>
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NONE	
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BIRDVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE TEN MONTHS ENDED JUNE 30, 2007

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PR [REDACTED] TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	07610101220902	\$ 1,776,438
IDEA - Part B, Formula [REDACTED]	84.027	076600012209026600	4,257,679 25,884

07660e Department of Education



WEAVER
TIDWELL

L.L.P.

November 6, 2007

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Birdville Independent School District as of and for the ten months ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Birdville Independent School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

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

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 a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles

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Birdville Independent School District
November 6, 2007

Page 2

in order to adjust receivables and revenue to actual. We also noted a few special revenue resources from which the District is not fully benefiting. We recommend the District implement procedures to ensure that special revenue fund balances are accurate and resources available to the District are utilized.

Internal Service Funds

Testing of internal service fund revenue during the current audit indicated that prior year revenue was understated. It appears this misstatement occurred because of the manner in which internal service fund entries are recorded. We recommend the District evaluate the method for recording the workers compensation and adjust the process in order to prevent future errors.

Year End Closing Entries

Historically the District has relied on the auditors to record many closing entries at the time of the annual audit, which normally include the following:

1. Adjusting taxes receivable and deferred revenue in the general fund and debt service funds to actual.
2. Adjusting the IBNR liability to actual at year end.
3. Adjusting for the proper recording of the issuance of refunding bonds, if any.

While we recognize that the District now has the internal resources to book these adjustments, we recommend that the District ensure that all closing adjustments be made prior to the audit to ensure that the financial statements are materially accurate and all necessary adjustments are recorded timely.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, 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.

BKJ/plh

MANAGEMENT RESPONSES

Special Revenue Funds

The District is currently performing an extensive review of all special revenue funds. Meetings with all program directors will be conducted to determine the purpose of each fund. District procedures regarding special revenue funds will be revised as needed.

Internal Service Funds

The District has reviewed its procedures for recording worker's compensation transactions. These procedures have been revised and implemented.

Year End Closing Entries

The District acknowledges that historically many of the yearend closing entries were created and posted by the auditors. With changes in audit practices, these closing entries will need to be created and posted by the District prior to the auditors' arrival. The District has begun preparing a list of additional year end procedures and entries that will need to be completed prior to the beginning of the 2007-2008 audit. The District will develop a schedule from this list to guide their year end procedures ensuring that financial information is updated timely and accurately.