

KAUFMAN INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT FOR THE

YEAR ENDED AUGUST 31, 2014

KAUFMAN INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

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CERTIFICATE OF BOARD

Kaufman Independent School District
Name of School District

Kaufman
County

129-903
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2014, at a meeting of the Board of Trustees of such school district on the 12th day of January, 2015.

Signature of Board Secretary

Signature of Board President

Independent Auditor's Report

To the Board of Trustees
Kaufman Independent School District
Kaufman, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman Independent School District (the District), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman Independent School District as of August 31, 2014, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2015 on our consideration of Kaufman Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kaufman Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay

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

January 6, 2015

**KAUFMAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014
(UNAUDITED)**

As management of Kaufman Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2014. Please read this narrative in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements that begin on page 13.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Kaufman Independent School District exceeded its liabilities at the close of the most recent fiscal period by \$27,853,806 (net position). Of this amount, \$3,950,085 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fund balance and fiscal policies.
- The District's total government-wide net position increased by \$1,306,360.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$8,597,218. Over 93% of this total amount (\$7,997,109) is unassigned and available for use within the District's fund balance policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,997,109 or 26.9% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 and 15). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 23) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and deferred outflows of resources; and liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets and deferred outflows of resources are reported whether they serve the current year or future years. Liabilities and deferred inflows of resources are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in net position. The District's net position (the difference between assets and deferred outflows of resources; less liabilities and deferred inflows of resources) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities—The District does not have any programs in which it charges a fee to “customers” to help it cover all or most of the cost of services it provides. Thus, the District had no business-type activities during the current fiscal year.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and for a scholarship fund. The District's fiduciary activity is reported in a separate Statement of Fiduciary Net Position on page 21 and a Statement of Changes in Fiduciary Fund Net Position on page 22. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis below presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$26,547,446 to \$27,853,806. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$6,533,882 at August 31, 2014. The increase in governmental net position was the result of higher revenues not fully offset by increased expenses.

Table I
Kaufman Independent School District

NET POSITION

	Governmental Activities 2014	Governmental Activities 2013
Current and other assets	\$11,588,204	\$11,606,397
Capital assets	46,446,158	47,453,354
Total assets	58,034,362	59,059,751
Deferred outflows of resources	760,478	550,567
Long-term liabilities	28,646,016	30,051,724
Other liabilities	2,295,018	3,011,148
Total liabilities	30,941,034	33,062,872
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	20,935,278	20,804,972
Restricted	384,646	72,237
Unrestricted	6,533,882	5,670,237
Total net position	\$27,853,806	\$26,547,446

Table II
Kaufman Independent School District
CHANGES IN NET POSITION

	Governmental Activities 2014	Governmental Activities 2013
Revenues:		
Program Revenues:		
Charges for services	\$ 1,339,713	\$ 1,302,543
Operating grants and contributions	6,784,905	6,655,608
General Revenues:		
Maintenance and operations taxes	7,102,649	6,997,696
Debt service taxes	792,852	777,127
State aid	21,871,536	19,890,222
Investment Earnings	30,792	32,210
Miscellaneous	126,076	141,485
Total Revenue	38,048,523	35,796,891
Expenses:		
Instruction, curriculum and media services	20,486,389	19,979,231
Instructional and school leadership	2,465,442	2,293,776
Student support services	2,660,387	2,664,742
Food services	1,939,268	1,898,850
Extracurricular activities	1,714,281	1,511,399
General administration	780,472	792,668
Plant maintenance, security & data processing	4,840,778	4,329,545
Community services	466,351	442,880
Debt services	1,281,033	1,265,261
Facilities acquisition, construction	-	7,485
Other intergovernmental charges	107,762	105,906
Total Expenses	36,742,163	35,291,743
Increase in net position	1,306,360	505,148
Net position at beginning of year	26,547,446	26,042,298
Net position at end of year	\$27,853,806	\$26,547,446

Although this financial report presents relatively balanced revenues and expenditures as well as an acceptable fund balance in the General and Debt Service Funds, a number of adjustments were necessary in the preparation of the 2013-14 Budget to enable the District to maintain a sound financial position.

- General Fund expenditures decreased 2.5% due primarily to lower debt service expenditures somewhat offset by higher personnel costs resulting from staff raises. General Fund revenues increased 8.4% due to increases in the State of Texas funding formula.
- The District's maintenance and operations tax rate remained \$1.17 per \$100 valuation for the third consecutive year. The Debt Service tax rate remained \$0.13 per \$100 valuation. The District's taxable property value decreased 0.3%.

The cost of all governmental activities for the current fiscal year was \$36,742,163. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$7,895,501 because some of the costs were paid by those who directly benefited from the programs (\$1,339,713) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,784,905) or by State equalization funding (\$21,871,536).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$8,597,218, which is \$789,747 more than last year's total of \$7,807,471. Included in this year's total change in fund balance is an increase of \$775,046 in the District's General Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2013). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The primary amendment was for additional facilities acquisition and construction budgeted for land acquisition and other construction projects. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$8,247,109 reported on page 16 differs from the General Fund's budgetary fund balance of \$5,942,521 reported in the budgetary comparison schedule on page 20. This is principally due to a transfer to the Debt Service Fund offset by cost savings in several functional categories and revenues higher than budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2014, the District had \$46,446,158 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$1,007,196, or 2.1 percent, less than last year. This decrease was due primarily to \$2,211,782 of depreciation on capital assets.

More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

Debt Administration

At August 31, 2014, the District had \$28,646,016 in bonds, notes, and capital leases outstanding (including accreted interest on bonds) versus \$30,051,724 last year—a decrease of \$1,405,708. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund) according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's maintenance and operations tax rate remained \$1.17 per \$100 valuation. The debt service tax rate remained \$0.13 per \$100 valuation.
- General Fund revenue from the State is budgeted to increase approximately \$1.0 million due to changes in the state funding formula.
- Expenditures are budgeted to increase approximately \$1.0 million due primarily to increases in personnel costs (due to salary increases) and other expenses.
- The 2014-2015 budget has budgeted revenue \$876,455 more than budgeted expenditures.
- On November 4, 2014, voters in the District approved a bond referendum election authorizing the issuance of \$57.5 million of bonds to fund additions and renovations to the High School and other projects in the District.

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 show 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 business office, at Kaufman Independent School District, 1000 S. Houston Street, Kaufman, Texas 75142 (972) 932-2622.

BASIC FINANCIAL STATEMENTS

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KAUFMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 9,642,970
1220 Property Taxes Receivable (Delinquent)	819,822
1230 Allowance for Uncollectible Taxes	(73,784)
1240 Due from Other Governments	945,850
1290 Other Receivables, net	3,346
Capital Assets:	
1510 Land	2,231,664
1520 Buildings, Net	42,251,118
1530 Furniture and Equipment, Net	1,963,376
1800 Restricted Assets	250,000
1000 Total Assets	58,034,362
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge on Bond Refundings	760,478
1700 Total Deferred Outflows of Resources	760,478
LIABILITIES	
2110 Accounts Payable	736,257
2140 Accrued Interest Payable	52,702
2150 Payroll Deductions & Withholdings	96
2160 Accrued Wages Payable	1,012,806
2200 Other Accrued Expenses	236,050
2300 Unearned Revenue	257,107
Noncurrent Liabilities	
2501 Due Within One Year	2,034,955
2502 Due in More Than One Year	26,611,061
2000 Total Liabilities	30,941,034
NET POSITION	
3200 Net Investment in Capital Assets	20,935,278
3820 Restricted for Federal and State Programs	475
3850 Restricted for Debt Service	384,171
3900 Unrestricted	6,533,882
3000 Total Net Position	\$ 27,853,806

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

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KAUFMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT B-1

FOR THE YEAR ENDED AUGUST 31, 2014					Net (Expense) Revenue and Changes in Net Position
Data Control Codes	1	Program Revenues		6	
		3	4	Primary Gov.	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 19,791,156	\$ 199,223	\$ 2,919,568	\$ (16,672,365)
12	Instructional Resources and Media Services	301,690	-	10,031	(291,659)
13	Curriculum and Staff Development	393,543	-	13,797	(379,746)
21	Instructional Leadership	148,228	-	27,997	(120,231)
23	School Leadership	2,317,214	-	146,978	(2,170,236)
31	Guidance, Counseling and Evaluation Services	1,073,270	-	136,019	(937,251)
33	Health Services	446,673	-	35,190	(411,483)
34	Student (Pupil) Transportation	1,140,444	-	414,461	(725,983)
35	Food Services	1,939,268	408,805	1,511,640	(18,823)
36	Extracurricular Activities	1,714,281	570,494	36,047	(1,107,740)
41	General Administration	780,472	-	19,935	(760,537)
51	Facilities Maintenance and Operations	3,711,075	4,488	48,276	(3,658,311)
52	Security and Monitoring Services	311,221	-	16,744	(294,477)
53	Data Processing Services	818,482	-	36,597	(781,885)
61	Community Services	466,351	156,703	48,608	(261,040)
72	Debt Service - Interest on Long Term Debt	1,218,921	-	1,363,017	144,096
73	Debt Service - Bond Issuance Cost and Fees	62,112	-	-	(62,112)
99	Other Intergovernmental Charges	107,762	-	-	(107,762)
[TP]	TOTAL PRIMARY GOVERNMENT:	\$ 36,742,163	\$ 1,339,713	\$ 6,784,905	(28,617,545)
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes				7,102,649
DT	Property Taxes, Levied for Debt Service				792,852
SF	State Aid - Formula Grants				21,871,536
IE	Investment Earnings				30,792
MI	Miscellaneous Local and Intermediate Revenue				126,076
TR	Total General Revenues				29,923,905
CN	Change in Net Position				1,306,360
NB	Net Position - Beginning				26,547,446
NE	Net Position - Ending				\$ 27,853,806

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	410 State Textbook Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 9,251,226	\$ 22	\$ 391,722	\$ 9,642,970
1220 Property Taxes - Delinquent	718,005	-	101,817	819,822
1230 Allowance for Uncollectible Taxes (Credit)	(64,620)	-	(9,164)	(73,784)
1240 Receivables from Other Governments	-	359,977	585,873	945,850
1260 Due from Other Funds	461,906	-	111,857	573,763
1290 Other Receivables	41	-	3,305	3,346
1800 Restricted Assets	250,000	-	-	250,000
1000 Total Assets	<u>\$ 10,616,558</u>	<u>\$ 359,999</u>	<u>\$ 1,185,410</u>	<u>\$ 12,161,967</u>
LIABILITIES				
2110 Accounts Payable	\$ 227,246	\$ 359,999	\$ 149,012	\$ 736,257
2140 Interest Payable - Current	-	-	2,632	2,632
2150 Payroll Deductions and Withholdings Payable	-	-	96	96
2160 Accrued Wages Payable	903,385	-	109,421	1,012,806
2170 Due to Other Funds	111,857	-	461,906	573,763
2200 Accrued Expenditures	236,050	-	-	236,050
2300 Unearned Revenues	237,526	-	19,581	257,107
2000 Total Liabilities	<u>1,716,064</u>	<u>359,999</u>	<u>742,648</u>	<u>2,818,711</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	653,385	-	92,653	746,038
2600 Total Deferred Inflows of Resources	<u>653,385</u>	<u>-</u>	<u>92,653</u>	<u>746,038</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	475	475
3480 Retirement of Long-Term Debt	250,000	-	88,956	338,956
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	260,678	260,678
3600 Unassigned Fund Balance	7,997,109	-	-	7,997,109
3000 Total Fund Balances	<u>8,247,109</u>	<u>-</u>	<u>350,109</u>	<u>8,597,218</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 10,616,558</u>	<u>\$ 359,999</u>	<u>\$ 1,185,410</u>	<u>\$ 12,161,967</u>

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2014

Total Fund Balances - Governmental Funds	\$ 8,597,218
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	80,045,684
2 Accumulated depreciation is not reported in the fund financial statements.	(33,599,526)
3 Bonds payable, capital leases payable, notes payable, and other long-term debt are not reported in the fund financial statements.	(24,326,432)
4 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.	(2,374,658)
5 Premiums and discounts on outstanding bonds payable are not recognized in the fund financial statements.	(1,944,926)
6 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	746,038
7 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(50,070)
8 The deferred charge on bond refundings is not recognized in the fund financial statements.	760,478
19 Net Position of Governmental Activities	\$ 27,853,806

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	410 State Textbook Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 7,443,661	\$ -	\$ 1,879,323	\$ 9,322,984
5800 State Program Revenues	23,500,885	440,944	1,422,834	25,364,663
5900 Federal Program Revenues	161,712	-	3,291,778	3,453,490
5020 Total Revenues	<u>31,106,258</u>	<u>440,944</u>	<u>6,593,935</u>	<u>38,141,137</u>
EXPENDITURES:				
Current:				
0011 Instruction	16,243,763	440,944	1,610,224	18,294,931
0012 Instructional Resources and Media Services	281,229	-	-	281,229
0013 Curriculum and Instructional Staff Development	367,451	-	-	367,451
0021 Instructional Leadership	114,534	-	22,993	137,527
0023 School Leadership	2,082,108	-	49,999	2,132,107
0031 Guidance, Counseling and Evaluation Services	897,320	-	94,642	991,962
0033 Health Services	395,182	-	16,516	411,698
0034 Student (Pupil) Transportation	1,067,954	-	-	1,067,954
0035 Food Services	79	-	1,936,933	1,937,012
0036 Extracurricular Activities	1,166,218	-	495,250	1,661,468
0041 General Administration	736,844	-	-	736,844
0051 Facilities Maintenance and Operations	3,676,402	-	-	3,676,402
0052 Security and Monitoring Services	289,752	-	-	289,752
0053 Data Processing Services	768,767	-	-	768,767
0061 Community Services	64,927	-	369,120	434,047
Debt Service:				
0071 Principal on Long Term Debt	232,667	-	871,519	1,104,186
0072 Interest on Long Term Debt	61,617	-	1,712,565	1,774,182
0073 Bond Issuance Cost and Fees	1,750	-	60,362	62,112
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,135,285	-	21,736	1,157,021
Intergovernmental:				
0099 Other Intergovernmental Charges	107,762	-	-	107,762
6030 Total Expenditures	<u>29,691,611</u>	<u>440,944</u>	<u>7,261,859</u>	<u>37,394,414</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,414,647</u>	<u>-</u>	<u>(667,924)</u>	<u>746,723</u>
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	-	763,351	763,351
7915 Transfers In	-	-	639,601	639,601
7916 Premium or Discount on Issuance of Bonds	-	-	199,233	199,233
8911 Transfers Out (Use)	(639,601)	-	-	(639,601)
8949 Other (Uses)	-	-	(919,560)	(919,560)
7080 Total Other Financing Sources (Uses)	<u>(639,601)</u>	<u>-</u>	<u>682,625</u>	<u>43,024</u>
1200 Net Change in Fund Balances	775,046	-	14,701	789,747
0100 Fund Balance - September 1 (Beginning)	<u>7,472,063</u>	<u>-</u>	<u>335,408</u>	<u>7,807,471</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 8,247,109</u>	<u>\$ -</u>	<u>\$ 350,109</u>	<u>\$ 8,597,218</u>

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ 789,747
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions is to increase net position.	1,204,586
Depreciation is not recognized as an expense in government funds since it does not require the use of current financial resources. The effect of the current year's depreciation expense is to decrease net position.	(2,211,782)
Current year long-term debt principal payments on notes payable, capital leases payable, and bonds payable and payments of accreted interest payable on capital appreciation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	1,807,302
Current year interest accretion on capital appreciation bonds is not reflected in the fund financial statements, but is shown as an increase in long-term liabilities in the government-wide financial statements.	(364,933)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	804
Revenues from property taxes are recorded as unavailable revenue in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements.	(92,614)
Current year amortization of the premiums/discounts on bonds payable is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	260,494
Current year amortization of the deferred charge on bond refundings is not recognized in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.	(28,977)
Current year issuance of refunding bonds are shown as an other financing source in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.	(763,351)
The premium on the current year issuance of bonds is recorded as an other financing source in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(199,233)
The current year payment to the escrow agent for refunded debt is an other financing use in the fund financial statements, but is shown as a \$665,429 reduction in long-term debt and a \$238,888 increase in the deferred charge on bond refundings in the government-wide financial statements. The payment also included \$15,243 of accrued interest expense.	904,317
Change in Net Assets of Governmental Activities	\$ 1,306,360

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 7,200,000	\$ 7,266,847	\$ 7,443,661	\$ 176,814
5800 State Program Revenues	21,926,110	21,947,708	23,500,885	1,553,177
5900 Federal Program Revenues	100,000	100,000	161,712	61,712
5020 Total Revenues	29,226,110	29,314,555	31,106,258	1,791,703
EXPENDITURES:				
Current:				
0011 Instruction	15,837,722	16,263,248	16,243,763	19,485
0012 Instructional Resources and Media Services	283,493	333,493	281,229	52,264
0013 Curriculum and Instructional Staff Development	343,695	393,695	367,451	26,244
0021 Instructional Leadership	113,635	163,635	114,534	49,101
0023 School Leadership	2,060,632	2,110,632	2,082,108	28,524
0031 Guidance, Counseling and Evaluation Services	952,850	953,120	897,320	55,800
0033 Health Services	364,380	414,380	395,182	19,198
0034 Student (Pupil) Transportation	1,194,850	1,194,850	1,067,954	126,896
0035 Food Services	79	79	79	-
0036 Extracurricular Activities	985,295	1,206,058	1,166,218	39,840
0041 General Administration	766,992	766,992	736,844	30,148
0051 Facilities Maintenance and Operations	3,613,950	3,989,091	3,676,402	312,689
0052 Security and Monitoring Services	292,423	342,423	289,752	52,671
0053 Data Processing Services	839,140	839,140	768,767	70,373
0061 Community Services	67,520	74,520	64,927	9,593
Debt Service:				
0071 Principal on Long Term Debt	481,521	482,668	232,667	250,001
0072 Interest on Long Term Debt	65,935	64,788	61,617	3,171
0073 Bond Issuance Cost and Fees	6,000	6,000	1,750	4,250
Capital Outlay:				
0081 Facilities Acquisition and Construction	100,000	1,135,285	1,135,285	-
Intergovernmental:				
0099 Other Intergovernmental Charges	110,000	110,000	107,762	2,238
6030 Total Expenditures	28,480,112	30,844,097	29,691,611	1,152,486
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	745,998	(1,529,542)	1,414,647	2,944,189
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	(639,601)	(639,601)
1200 Net Change in Fund Balances	745,998	(1,529,542)	775,046	2,304,588
0100 Fund Balance - September 1 (Beginning)	7,472,063	7,472,063	7,472,063	-
3000 Fund Balance - August 31 (Ending)	\$ 8,218,061	\$ 5,942,521	\$ 8,247,109	\$ 2,304,588

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2014

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 168,645	\$ 94,609
Total Assets	<u>168,645</u>	<u>\$ 94,609</u>
LIABILITIES		
Accounts Payable	600	\$ 7,773
Due to Student Groups	-	86,836
Total Liabilities	<u>600</u>	<u>\$ 94,609</u>
NET POSITION		
Unrestricted Net Position	<u>168,045</u>	
Total Net Position	<u>\$ 168,045</u>	

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 104,999
Total Additions	<u>104,999</u>
DEDUCTIONS:	
Other Operating Costs	<u>84,793</u>
Total Deductions	<u>84,793</u>
Change in Net Position	20,206
 Total Net Position - September 1 (Beginning)	 <u>147,839</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 168,045</u></u>

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kaufman Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees is elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Kaufman Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The District had no business-type activities.

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental fund:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **State Textbook Fund** - This fund is a Special Revenue Fund used to account for the State Instructional Materials Allotment.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Private Purpose Trust Fund** - The District accounts for donations which have the stipulation that the funds be used for a specific purpose in this fund. The District's Private Purpose Trust Fund is a scholarship fund. These funds are not budgeted.
4. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and deferred outflows of resources; and liabilities and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds 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 presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Fund. The other special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

August 31, 2014	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ -
Nonappropriated Budget Funds	<u>261,153</u>
All Special Revenue Funds	<u>\$261,153</u>

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at August 31, 2014.

F. INVENTORIES

The District records purchases of supplies and materials as expenditures.

G. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

H. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 Years
Furniture and Equipment	5-20 Years

I. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. CASH EQUIVALENTS

Investments are considered to be cash equivalents if they are highly liquid with maturity within three months or less when purchased.

K. NET POSITION

Net position represents the difference between assets and deferred outflows of resources; less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation's adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted net position is available, restricted net position is expended before unrestricted net position if such use is consistent with the restricted purpose.

L. LONG-TERM OBLIGATIONS

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. 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; injuries to employees; and natural disasters. During fiscal 2014, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

N. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. ADOPTION OF NEW ACCOUNTING STANDARDS

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

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

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

- Governmental fund financial statements
 - Record property taxes uncollected within 60 days of the fiscal year-end, and therefore unavailable, as deferred inflows of resources in the governmental fund financial statements.
- Government-wide financial statements
 - Reclassify bond issuance costs previously reported as assets to expenses of the period in which they were incurred, resulting in an adjustment to beginning net position.
 - For refunded debt, record the difference between the reacquisition price and the net carrying amount of the refunded debt as a deferred resource outflow or inflow, as appropriate, and amortize the balance as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Accordingly, all unamortized deferred losses on refunding transactions as of August 31, 2013 were reclassified as deferred outflows of resources.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

NOTE 3. FUND BALANCES

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

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has no nonspendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. General Fund amounts that have been deposited into a sinking fund account for future debt service payments on the District's 2010 Maintenance Tax Notes is restricted for retirement of long-term debt. Debt service fund resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Federal and State grant resources are restricted because their use is restricted pursuant to the grant requirements.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees has committed resources as of August 31, 2014 for campus activities.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has not assigned any fund balance as of August 31, 2014.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 16) and are described below:

General Fund

The General Fund has \$250,000 of fund balance restricted for future retirement of long-term debt on the QSC Maintenance Tax Notes issued in October 2010. The General Fund has unassigned fund balance of \$7,997,109 at August 31, 2014.

Debt Service Fund

The Debt Service Fund has restricted funds of \$88,956 at August 31, 2014 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Other Funds

The fund balance of \$260,678 of the Campus Activity Funds (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The following special revenue fund fund balance is restricted by Federal or State grant restrictions:

Advanced Placement Incentives	<u>\$475</u>
Total	<u>\$475</u>

NOTE 4. 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 the District's 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.

1. Cash Deposits:

At August 31, 2014, the carrying amount of the District's deposits (checking accounts and interest-bearing demand accounts) was \$6,450,318 and the bank balance was \$6,855,697. The District's cash deposits at August 31, 2014 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

2. Investments:

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 authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. 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.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2014, the District's cash deposits totaled \$6,855,697. This entire amount was either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk as of August 31, 2014.

b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2014, the District held investments in three public funds investment pools. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for all three of the external investment pools held by the District at year-end was AAAM (Standard & Poor's).

d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 90 days.

e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2014, the District was not exposed to foreign currency risk.

f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The District's investments at August 31, 2014, are shown below:

Name	Carrying Amount	Market Value
Lone Star Investment Pool	\$ 4,293	\$ 4,293
TexPool Investment Pool	2,851	2,851
MBIA Texas CLASS	<u>3,448,762</u>	<u>3,448,762</u>
	<u>\$3,455,906</u>	<u>\$3,455,906</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2014, was as follows:

	Balance <u>September 1</u>	Additions/ <u>Completions</u>	Retirement/ <u>Adjustments</u>	Balance <u>August 31</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 1,321,974	\$ 909,690	\$ -	\$ 2,231,664
Construction in Progress	<u>136,276</u>	<u>38,459</u>	<u>(174,735)</u>	<u>-</u>
Total Capital assets not being depreciated	<u>1,458,250</u>	<u>948,149</u>	<u>(174,735)</u>	<u>2,231,664</u>
Capital assets, being depreciated				
Buildings	70,824,608	385,471	-	71,210,079
Furniture and Equipment	<u>6,558,240</u>	<u>45,701</u>	<u>-</u>	<u>6,603,941</u>
Total capital assets being depreciated	<u>77,382,848</u>	<u>431,172</u>	<u>-</u>	<u>77,814,020</u>
Less accumulated depreciation for:				
Buildings	(27,108,410)	(1,850,551)	-	(28,958,961)
Furniture and Equipment	<u>(4,279,334)</u>	<u>(361,231)</u>	<u>-</u>	<u>(4,640,565)</u>
Total accumulated depreciation	<u>(31,387,744)</u>	<u>(2,211,782)</u>	<u>-</u>	<u>(33,599,526)</u>
Total capital assets, being depreciated, net	<u>45,995,104</u>	<u>(1,780,610)</u>	<u>-</u>	<u>44,214,494</u>
Governmental activities capital assets, net	<u>\$ 47,453,354</u>	<u>\$ (832,461)</u>	<u>\$ (174,735)</u>	<u>\$ 46,446,158</u>

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$1,496,225
Instructional Resources & Media Services	20,461
Curriculum & Instructional Staff Development	26,092
Instructional Leadership	10,701
School Leadership	185,107
Guidance, Counseling & Evaluation Services	81,308
Health Services	34,975
Student (Pupil) Transportation	72,490
Food Services	2,256
Cocurricular/Extracurricular Activities	52,813
General Administration	43,628
Plant Maintenance and Operations	82,238
Security and Monitoring	21,469
Data Processing Services	49,715
Community Services	<u>32,304</u>
Total depreciation expense-Governmental activities	<u>\$2,211,782</u>

NOTE 6. MAINTENANCE TAX NOTES PAYABLE

Kaufman Independent School District Qualified School Construction Maintenance Tax Notes, Taxable Series 2010 were issued by the District on October 12, 2010 with an interest rate of 5.298%.

Debt service payments for the notes will be paid from the General Fund. 2010 Maintenance Tax Note payment requirements are as follows:

Year Ended <u>August 31,</u>	<u>Loans</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ -	\$ 185,430	\$ 185,430
2016	-	185,430	185,430
2017	-	185,430	185,430
2018	-	185,430	185,430
2019	-	185,430	185,430
2020-2024	-	927,150	927,150
2025-2027	3,500,000	556,290	4,056,290
Thereafter	-	-	-
	<u>\$3,500,000</u>	<u>\$2,410,590</u>	<u>\$5,910,590</u>

The District is required to transfer into a sinking fund \$250,000 on August 15, 2014 and \$250,000 annually through August 15, 2027. These deposits will be recorded as restricted cash in the General Fund and as a restriction of fund balance for retirement of long-term debt. At August 15, 2014 the District had \$250,000 in the sinking fund.

The District will receive an interest subsidy payment on the notes from the federal government of up to \$175,000 per year through 2027.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

NOTE 7. CAPITAL LEASES PAYABLE

The following is a summary of leased property under capital leases at August 31, 2014:

Equipment	\$ 296,175
Buses	<u>909,579</u>
Total	<u>\$1,205,754</u>

The following is a schedule of future minimum lease payments as of August 31, 2014, for each of the next five years and in the aggregate:

<u>Year Ended</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Lease</u> <u>Payment</u>
2015	\$227,220	\$ 44,034	\$ 271,254
2016	238,245	33,009	271,254
2017	250,095	21,159	271,254
2018	249,991	8,464	258,455
2019	-	-	-
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$965,551</u>	<u>\$106,666</u>	<u>\$1,072,217</u>

The lease payments will be made out of local general fund revenues. The interest rate on the capital leases are 2.87%-10.73%.

NOTE 8. LONG-TERM DEBT

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, loans, and capital leases. All long-term debt represents transactions in the District's governmental activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2014:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 9/1/13</u>	<u>Issued Current Year</u>	<u>Interest Accretion</u>	<u>Retired/ Refunded</u>	<u>Amounts Outstanding 8/31/14</u>	<u>Due Within One Year</u>
Bonded Indebtedness:							
2002 School Bldg. & Refunding Bonds	2.88-5.96%	\$ 2,621,976	\$ -	\$ -	\$ 1,439,870	\$ 1,182,106	\$ 609,581
2006 Refunding Bonds	3.86-4.50%	18,110,424	-	-	195,000	17,915,424	185,000
2014 Refunding Bonds	1.00-2.14%	-	763,351	-	-	763,351	30,000
Total Bonded Indebtedness:		<u>20,732,400</u>	<u>763,351</u>	<u>-</u>	<u>1,634,870</u>	<u>19,860,881</u>	<u>824,581</u>
Other Direct Obligations:							
Accreted Interest -							
Capital Appreciation Bonds		2,852,775	-	364,933	843,050	2,374,658	717,615
Premiums/Discounts on Bonds Payable		1,768,331	199,233	-	22,638	1,944,926	265,539
Qualified School Construction							
Maint. Tax Notes, 2010	5.298%	3,500,000	-	-	-	3,500,000	-
Capital Leases Payable	2.87-10.73%	1,198,218	-	-	232,667	965,551	227,220
Total Other Obligations:		<u>9,319,324</u>	<u>199,233</u>	<u>364,933</u>	<u>1,098,355</u>	<u>8,785,135</u>	<u>1,210,374</u>
Total Obligations of District		<u>\$30,051,724</u>	<u>\$962,584</u>	<u>\$364,933</u>	<u>\$2,733,225</u>	<u>\$28,646,016</u>	<u>\$2,034,955</u>

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended August 31,</u>	<u>General Obligation</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 824,581	\$ 1,772,093	\$ 2,596,674
2016	752,525	1,810,631	2,563,156
2017	476,514	2,076,642	2,553,156
2018	248,966	1,509,190	1,758,156
2019	231,931	1,526,225	1,758,156
2020-2024	5,431,364	3,353,989	8,785,353
2025-2029	6,940,000	1,859,619	8,799,619
2030-2032	4,955,000	330,288	5,285,288
	<u>\$19,860,881</u>	<u>\$14,238,677</u>	<u>\$34,099,558</u>

The 2002, 2006, and 2014 bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously in 2015 through 2020. Interest accrues on these bonds each February 15 and August 15 even though the interest is not paid until maturity.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2014.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

NOTE 9. DEBT ISSUANCE AND DEFEASED DEBT

In August 2014, the District issued \$763,351 (par value) in Unlimited Tax Refunding Bonds Series 2014 to advance refund \$763,351 (par value) of outstanding bonds. The net proceeds of \$900,988 (\$763,351 par amount of the bonds plus \$199,233 of premium paid on the bonds less \$61,596 of underwriting fees and other issuance costs) plus \$18,572 of District funds were used to purchase U.S. and State and Local Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, \$763,351 of those bonds were repaid from the irrevocable trust when the bonds reached their call dates on August 15, 2014.

The refunding was undertaken to reduce the District's total debt service payments by \$119,704 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$107,850.

The current year refunding resulted in a deferred charge on the refunding that will be amortized over the life of the refunded bonds.

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

Balance – August 31, 2013	\$550,567
Current year deferred charge on bond refunding	238,888
Current year amortization	<u>(28,977)</u>
Balance – August 31, 2014	<u>\$760,478</u>

NOTE 10. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior 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 upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2013-14 fiscal year was based was \$609,875,328. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2014, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.13 per \$100 valuation, respectively, for a total of \$1.30 per \$100 valuation.

Current tax collections for the year ended August 31, 2014 were 96.9% of the year-end adjusted tax levy. 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 on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2014, property taxes receivable, net of estimated uncollectible taxes, totaled \$653,385 and \$92,653 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

NOTE 11. PENSION PLAN OBLIGATIONS

Plan Description - The District contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 233-8778.

Funding Policy - Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.8% of the District's covered payroll in fiscal year 2014. The State contribution rate was 6.4% for fiscal year 2013 and 6.0% in fiscal year 2012. In certain instances the District is required to make all or a portion of the state's 6.8% 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 of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. The District's employees' contributions to the System for the years ending August 31, 2012, 2013, and 2014 were \$1,177,040, \$1,229,964, and \$1,275,271, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2012, 2013, and 2014 were \$253,420, \$238,066 and \$260,032, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended August 31, 2012, 2013, and 2014 were \$850,059, \$948,920 and \$1,034,985, respectively, and are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

NOTE 12. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal year 2014. The State of Texas contribution rate was 0.5% in fiscal year 2013 and 1.0% in fiscal year 2012. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2014, 2013, and 2012, the State's contributions to TRS-Care were \$184,157, \$88,521, and \$132,817, respectively, the active member contributions were \$129,521, \$124,918, and \$119,544, respectively, and the school district's contribution were \$124,698, \$113,270, and \$116,664, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2014, the contribution made on behalf of the District was \$52,740.

NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at August 31, 2014 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from August 31, 2014.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund:		
Special Revenue Funds:		
Head Start	\$ 81,982	\$ -
ESEA I, Part A	112,578	-
IDEA-B, Formula	207,665	-
IDEA-B, Preschool	4,225	-
English Language Acquisition	37,249	-
ESEA Title II, Part A	15,181	-
Non-Ed. Community Based Support	3,026	-
Campus Activity Fund	-	1,214
Debt Service Fund	-	<u>110,643</u>
Total Major Governmental Funds	<u>461,906</u>	<u>111,857</u>
Nonmajor Governmental Funds:		
Special Revenue Funds:		
General Fund	1,214	461,906
Debt Service Fund:		
General Fund	<u>110,643</u>	-
Total Nonmajor Governmental Funds	<u>111,857</u>	<u>461,906</u>
Total	<u>\$573,763</u>	<u>\$573,763</u>

During the fiscal year ended August 31, 2014, \$166,651 was transferred from the General Fund to the District's Child Care Center. The District also transferred \$16,488 from the General Fund to the Child Nutrition Fund. These transfers were made to cover the operating deficits of the Child Care Center and the Child Nutrition Program. \$456,462 was transferred from the General Fund to the Debt Service Fund as an operating transfer to the Debt Service Fund.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

NOTE 14. HEALTH CARE

During the year ended August 31, 2014, employees of Kaufman Independent School District were covered by a health insurance plan (the Plan). The District contributed \$250 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

NOTE 15. WORKERS COMPENSATION

The District participates in the Texas Educational Insurance Association Workers Compensation Self-Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of \$221,625 for the 13-14 fiscal year. Additionally, the District incurred fixed costs of \$54,040 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Claims Administrative Services, Inc provides claims administration. Reinsurance is provided for aggregate claim losses exceeding \$500,000 for the entire pool. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self insurance of \$236,050 includes incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in workers compensation claims liability amounts in fiscal years 2014 and 2013 are represented below:

Fiscal Year	September 1 Claims Liability	Claims and Changes in Estimates	Claims Payments	August 31 Claims Liability
2014	\$184,265	\$176,148	\$124,363	\$236,050
2013	155,897	109,325	80,957	184,265

NOTE 16. DUE FROM OTHER GOVERNMENTS

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, Per Capita, Existing Debt Allotment, and Instruction Facilities Allotment Programs. Amounts due from federal and state governments as of August 31, 2014, 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.

Fund	State Entitlements	Federal Grants	Local Governments	Total
General	\$ -	\$ -	\$ -	\$ -
State Textbook Fund	359,977	-	-	359,977
Debt Service Fund	-	-	-	-
Nonmajor Special Revenue	1,824	584,049	-	585,873
Total	<u>\$361,801</u>	<u>\$584,049</u>	<u>\$ -</u>	<u>\$945,850</u>

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

NOTE 17. LITIGATION 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2014 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 18. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Property Taxes	\$6,997,734	\$ -	\$782,871	\$7,780,605
Food Sales	-	408,805	-	408,805
Investment Income	30,480	-	312	30,792
Penalties, interest and other tax related income	182,502	-	25,008	207,510
Co-curricular student activities	88,381	505,624	-	594,005
Other	144,564	156,703	-	301,267
Total	<u>\$7,443,661</u>	<u>\$1,071,132</u>	<u>\$808,191</u>	<u>\$9,322,984</u>

NOTE 19. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Read to Succeed	\$ -	\$ 406	\$ -	\$ 406
Tobacco Grant	-	40	-	40
State Funding	<u>237,526</u>	<u>-</u>	<u>19,135</u>	<u>256,661</u>
	<u>\$237,526</u>	<u>\$ 446</u>	<u>\$ 19,135</u>	<u>\$257,107</u>

NOTE 20. SUBSEQUENT EVENT

On November 4, 2014, voters in the District approved a bond referendum election authorizing the issuance of \$57.5 million of bonds. The bond proceeds, when issued, will be used for renovations and additions to the District's high school and other projects in the District.

COMBINING SCHEDULES

KAUFMAN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes		205	211	224
			ESEA I, A	IDEA - Part B
		Head Start	Improving Basic Program	Formula
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-
1240	Receivables from Other Governments	111,092	141,704	229,763
1260	Due from Other Funds	-	-	-
1290	Other Receivables	-	-	-
1000	Total Assets	<u>\$ 111,092</u>	<u>\$ 141,704</u>	<u>\$ 229,763</u>
LIABILITIES				
2110	Accounts Payable	\$ 38	\$ -	\$ -
2140	Interest Payable - Current	-	-	-
2150	Payroll Deductions and Withholdings Payable	2	-	94
2160	Accrued Wages Payable	29,070	29,126	22,004
2170	Due to Other Funds	81,982	112,578	207,665
2300	Unearned Revenues	-	-	-
2000	Total Liabilities	<u>111,092</u>	<u>141,704</u>	<u>229,763</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3480	Retirement of Long-Term Debt	-	-	-
Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 111,092</u>	<u>\$ 141,704</u>	<u>\$ 229,763</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	423 Read to Succeed
\$ -	\$ 99,111	\$ -	\$ -	\$ -	\$ 1,202	\$ 475	\$ 406
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,138	35,241	-	20,749	40,362	1,824	-	-
-	-	-	-	-	-	-	-
-	605	-	-	-	-	-	-
<u>\$ 5,138</u>	<u>\$ 134,957</u>	<u>\$ -</u>	<u>\$ 20,749</u>	<u>\$ 40,362</u>	<u>\$ 3,026</u>	<u>\$ 475</u>	<u>\$ 406</u>
\$ -	\$ 132,891	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
913	2,066	-	5,568	3,113	-	-	-
4,225	-	-	15,181	37,249	3,026	-	-
-	-	-	-	-	-	-	406
<u>5,138</u>	<u>134,957</u>	<u>-</u>	<u>20,749</u>	<u>40,362</u>	<u>3,026</u>	<u>-</u>	<u>406</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	475	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	475	-
<u>\$ 5,138</u>	<u>\$ 134,957</u>	<u>\$ -</u>	<u>\$ 20,749</u>	<u>\$ 40,362</u>	<u>\$ 3,026</u>	<u>\$ 475</u>	<u>\$ 406</u>

KAUFMAN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes		427 Tobacco Grant	461 Campus Activity Funds	498 Child Care Center	Total Nonmajor Special Revenue Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 40	\$ 272,847	\$ 17,561	\$ 391,642
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	-	-	585,873
1260	Due from Other Funds	-	1,214	-	1,214
1290	Other Receivables	-	2,700	-	3,305
1000	Total Assets	<u>\$ 40</u>	<u>\$ 276,761</u>	<u>\$ 17,561</u>	<u>\$ 982,034</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 16,083	\$ -	\$ 149,012
2140	Interest Payable - Current	-	-	-	-
2150	Payroll Deductions and Withholdings Payable	-	-	-	96
2160	Accrued Wages Payable	-	-	17,561	109,421
2170	Due to Other Funds	-	-	-	461,906
2300	Unearned Revenues	40	-	-	446
2000	Total Liabilities	<u>40</u>	<u>16,083</u>	<u>17,561</u>	<u>720,881</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	475
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	260,678	-	260,678
3000	Total Fund Balances	<u>-</u>	<u>260,678</u>	<u>-</u>	<u>261,153</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 40</u>	<u>\$ 276,761</u>	<u>\$ 17,561</u>	<u>\$ 982,034</u>

599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 80	\$ 391,722
101,817	101,817
(9,164)	(9,164)
-	585,873
110,643	111,857
-	3,305
<u>\$ 203,376</u>	<u>\$ 1,185,410</u>
\$ -	\$ 149,012
2,632	2,632
-	96
-	109,421
-	461,906
19,135	19,581
<u>21,767</u>	<u>742,648</u>
92,653	92,653
<u>92,653</u>	<u>92,653</u>
-	475
88,956	88,956
-	260,678
<u>88,956</u>	<u>350,109</u>
<u>\$ 203,376</u>	<u>\$ 1,185,410</u>

KAUFMAN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		205	211	224
		Head Start	ESEA I, A Improving Basic Program	IDEA - Part B Formula
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	497,822	593,371	502,727
5020	Total Revenues	497,822	593,371	502,727
EXPENDITURES:				
Current:				
0011	Instruction	448,928	573,017	385,092
0021	Instructional Leadership	-	-	22,993
0023	School Leadership	29,645	20,354	-
0031	Guidance, Counseling and Evaluation Services	-	-	94,642
0033	Health Services	16,516	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0061	Community Services	2,733	-	-
Debt Service:				
0071	Principal on Long Term Debt	-	-	-
0072	Interest on Long Term Debt	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-
6030	Total Expenditures	497,822	593,371	502,727
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
OTHER FINANCING SOURCES (USES):				
7901	Refunding Bonds Issued	-	-	-
7915	Transfers In	-	-	-
7916	Premium or Discount on Issuance of Bonds	-	-	-
8949	Other (Uses)	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	423 Read to Succeed
\$ -	\$ 408,805	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	13,994	-	-	-	24,000	2,700	-
16,457	1,497,646	22,869	91,251	69,635	-	-	-
16,457	1,920,445	22,869	91,251	69,635	24,000	2,700	-
16,457	-	22,869	91,251	69,635	-	2,700	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,936,933	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	24,000	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
16,457	1,936,933	22,869	91,251	69,635	24,000	2,700	-
-	(16,488)	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	16,488	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	16,488	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	475	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 475	\$ -

KAUFMAN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		427 Tobacco Grant	461 Campus Activity Funds	498 Child Care Center	Total Nonmajor Special Revenue Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 505,624	\$ 156,703	\$ 1,071,132
5800	State Program Revenues	-	90	19,033	59,817
5900	Federal Program Revenues	-	-	-	3,291,778
5020	Total Revenues	-	505,714	175,736	4,422,727
EXPENDITURES:					
Current:					
0011	Instruction	-	275	-	1,610,224
0021	Instructional Leadership	-	-	-	22,993
0023	School Leadership	-	-	-	49,999
0031	Guidance, Counseling and Evaluation Services	-	-	-	94,642
0033	Health Services	-	-	-	16,516
0035	Food Services	-	-	-	1,936,933
0036	Extracurricular Activities	-	495,250	-	495,250
0061	Community Services	-	-	342,387	369,120
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	21,736	-	21,736
6030	Total Expenditures	-	517,261	342,387	4,617,413
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(11,547)	(166,651)	(194,686)
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	-	-	-
7915	Transfers In	-	-	166,651	183,139
7916	Premium or Discount on Issuance of Bonds	-	-	-	-
8949	Other (Uses)	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	166,651	183,139
1200	Net Change in Fund Balance	-	(11,547)	-	(11,547)
0100	Fund Balance - September 1 (Beginning)	-	272,225	-	272,700
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 260,678	\$ -	\$ 261,153

599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 808,191	\$ 1,879,323
1,363,017	1,422,834
-	3,291,778
<u>2,171,208</u>	<u>6,593,935</u>
-	1,610,224
-	22,993
-	49,999
-	94,642
-	16,516
-	1,936,933
-	495,250
-	369,120
871,519	871,519
1,712,565	1,712,565
60,362	60,362
-	21,736
<u>2,644,446</u>	<u>7,261,859</u>
<u>(473,238)</u>	<u>(667,924)</u>
763,351	763,351
456,462	639,601
199,233	199,233
(919,560)	(919,560)
<u>499,486</u>	<u>682,625</u>
26,248	14,701
<u>62,708</u>	<u>335,408</u>
<u>\$ 88,956</u>	<u>\$ 350,109</u>

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REQUIRED T.E.A. SCHEDULES

KAUFMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ 479,317,602
2006	1.500000	0.220000	497,378,167
2007	1.370000	0.220000	585,122,547
2008	1.040000	0.260000	625,455,230
2009	1.040000	0.260000	662,907,636
2010	1.040000	0.260000	643,399,255
2011	1.170000	0.130000	640,085,175
2012	1.170000	0.130000	630,217,324
2013	1.170000	0.130000	611,557,905
2014 (School year under audit)	1.170000	0.130000	609,875,328
1000 TOTALS			

(10) Beginning Balance 9/1/2013		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 8/31/2014	
\$	104,771	\$	-	\$	5,358	\$	786	\$	(9,904)	\$	88,723
	46,375		-		5,693		835		-		39,847
	49,192		-		6,934		1,114		(41)		41,103
	52,949		-		8,086		2,021		(165)		42,677
	70,982		-		14,938		3,734		(1,090)		51,220
	78,426		-		19,889		4,972		172		53,737
	103,381		-		34,454		3,828		(542)		64,557
	161,792		-		63,248		7,028		(2,872)		88,644
	253,728		-		120,678		13,409		(10,946)		108,695
	-		7,732,360		6,703,982		744,887		(42,872)		240,619
<u>\$</u>	<u>921,596</u>	<u>\$</u>	<u>7,732,360</u>	<u>\$</u>	<u>6,983,260</u>	<u>\$</u>	<u>782,614</u>	<u>\$</u>	<u>(68,260)</u>	<u>\$</u>	<u>819,822</u>

KAUFMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 383,045	\$ 383,045	\$ 408,805	\$ 25,760
5800 State Program Revenues	10,981	10,981	13,994	3,013
5900 Federal Program Revenues	1,437,289	1,437,289	1,497,646	60,357
5020 Total Revenues	1,831,315	1,831,315	1,920,445	89,130
EXPENDITURES:				
Current:				
0035 Food Services	1,987,548	2,337,548	1,936,933	400,615
6030 Total Expenditures	1,987,548	2,337,548	1,936,933	400,615
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(156,233)	(506,233)	(16,488)	489,745
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	16,488	16,488
1200 Net Change in Fund Balances	(156,233)	(506,233)	-	506,233
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ (156,233)	\$ (506,233)	\$ -	\$ 506,233

KAUFMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 785,000	\$ 785,000	\$ 808,191	\$ 23,191
5800 State Program Revenues	1,337,301	1,337,301	1,363,017	25,716
5020 Total Revenues	2,122,301	2,122,301	2,171,208	48,907
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	871,520	871,520	871,519	1
0072 Interest on Long Term Debt	1,728,506	1,728,506	1,712,565	15,941
0073 Bond Issuance Cost and Fees	2,000	72,000	60,362	11,638
6030 Total Expenditures	2,602,026	2,672,026	2,644,446	27,580
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(479,725)	(549,725)	(473,238)	76,487
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	763,351	763,351	-
7915 Transfers In	-	-	456,462	456,462
7916 Premium or Discount on Issuance of Bonds	-	199,233	199,233	-
8949 Other (Uses)	-	(919,560)	(919,560)	-
7080 Total Other Financing Sources (Uses)	-	43,024	499,486	456,462
1200 Net Change in Fund Balances	(479,725)	(506,701)	26,248	532,949
0100 Fund Balance - September 1 (Beginning)	62,708	62,708	62,708	-
3000 Fund Balance - August 31 (Ending)	\$ (417,017)	\$ (443,993)	\$ 88,956	\$ 532,949

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FEDERAL AWARDS SECTION

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

To the Board of Trustees
Kaufman Independent School District
Kaufman, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman Independent School District, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise Kaufman Independent School District's basic financial statements, and have issued our report dated January 6, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hankins, Eastup, Deaton, Tonn & Seay

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

January 6, 2015

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

To the Board of Trustees
Kaufman Independent School District
Kaufman, Texas

Report on Compliance for Each Major Federal Program

We have audited Kaufman Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Kaufman Independent School District's major federal programs for the year ended August 31, 2014. Kaufman Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kaufman Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kaufman Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Kaufman Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

Management of Kaufman Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kaufman Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kaufman Independent School District's internal control over compliance.

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

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

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

Hankins, Eastup, Deaton, Tonn & Seay

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

January 6, 2015

KAUFMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported under Section .510(a)2-7 of OMB Circular A-133: No
7. Major programs include:

CFDA 84.010A ESEA, Title I, Part A - Improving Basic Programs

Special Education Cluster:
CFDA 84.027 IDEA - Part B, Formula
CFDA 84.173 IDEA - Part B, Preschool
8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

None

KAUFMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014

PRIOR YEAR FINDING/NONCOMPLIANCE

Finding: Expenditures exceeded appropriations in four functional categories in the General Fund for the year ended August 31, 2013.

Status: All expenditures were within appropriated amounts during the year ended August 31, 2014.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014

CORRECTIVE ACTION PLAN

None required.

KAUFMAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Retion 10 Service Center</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101057950	\$ 563,490
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101057950	29,881
Total CFDA Number 84.010A			593,371
Total Title I, Part A Cluster			593,371
Title III, Part A - English Language Acquisition	84.365A	14671001057950	66,522
Title III, Part A - English Language Acquisition	84.365A	15671001057950	3,113
Total CFDA Number 84.365A			69,635
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501057950	85,683
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501057950	5,568
Total CFDA Number 84.367A			91,251
Total Passed Through Retion 10 Service Center			\$ 754,257
<u>Passed Through State Department of Education</u>			
*IDEA - Part B, Formula	84.027	146600011299036600	\$ 480,723
*IDEA - Part B, Formula	84.027	156600011299036600	22,004
Total CFDA Number 84.027			502,727
*IDEA - Part B, Preschool	84.173	146610011299036610	15,544
*IDEA - Part B, Preschool	84.173	156610011299036610	913
Total CFDA Number 84.173			16,457
Total Special Education Cluster (IDEA)			519,184
Career and Technical - Basic Grant	84.048	14420006129903	22,869
Total Passed Through State Department of Education			\$ 542,053
TOTAL DEPARTMENT OF EDUCATION			\$ 1,296,310
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Head Start	93.600	06CH7004/14	\$ 468,752
Head Start	93.600	06CH7004/15	29,070
Total CFDA Number 93.600			497,822
Total Direct Programs			\$ 497,822
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 497,822

KAUFMAN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2014

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401401	\$ 353,558
*National School Lunch Program - Cash Assistance	10.555	71301401	1,032,194
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301401	111,894
Total CFDA Number 10.555			<u>1,144,088</u>
Total Child Nutrition Cluster			<u>1,497,646</u>
Total Passed Through the State Department of Agriculture			<u>\$ 1,497,646</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 1,497,646</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u><u>\$ 3,291,778</u></u>

*Clustered Programs

KAUFMAN INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

1. The District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

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

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

3. The District participates in numerous state and Federal grant programs that 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2014, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The District also received \$161,712 of School Health and Related Services (SHARS) payments. These payments are not considered Federal awards for purposes of the Schedule of Expenditures of Federal Awards and were recorded as Federal revenues in the General Fund.