

**KAUFMAN INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE**  
**YEAR ENDED AUGUST 31, 2012**

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2012

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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, 2012, at a meeting of the Board of Trustees of such school district on the 14th day of January, 2013.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

---

**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION

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CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST  
P.O. BOX 977  
DENTON, TEXAS 76202-0977  
TEL. (940) 387-8563  
FAX (940) 383-4746

Independent Auditor's Report

Board of Trustees  
Kaufman Independent School District  
Kaufman, Texas

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman Independent School District (the District), as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman Independent School District as of August 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Hankins, Eastup, Deaton, Tonn & Seay*

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

January 8, 2013

**KAUFMAN INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2012  
(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, 2012. 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 of Kaufman Independent School District exceeded its liabilities at the close of the most recent fiscal period by \$26,618,027 (net assets). Of this amount, \$4,028,691 (unrestricted net assets) 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 assets increased by \$229,719.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$8,736,738. Over 62% of this total amount (\$5,479,792) is unassigned and available for use within the District's fund balance policies.
- At the end of the current fiscal period, unassigned fund balance for the general fund was \$5,479,792 or 20.7% 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 Assets 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 Assets 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 Assets includes all the District's assets and liabilities 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 are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are 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 Assets 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 Assets 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 Assets on page 21 and a Statement of Changes in Fiduciary Fund Net Assets 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 assets (Table I) and changes in net assets (Table II) of the District's governmental activities.

Net assets of the District's governmental activities increased from \$26,388,308 to \$26,618,027. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$4,028,691 at August 31, 2012. The increase in governmental net assets was the result primarily of an increase in the General Fund fund balance.

**Table I**  
**Kaufman Independent School District**

#### NET ASSETS

	Governmental Activities 2012	Governmental Activities 2011
Current and other assets	\$12,954,719	\$13,214,522
Capital assets	48,288,371	49,525,158
Total assets	61,243,090	62,739,680
Long-term liabilities	31,823,652	33,267,498
Other liabilities	2,801,411	3,083,874
Total liabilities	34,625,063	36,351,372
Net Assets:		
Invested in capital assets net of related debt	20,385,908	19,415,426
Restricted	2,203,428	2,497,297
Unrestricted	4,028,691	4,475,585
Total net assets	\$26,618,027	\$26,388,308



**Table II**  
**Kaufman Independent School District**  
**CHANGES IN NET ASSETS**

	Governmental Activities 2012	Governmental Activities 2011
Revenues:		
Program Revenues:		
Charges for services	\$ 1,379,731	\$ 1,371,311
Operating grants and contributions	7,048,634	9,725,656
General Revenues:		
Maintenance and operations taxes	7,304,414	7,348,694
Debt service taxes	817,203	824,376
State aid	18,166,707	17,922,551
Investment Earnings	30,099	29,975
Miscellaneous	233,646	91,542
Total Revenue	<u>34,980,434</u>	<u>37,314,105</u>
Expenses:		
Instruction, curriculum and media services	19,989,536	20,713,447
Instructional and school leadership	2,093,883	2,280,883
Student support services	2,526,342	2,440,977
Food services	1,842,612	1,736,249
Extracurricular activities	1,432,563	1,599,646
General administration	831,195	759,346
Plant maintenance, security & data processing	4,065,437	4,483,195
Community services	442,206	455,379
Debt services	1,410,413	1,474,053
Facilities acquisition, construction	8,887	5,825
Other intergovernmental charges	107,641	79,086
Total Expenses	<u>34,750,715</u>	<u>36,028,086</u>
Increase in net assets	229,719	1,286,019
Net assets at beginning of year	<u>26,388,308</u>	<u>25,102,289</u>
Net assets at end of year	<u>\$26,618,027</u>	<u>\$26,388,308</u>

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 2011-12 Budget to enable the District to maintain a sound financial position.

- General Fund expenditures decreased 4.5% due primarily to lower personnel costs resulting from fewer positions, decreased capital outlay, and the elimination of certain one-time expenditures.
- The District's maintenance and operations tax rate remained \$1.17 per \$100 valuation for the second consecutive year. The Debt Service tax rate remained \$0.13 per \$100 valuation. The District's taxable property value decreased 1.5%. State revenues increased 1.4% due to changes in the state funding formula and reductions in federal stimulus programs.

The cost of all governmental activities for the current fiscal year was \$34,750,715. 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 \$8,121,617 because some of the costs were paid by those who directly benefited from the programs (\$1,379,731) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,048,634) or by State equalization funding (\$18,166,707).

## **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 \$8,736,738, which is \$80,830 more than last year's total of \$8,655,908. Included in this year's total change in fund balance is an increase of \$341,573 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 2011). 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 repairs to Monday Primary School 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 \$8,443,567 reported on page 16 differs from the General Fund's budgetary fund balance of \$8,932,761 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.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At August 31, 2012, the District had \$48,288,371 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 \$1,236,787, or 2.5 percent, less than last year. This decrease was due primarily to \$2,147,094 of depreciation on capital assets.

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

### **Debt Administration**

At August 31, 2012, the District had \$31,823,652 in bonds, notes, and capital leases outstanding (including accreted interest on bonds) versus \$33,267,498 last year—a decrease of \$1,443,846. 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 7 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 \$1.1 million due to changes in the state funding formula and increased enrollment.
- Expenditures are budgeted to increase approximately \$780,000 due primarily to increases in personnel costs.

## **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 ASSETS  
AUGUST 31, 2012

Data Control Codes		Primary Government
		Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	\$ 8,188,920
1220	Property Taxes Receivable (Delinquent)	1,006,418
1230	Allowance for Uncollectible Taxes	(90,577)
1240	Due from Other Governments	1,015,462
1290	Other Receivables, net	3,255
1420	Capitalized Bond and Other Debt Issuance Costs	575,729
Capital Assets:		
1510	Land	1,321,974
1520	Buildings, Net	45,593,113
1530	Furniture and Equipment, Net	1,373,284
1800	Restricted Assets	2,255,512
1000	Total Assets	61,243,090
LIABILITIES		
2110	Accounts Payable	445,243
2140	Accrued Interest Payable	75,000
2150	Payroll Deductions & Withholdings	6,279
2160	Accrued Wages Payable	977,276
2200	Accrued Expenses	155,897
2300	Unearned Revenues	1,141,716
Noncurrent Liabilities		
2501	Due Within One Year	3,656,895
2502	Due in More Than One Year	28,166,757
2000	Total Liabilities	34,625,063
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	20,385,908
3820	Restricted for Federal and State Programs	54,474
3850	Restricted for Debt Service	2,148,954
3900	Unrestricted Net Assets	4,028,691
3000	Total Net Assets	\$ 26,618,027

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, 2012

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 18,851,547	\$ 221,456	\$ 3,674,598	\$ (14,955,493)
12 Instructional Resources and Media Services	705,627	3,000	42,015	(660,612)
13 Curriculum and Staff Development	432,362	-	33,728	(398,634)
21 Instructional Leadership	168,502	-	61,197	(107,305)
23 School Leadership	1,925,381	-	115,883	(1,809,498)
31 Guidance, Counseling and Evaluation Services	988,218	-	115,289	(872,929)
32 Social Work Services	199	-	-	(199)
33 Health Services	375,430	-	64,104	(311,326)
34 Student (Pupil) Transportation	1,162,495	-	416,350	(746,145)
35 Food Services	1,842,612	428,743	1,465,223	51,354
36 Extracurricular Activities	1,432,563	537,048	28,584	(866,931)
41 General Administration	831,195	-	23,961	(807,234)
51 Facilities Maintenance and Operations	3,218,683	6,750	45,644	(3,166,289)
52 Security and Monitoring Services	298,375	-	13,879	(284,496)
53 Data Processing Services	548,379	-	17,370	(531,009)
61 Community Services	442,206	182,734	50,087	(209,385)
72 Debt Service - Interest on Long Term Debt	1,376,099	-	880,722	(495,377)
73 Debt Service - Bond Issuance Cost and Fees	34,314	-	-	(34,314)
81 Capital Outlay	8,887	-	-	(8,887)
99 Other Intergovernmental Charges	107,641	-	-	(107,641)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 34,750,715	\$ 1,379,731	\$ 7,048,634	(26,322,350)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	7,304,414
DT	Property Taxes, Levied for Debt Service	817,203
SF	State Aid - Formula Grants	18,166,707
IE	Investment Earnings	30,099
MI	Miscellaneous Local and Intermediate Revenue	233,646
TR	Total General Revenues	26,552,069
CN	Change in Net Assets	229,719
NB	Net Assets--Beginning	26,388,308
NE	Net Assets--Ending	\$ 26,618,027

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



KAUFMAN INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2012

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 7,720,012	\$ 468,908	\$ 8,188,920
1220 Property Taxes - Delinquent	874,270	132,148	1,006,418
1230 Allowance for Uncollectible Taxes (Credit)	(78,684)	(11,893)	(90,577)
1240 Receivables from Other Governments	-	1,015,462	1,015,462
1260 Due from Other Funds	881,192	110,643	991,835
1290 Other Receivables	-	3,255	3,255
1800 Restricted Assets	2,255,512	-	2,255,512
1000 Total Assets	<u>\$ 11,652,302</u>	<u>\$ 1,718,523</u>	<u>\$ 13,370,825</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
2110 Accounts Payable	\$ 434,637	\$ 10,606	\$ 445,243
2150 Payroll Deductions and Withholdings Payable	6,279	-	6,279
2160 Accrued Wages Payable	869,530	107,746	977,276
2170 Due to Other Funds	110,643	881,192	991,835
2200 Accrued Expenditures	155,897	-	155,897
2300 Deferred Revenues	1,631,749	425,808	2,057,557
2000 Total Liabilities	<u>3,208,735</u>	<u>1,425,352</u>	<u>4,634,087</u>
Fund Balances:			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	54,474	54,474
3470 Capital Acquisition and Contractual Obligation	860,076	-	860,076
3480 Retirement of Long-Term Debt	2,103,699	-	2,103,699
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	238,697	238,697
3600 Unassigned Fund Balance	5,479,792	-	5,479,792
3000 Total Fund Balances	<u>8,443,567</u>	<u>293,171</u>	<u>8,736,738</u>
4000 Total Liabilities and Fund Balances	<u>\$ 11,652,302</u>	<u>\$ 1,718,523</u>	<u>\$ 13,370,825</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 ASSETS  
AUGUST 31, 2012

<b>Total Fund Balances - Governmental Funds</b>	\$ 8,736,738
<b>1</b> Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	78,056,953
<b>2</b> Accumulated depreciation has not been included in the fund financial statements.	(29,768,582)
<b>3</b> Bonds payable, leases payable, notes payable, and other long-term debt have not been included in the fund financial statements.	(27,307,378)
<b>4</b> Accreted interest on capital appreciation bonds has not been included in the fund financial statements.	(3,061,113)
<b>5</b> Bond and other debt issuance costs are not capitalized in the fund financial statements.	575,729
<b>6</b> Premiums and discounts on outstanding bonds payable and deferred losses on bond refundings are not recorded in the fund financial statements.	(1,455,161)
<b>7</b> Property tax revenue reported as deferred revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	915,841
<b>8</b> Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(75,000)
<b>19 Net Assets of Governmental Activities</b>	\$ 26,618,027

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, 2012

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 7,692,156	\$ 1,916,094	\$ 9,608,250
5800 State Program Revenues	19,564,751	1,390,415	20,955,166
5900 Federal Program Revenues	186,840	4,260,175	4,447,015
5020 Total Revenues	27,443,747	7,566,684	35,010,431
EXPENDITURES:			
Current:			
0011 Instruction	14,416,715	2,990,972	17,407,687
0012 Instructional Resources and Media Services	902,381	21,483	923,864
0013 Curriculum and Instructional Staff Development	380,218	22,469	402,687
0021 Instructional Leadership	98,711	56,896	155,607
0023 School Leadership	1,718,251	49,108	1,767,359
0031 Guidance, Counseling and Evaluation Services	834,016	76,367	910,383
0032 Social Work Services	182	-	182
0033 Health Services	295,616	50,173	345,789
0034 Student (Pupil) Transportation	1,100,344	-	1,100,344
0035 Food Services	79	1,839,967	1,840,046
0036 Extracurricular Activities	965,940	439,370	1,405,310
0041 General Administration	776,827	8,793	785,620
0051 Facilities Maintenance and Operations	3,533,745	-	3,533,745
0052 Security and Monitoring Services	277,111	-	277,111
0053 Data Processing Services	521,184	-	521,184
0061 Community Services	53,380	356,239	409,619
Debt Service:			
0071 Principal on Long Term Debt	144,132	1,372,523	1,516,655
0072 Interest on Long Term Debt	87,123	1,219,008	1,306,131
0073 Bond Issuance Cost and Fees	2,500	800	3,300
Capital Outlay:			
0081 Facilities Acquisition and Construction	209,337	-	209,337
Intergovernmental:			
0099 Other Intergovernmental Charges	107,641	-	107,641
6030 Total Expenditures	26,425,433	8,504,168	34,929,601
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	1,018,314	(937,484)	80,830
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	676,741	676,741
8911 Transfers Out (Use)	(676,741)	-	(676,741)
7080 Total Other Financing Sources (Uses)	(676,741)	676,741	-
1200 Net Change in Fund Balances	341,573	(260,743)	80,830
0100 Fund Balance - September 1 (Beginning)	8,101,994	553,914	8,655,908
3000 Fund Balance - August 31 (Ending)	\$ 8,443,567	\$ 293,171	\$ 8,736,738

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, 2012

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 80,830</b>
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 assets.	914,065
Depreciation is not recognized as an expense in government-wide financial statements since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net assets.	(2,147,094)
Current year long-term debt principal payments on notes payable, capital leases and bonds payable and payments of accreted interest 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.	1,979,132
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.	(481,437)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	2,841
Revenues from property taxes receivable are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements.	(29,997)
Current year amortization of bond issuance costs is not reflected in the fund financial statements, but is shown as a reduction of the bond issuance costs asset in the government-wide financial statements.	(31,014)
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(24,872)
Current year amortization of the deferred loss on bond refundings is not reflected in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(28,977)
The loss from disposition of capital assets is not reflected in the fund financial statements, but is recorded as a loss in the government-wide financial statements.	(3,758)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 229,719</b>

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, 2012

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	\$ 7,658,000	\$ 7,858,486	\$ 7,692,156	\$ (166,330)
5800	State Program Revenues	19,158,920	19,637,065	19,564,751	(72,314)
5900	Federal Program Revenues	100,000	100,000	186,840	86,840
5020	Total Revenues	26,916,920	27,595,550	27,443,747	(151,803)
EXPENDITURES:					
Current:					
0011	Instruction	13,783,221	14,129,717	14,416,715	(286,998)
0012	Instructional Resources and Media Services	706,421	958,628	902,381	56,247
0013	Curriculum and Instructional Staff Development	415,844	418,704	380,218	38,486
0021	Instructional Leadership	109,175	109,175	98,711	10,464
0023	School Leadership	1,754,578	1,754,578	1,718,251	36,327
0031	Guidance, Counseling and Evaluation Services	855,319	848,319	834,016	14,303
0032	Social Work Services	182	182	182	-
0033	Health Services	314,923	308,313	295,616	12,697
0034	Student (Pupil) Transportation	1,147,270	1,255,993	1,100,344	155,649
0035	Food Services	79	79	79	-
0036	Extracurricular Activities	900,218	928,746	965,940	(37,194)
0041	General Administration	754,243	759,945	776,827	(16,882)
0051	Facilities Maintenance and Operations	3,477,953	3,705,377	3,533,745	171,632
0052	Security and Monitoring Services	270,940	276,940	277,111	(171)
0053	Data Processing Services	380,424	524,490	521,184	3,306
0061	Community Services	62,633	62,633	53,380	9,253
Debt Service:					
0071	Principal on Long Term Debt	299,000	303,436	144,132	159,304
0072	Interest on Long Term Debt	93,730	89,294	87,123	2,171
0073	Bond Issuance Cost and Fees	6,000	6,000	2,500	3,500
Capital Outlay:					
0081	Facilities Acquisition and Construction	100,000	214,234	209,337	4,897
Intergovernmental:					
0099	Other Intergovernmental Charges	110,000	110,000	107,641	2,359
6030	Total Expenditures	25,542,153	26,764,783	26,425,433	339,350
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,374,767	830,767	1,018,314	187,547
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	(676,741)	(676,741)
7080	Total Other Financing Sources (Uses)	-	-	(676,741)	(676,741)
1200	Net Change in Fund Balances	1,374,767	830,767	341,573	(489,194)
0100	Fund Balance - September 1 (Beginning)	8,101,994	8,101,994	8,101,994	-
3000	Fund Balance - August 31 (Ending)	\$ 9,476,761	\$ 8,932,761	\$ 8,443,567	\$ (489,194)

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2012

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 138,393	\$ 103,154
Total Assets	<u>138,393</u>	<u>\$ 103,154</u>
LIABILITIES		
Accounts Payable	400	\$ 3,074
Due to Student Groups	-	100,080
Total Liabilities	<u>400</u>	<u>\$ 103,154</u>
NET ASSETS		
Unrestricted Net Assets	<u>137,993</u>	
Total Net Assets	<u>\$ 137,993</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 ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 80,842
Total Additions	<u>80,842</u>
DEDUCTIONS:	
Other Operating Costs	<u>60,291</u>
Total Deductions	<u>60,291</u>
Change in Net Assets	20,551
 Total Net Assets - September 1 (Beginning)	 <u>117,442</u>
 Total Net Assets - August 31 (Ending)	 <u><u>\$ 137,993</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, 2012

**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 assets and the statement of changes in net assets) 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, 2012

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.

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, 2012

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. 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, 2012

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, 2012	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 53,999
Nonappropriated Budget Funds	<u>239,172</u>
All Special Revenue Funds	<u>\$293,171</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, 2012.

**F. INVENTORIES**

The consumption method is used to account for inventories of food products. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed.

**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, 2012

**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. NET ASSETS**

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their 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 assets are available, restricted net assets are expended before unrestricted net assets if such use is consistent with the restricted purpose.

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

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012

**L. 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 2012, 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.

**M. 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. 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 the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has 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. Unspent proceeds of Maintenance Tax Notes are restricted for capital outlay. Debt service 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, 2012 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, 2012.

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012

- 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.

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 \$860,076 of fund balance restricted for Capital Acquisition and Construction. This amount represents the unspent proceeds of the QSC Maintenance Tax Notes issued in October 2010. The General Fund has \$2,103,699 of fund balance restricted for Retirement of Long-Term Debt. This amount is the balance in the required sinking fund to be used to repay the District's Qualified Zone Academy Maintenance Tax Notes. The General Fund has unassigned fund balance of \$5,479,792 at August 31, 2012.

**Debt Service Fund**

The Debt Service Fund had no fund balance at August 31, 2012.

**Other Funds**

The fund balance of \$238,697 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 funds fund balances are restricted by Federal or State grant restrictions:

Child Nutrition Program	\$53,999
Advanced Placement Incentives	<u>475</u>
Total	<u>\$54,474</u>

**NOTE 3. 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, 2012, the carrying amount of the District's deposits (checking accounts and interest-bearing demand accounts) was \$4,959,522 and the bank balance was \$5,655,198. The District's cash deposits at August 31, 2012 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, 2012

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, 2012, the District's cash deposits totaled \$5,655,198. 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, 2012.
- 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, 2012, 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 60 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2012, 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.

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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, 2012, are shown below:

Name	Carrying Amount	Market Value
Lone Star Investment Pool	\$ 4,287	\$ 4,287
TexPool Investment Pool	2,848	2,848
MBIA Texas CLASS	<u>3,439,526</u>	<u>3,439,526</u>
	<u>\$3,446,661</u>	<u>\$3,446,661</u>

#### NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2012, 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	\$ -	\$ -	\$ 1,321,974
Construction in Progress	<u>2,327,145</u>	<u>-</u>	<u>(2,327,145)</u>	<u>-</u>
Total Capital assets not being depreciated	<u>3,649,119</u>	<u>-</u>	<u>(2,327,145)</u>	<u>1,321,974</u>
Capital assets, being depreciated				
Buildings	68,051,370	2,876,238	-	70,927,608
Furniture and Equipment	<u>5,468,703</u>	<u>364,972</u>	<u>(26,304)</u>	<u>5,807,371</u>
Total capital assets being depreciated	<u>73,520,073</u>	<u>3,241,210</u>	<u>(26,304)</u>	<u>76,734,979</u>
Less accumulated depreciation for:				
Buildings	(23,555,489)	(1,779,006)	-	(25,334,495)
Furniture and Equipment	<u>(4,088,545)</u>	<u>(368,088)</u>	<u>22,546</u>	<u>(4,434,087)</u>
Total accumulated depreciation	<u>(27,644,034)</u>	<u>(2,147,094)</u>	<u>22,546</u>	<u>(29,768,582)</u>
Total capital assets, being depreciated, net	<u>45,876,039</u>	<u>1,094,116</u>	<u>(3,758)</u>	<u>46,966,397</u>
Governmental activities capital assets, net	<u>\$ 49,525,158</u>	<u>\$ 1,094,116</u>	<u>\$(2,330,903)</u>	<u>\$ 48,288,371</u>



KAUFMAN INDEPENDENT SCHOOL DISTRICT  
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Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$1,479,846
Instructional Resources & Media Services	44,004
Curriculum & Instructional Staff Development	29,675
Instructional Leadership	12,895
School Leadership	158,022
Guidance, Counseling & Evaluation Services	77,835
Social Work Services	17
Health Services	29,641
Student (Pupil) Transportation	66,643
Food Services	2,566
Cocurricular/Extracurricular Activities	45,524
General Administration	45,575
Plant Maintenance and Operations	73,805
Security and Monitoring	21,264
Data Processing Services	27,195
Community Services	<u>32,587</u>
Total depreciation expense-Governmental activities	<u>\$2,147,094</u>

**NOTE 5. MAINTENANCE TAX NOTES PAYABLE**

Kaufman Independent School District Qualified Zone Academy Maintenance Tax Note, Series 1999 was issued by the District on October 21, 1999 with an interest rate of 2.93%.

Debt service payments for the notes are paid from the General Fund. 1999 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>	
2013	\$2,073,325	\$ 30,374	\$ 2,103,699
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$2,073,325</u>	<u>\$ 30,374</u>	<u>\$2,103,699</u>

The District is required to transfer into a sinking fund \$159,487 per year through October 21, 2012. These deposits are being recorded as restricted cash in the General Fund and as a restriction of fund balance for retirement of long-term debt. At August 31, 2012 the District had \$2,255,512 in the sinking fund.

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%.

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012

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

Year Ended August 31,	Loans		Total Requirements
	Principal	Interest	
2013	\$ -	\$ 185,430	\$ 185,430
2014	-	185,430	185,430
2015	-	185,430	185,430
2016	-	185,430	185,430
2017	-	185,430	185,430
2018-2022	-	927,150	927,150
2023-2027	3,500,000	927,150	4,427,150
Thereafter	-	-	-
	<u>\$3,500,000</u>	<u>\$2,781,450</u>	<u>\$6,281,450</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, 2012 the District had no funds in the sinking fund.

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

**NOTE 6. CAPITAL LEASES PAYABLE**

The following is a summary of leased property under capital leases at August 31, 2012:

Equipment	<u>\$227,149</u>
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The following is a schedule of future minimum lease payments as of August 31, 2012, for each of the next five years and in the aggregate:

Year Ended August 31,	Principal	Interest	Total
2013	\$ 61,401	\$ 5,983	\$ 67,384
2014	16,402	444	16,846
2015	-	-	-
2016	-	-	-
2017	-	-	-
Thereafter	-	-	-
	<u>\$ 77,803</u>	<u>\$ 6,427</u>	<u>\$ 84,230</u>

The lease payments will be made out of local general fund revenues. The interest rate on the capital lease is 10.82%.

**NOTE 7. 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.

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012

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.

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2012:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 9/1/11</u>	<u>Issued Current Year</u>	<u>Interest Accretion</u>	<u>Retired/ Refunded</u>	<u>Amounts Outstanding 8/31/12</u>	<u>Due Within One Year</u>
<b>Bonded Indebtedness:</b>							
2002 School Bldg. & Refunding Bonds	2.88-5.96%	\$ 4,712,341	\$ -	\$ -	\$ 1,372,523	\$ 3,339,818	\$ 923,850
2006 Refunding Bonds	3.86-4.50%	<u>18,316,432</u>	-	-	-	<u>18,316,432</u>	-
Total Bonded Indebtedness:		<u>23,028,773</u>	-	-	<u>1,372,523</u>	<u>21,656,250</u>	<u>923,850</u>
<b>Other Direct Obligations:</b>							
Accreted Interest -							
Capital Appreciation Bonds		3,042,153	-	481,437	462,477	3,061,113	598,319
Premiums/Discounts on Bonds Payable		2,009,833	-	-	(24,872)	2,034,705	-
Deferred Loss on Bond Refunding		(608,521)	-	-	(28,977)	(579,544)	-
1999 Maintenance Tax Notes	2.93%	2,073,325	-	-	-	2,073,325	2,073,325
Qualified School Construction							
Maint. Tax Notes, 2010	5.298%	3,500,000	-	-	-	3,500,000	-
Capital Leases Payable	4.15-10.82%	<u>221,935</u>	-	-	<u>144,132</u>	<u>77,803</u>	<u>61,401</u>
Total Other Obligations:		<u>10,238,725</u>	-	<u>481,437</u>	<u>552,760</u>	<u>10,167,402</u>	<u>2,733,045</u>
Total Obligations of District		<u>\$33,267,498</u>	<u>\$ -</u>	<u>\$481,437</u>	<u>\$1,925,283</u>	<u>\$31,823,652</u>	<u>\$3,656,895</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>	
2013	\$ 923,850	\$ 1,672,584	\$ 2,596,434
2014	871,519	1,728,505	2,600,024
2015	824,581	1,774,003	2,598,584
2016	787,525	1,814,456	2,601,981
2017	526,502	2,073,729	2,600,231
2018-2022	3,509,392	5,285,071	8,794,463
2023-2027	6,297,881	2,508,375	8,806,256
2027-2032	<u>7,915,000</u>	<u>902,746</u>	<u>8,817,746</u>
	<u>\$21,656,250</u>	<u>\$17,759,469</u>	<u>\$39,415,719</u>

The 2002 and 2006 bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously in 2013 through 2024. Interest accrues on these bonds each February 15 and August 15 even though the interest is not paid until maturity.

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
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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, 2012.

**NOTE 8. DEFEASED DEBT**

In December 2006, the District issued \$18,606,432 in Unlimited Tax Refunding Bonds to advance refund \$18,606,432 of outstanding 2002 series bonds and accreted interest. The net proceeds were used to purchase U.S. and State and Local Government Series Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for certain future debt service payments on the 2002 series bonds. As a result, those bonds were considered to be defeased and the liability for those bonds was removed from long-term debt.

As of August 31, 2012, all of the defeased bonds have been repaid.

**NOTE 9. 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 2011-12 fiscal year was based was \$630,217,324. 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, 2012, 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, 2012 were 95.8% 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, 2012, property taxes receivable, net of estimated uncollectible taxes, totaled \$795,586 and \$120,255 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and deferred 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, 2012

**NOTE 10. 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 6.0% of the District's covered payroll. In certain instances the District is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution 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, 2010, 2011, and 2012 were \$1,132,226, \$1,207,666, and \$1,177,040, 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, 2010, 2011, and 2012 were \$275,497, \$331,770 and \$253,420, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended August 31, 2010, 2011, and 2012 were \$944,601, \$823,550 and \$850,059, 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 11. 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](http://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  
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*Funding Policy.* Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2012, 2011, and 2010, the State's contributions to TRS-Care were \$132,817, \$140,535, and \$130,233, respectively, the active member contributions were \$119,544, \$122,659, and \$114,996, respectively, and the school district's contribution were \$116,664, \$131,459, and \$117,241, 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, 2012, the contribution made on behalf of the District was \$41,130.

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered as an active employee of the plan sponsor. This temporary program is available to help employers continue to provide coverage to early retirees. TRS has been certified for this program and received funds from the ERRP program. These funds are considered on-behalf payments and are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2012, the contribution made on behalf of the District was \$45,353.

**NOTE 12. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables at August 31, 2012 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from August 31, 2012.

<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	\$143,583	\$ -
ESEA I, Part A	222,875	-
IDEA-B, Formula	237,330	-
IDEA-B, Preschool	85	-
English Language Acquisition	31,875	-
ESEA Title II, Part A	78,373	-
Education Jobs Fund	109,012	-
Non-Ed. Community Based Support	4,888	-
Student Success Initiative	53,171	-
Debt Service Fund	-	110,643
Total Major Governmental Funds	<u>881,192</u>	<u>110,643</u>

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012

Nonmajor Governmental Funds:

Special Revenue Funds:		
General Fund	-	881,192
Debt Service Fund:		
General Fund	<u>110,643</u>	<u>-</u>
Total Nonmajor Governmental Funds	<u>110,643</u>	<u>881,192</u>
 Total	 <u>\$991,835</u>	 <u>\$991,835</u>

During the fiscal year ended August 31, 2012, \$126,008 was transferred from the General Fund to the District's Child Care Center. This transfer was made to cover the operating deficit of the Child Care Center. \$550,733 was transferred from the General Fund to the Debt Service Fund as an operating transfer to the Debt Service Fund.

**NOTE 13. HEALTH CARE**

During the year ended August 31, 2012, 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 14. 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, 2012, 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	\$ -	\$ -	\$ -	\$ -
Debt Service Fund	-	-	-	-
Special Revenue	<u>59,315</u>	<u>956,147</u>	<u>-</u>	<u>1,015,462</u>
 Total	 <u>\$ 59,315</u>	 <u>\$956,147</u>	 <u>\$ -</u>	 <u>\$1,015,462</u>

**NOTE 15. 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, 2012 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.

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012

**NOTE 16. 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	\$7,152,521	\$ -	\$807,881	\$7,960,402
Food Sales	-	428,743	-	428,743
Investment Income	29,433	-	666	30,099
Penalties, interest and other tax related income	166,483	-	24,730	191,213
Co-curricular student activities	97,885	459,685	-	557,570
Other	245,834	194,389	-	440,223
Total	<u>\$7,692,156</u>	<u>\$1,082,817</u>	<u>\$833,277</u>	<u>\$9,608,250</u>

**NOTE 17. DEFERRED REVENUE**

Deferred revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 795,586	\$ -	\$120,255	\$ 915,841
Read to Succeed	-	406	-	406
Tobacco Grant	-	40	-	40
State Funding	836,163	-	305,107	1,141,270
	<u>\$1,631,749</u>	<u>\$ 446</u>	<u>\$425,362</u>	<u>\$2,057,557</u>

**NOTE 18. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION**

The Texas Education Agency requires the budgets for certain Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in four functional categories in the General Fund and one functional category in the Food Service Fund for the year ended August 31, 2012.



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## COMBINING SCHEDULES

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2012

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240 Receivables from Other Governments	166,975	257,022	262,750	1,121
1260 Due from Other Funds	-	-	-	-
1290 Other Receivables	-	-	-	-
1000 Total Assets	<u>\$ 166,975</u>	<u>\$ 257,022</u>	<u>\$ 262,750</u>	<u>\$ 1,121</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110 Accounts Payable	\$ 2,100	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	21,292	34,147	25,420	1,036
2170 Due to Other Funds	143,583	222,875	237,330	85
2300 Deferred Revenues	-	-	-	-
2000 Total Liabilities	<u>166,975</u>	<u>257,022</u>	<u>262,750</u>	<u>1,121</u>
Fund Balances:				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 166,975</u>	<u>\$ 257,022</u>	<u>\$ 262,750</u>	<u>\$ 1,121</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund	289 Summer School LEP
\$ 14,353	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
41,177	-	84,057	34,033	-	-	109,012	-
-	-	-	-	-	-	-	-
555	-	-	-	-	-	-	-
<u>\$ 56,085</u>	<u>\$ -</u>	<u>\$ 84,057</u>	<u>\$ 34,033</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,012</u>	<u>\$ -</u>
\$ 8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,078	-	5,684	2,158	-	-	-	-
-	-	78,373	31,875	-	-	109,012	-
-	-	-	-	-	-	-	-
<u>2,086</u>	<u>-</u>	<u>84,057</u>	<u>34,033</u>	<u>-</u>	<u>-</u>	<u>109,012</u>	<u>-</u>
53,999	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>53,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 56,085</u>	<u>\$ -</u>	<u>\$ 84,057</u>	<u>\$ 34,033</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,012</u>	<u>\$ -</u>

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2012

Data Control Codes		392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	404 Student Success Initiative	410 State Textbook Fund
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 475	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	5,429	-	53,886	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 5,429</u>	<u>\$ 475</u>	<u>\$ 53,886</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ 541	\$ -	\$ 715	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	4,888	-	53,171	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>5,429</u>	<u>-</u>	<u>53,886</u>	<u>-</u>
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	475	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>475</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 5,429</u>	<u>\$ 475</u>	<u>\$ 53,886</u>	<u>\$ -</u>

411 Technology Allotment	423 Read to Succeed	427 Tobacco Grant	461 Campus Activity Funds	498 Child Care Center	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 406	\$ 40	\$ 243,155	\$ 16,015	\$ 274,444	\$ 194,464	\$ 468,908
-	-	-	-	-	-	132,148	132,148
-	-	-	-	-	-	(11,893)	(11,893)
-	-	-	-	-	1,015,462	-	1,015,462
-	-	-	-	-	-	110,643	110,643
-	-	-	2,700	-	3,255	-	3,255
<u>\$ -</u>	<u>\$ 406</u>	<u>\$ 40</u>	<u>\$ 245,855</u>	<u>\$ 16,015</u>	<u>\$ 1,293,161</u>	<u>\$ 425,362</u>	<u>\$ 1,718,523</u>
\$ -	\$ -	\$ -	\$ 7,158	\$ 84	\$ 10,606	\$ -	\$ 10,606
-	-	-	-	15,931	107,746	-	107,746
-	-	-	-	-	881,192	-	881,192
-	406	40	-	-	446	425,362	425,808
<u>-</u>	<u>406</u>	<u>40</u>	<u>7,158</u>	<u>16,015</u>	<u>999,990</u>	<u>425,362</u>	<u>1,425,352</u>
-	-	-	-	-	54,474	-	54,474
-	-	-	238,697	-	238,697	-	238,697
-	-	-	238,697	-	293,171	-	293,171
<u>\$ -</u>	<u>\$ 406</u>	<u>\$ 40</u>	<u>\$ 245,855</u>	<u>\$ 16,015</u>	<u>\$ 1,293,161</u>	<u>\$ 425,362</u>	<u>\$ 1,718,523</u>

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes		205  Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	531,347	632,188	642,932	38,880
5020	Total Revenues	531,347	632,188	642,932	38,880
EXPENDITURES:					
Current:					
0011	Instruction	452,025	632,188	535,694	38,880
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	45,885	-
0023	School Leadership	26,203	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	61,353	-
0033	Health Services	50,173	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0061	Community Services	2,946	-	-	-
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
6030	Total Expenditures	531,347	632,188	642,932	38,880
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

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	266 Title XIV ARRA State Stabilization	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund	289 Summer School LEP
\$ 428,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10,517	-	-	-	-	-	31,903	-
1,454,706	45,608	127,094	48,270	145,447	11,746	579,737	2,220
1,893,966	45,608	127,094	48,270	145,447	11,746	611,640	2,220
-	41,533	127,094	48,270	50,847	11,746	611,640	2,220
-	-	-	-	18,483	-	-	-
-	-	-	-	22,469	-	-	-
-	4,075	-	-	6,936	-	-	-
-	-	-	-	22,905	-	-	-
-	-	-	-	15,014	-	-	-
-	-	-	-	-	-	-	-
1,839,967	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	8,793	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,839,967	45,608	127,094	48,270	145,447	11,746	611,640	2,220
53,999	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
53,999	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 53,999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



KAUFMAN INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes		392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	404 Student Success Initiative	410 State Textbook Fund
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	28,109	-	98,476	324,023
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	28,109	-	98,476	324,023
EXPENDITURES:					
Current:					
0011	Instruction	-	-	98,476	324,023
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0061	Community Services	28,109	-	-	-
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
6030	Total Expenditures	28,109	-	98,476	324,023
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	475	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 475	\$ -	\$ -

411 Technology Allotment	423 Read to Succeed	427 Tobacco Grant	461 Campus Activity Funds	498 Child Care Center	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 471,340	\$ 182,734	\$ 1,082,817	\$ 833,277	\$ 1,916,094
-	-	-	223	16,442	509,693	880,722	1,390,415
-	-	-	-	-	4,260,175	-	4,260,175
-	-	-	471,563	199,176	5,852,685	1,713,999	7,566,684
16,063	-	-	273	-	2,990,972	-	2,990,972
-	-	-	3,000	-	21,483	-	21,483
-	-	-	-	-	22,469	-	22,469
-	-	-	-	-	56,896	-	56,896
-	-	-	-	-	49,108	-	49,108
-	-	-	-	-	76,367	-	76,367
-	-	-	-	-	50,173	-	50,173
-	-	-	-	-	1,839,967	-	1,839,967
-	-	-	439,370	-	439,370	-	439,370
-	-	-	-	-	8,793	-	8,793
-	-	-	-	325,184	356,239	-	356,239
-	-	-	-	-	-	1,372,523	1,372,523
-	-	-	-	-	-	1,219,008	1,219,008
-	-	-	-	-	-	800	800
16,063	-	-	442,643	325,184	5,911,837	2,592,331	8,504,168
(16,063)	-	-	28,920	(126,008)	(59,152)	(878,332)	(937,484)
-	-	-	-	126,008	126,008	550,733	676,741
-	-	-	-	126,008	126,008	550,733	676,741
(16,063)	-	-	28,920	-	66,856	(327,599)	(260,743)
16,063	-	-	209,777	-	226,315	327,599	553,914
\$ -	\$ -	\$ -	\$ 238,697	\$ -	\$ 293,171	\$ -	\$ 293,171

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## REQUIRED T.E.A. SCHEDULES

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2012

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ 445,897,234
2004	1.500000	0.220000	478,033,398
2005	1.500000	0.220000	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 (School year under audit)	1.170000	0.130000	630,217,324
1000 TOTALS			

(10) Beginning Balance 9/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2012
\$ 102,376	\$ -	\$ 246	\$ 17	\$ (13,698)	\$ 88,415
35,787	-	245	36	(437)	35,069
56,537	-	1,124	165	(1,175)	54,073
52,366	-	2,412	354	(1,830)	47,770
60,268	-	5,236	841	(1,000)	53,191
71,399	-	9,844	2,461	1,894	60,988
114,109	-	24,403	6,101	(1,880)	81,725
193,877	-	73,411	18,353	259	102,372
352,664	-	180,087	20,009	(1,793)	150,775
-	7,948,873	6,832,156	759,544	(25,133)	332,040
<u>\$ 1,039,383</u>	<u>\$ 7,948,873</u>	<u>\$ 7,129,164</u>	<u>\$ 807,881</u>	<u>\$ (44,793)</u>	<u>\$ 1,006,418</u>

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014  
GENERAL AND SPECIAL REVENUE FUNDS  
AUGUST 31, 2012

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 241,371	\$ 503,955	\$ -	\$ -	\$ 745,326
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	81,582	-	-	-	-	-	81,582
6212	Audit Services	-	-	-	24,000	-	-	24,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	107,641	-	-	-	-	107,641
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	16,963	-	11,244	12,313	-	-	40,520
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	12,000	191,544	-	-	203,544
6240	Contr. Maint. and Repair	-	-	848	-	6,982	-	7,830
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	2,160	-	-	2,160
6290	Miscellaneous Contr.	-	-	-	4,884	-	-	4,884
6320	Textbooks and Reading	-	-	1,123	-	-	-	1,123
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	3,610	-	4,747	19,403	-	-	27,760
6410	Travel, Subsistence, Stipends	9,918	-	12,522	12,307	-	-	34,747
6420	Ins. and Bonding Costs	-	-	15,001	389	-	-	15,390
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	7,319	-	27,921	6,090	-	-	41,330
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 119,392	\$ 107,641	\$ 326,777	\$ 777,045	\$ 6,982	\$ -	\$ 1,337,837

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 32,337,271

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 733,994
Total Debt & Lease(6500)	(11) 231,255
Plant Maintenance (Function 51, 6100-6400)	(12) 3,309,232
Food (Function 35, 6341 and 6499)	(13) 2,153
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	777,045

SubTotal:

5,053,679

Net Allowed Direct Cost

\$ 27,283,592

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 70,927,608
Historical Cost of Building over 50 years old	(16) \$ 138,300
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 5,807,371
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 1,297,262
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ 239,960

(8) NOTE A: \$444,576 in Function 53 expenditures are included in this report on administrative costs.

\$107,641 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

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, 2012

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	\$ 348,059	\$ 348,059	\$ 428,743	\$ 80,684
5800	State Program Revenues	10,981	10,981	10,517	(464)
5900	Federal Program Revenues	1,300,384	1,300,384	1,454,706	154,322
5020	Total Revenues	1,659,424	1,659,424	1,893,966	234,542
EXPENDITURES:					
0035	Food Services	1,740,947	1,740,947	1,839,967	(99,020)
6030	Total Expenditures	1,740,947	1,740,947	1,839,967	(99,020)
1200	Net Change in Fund Balances	(81,523)	(81,523)	53,999	135,522
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ (81,523)	\$ (81,523)	\$ 53,999	\$ 135,522



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, 2012

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	\$ 855,000	\$ 855,000	\$ 833,277	\$ (21,723)
5800	State Program Revenues	1,232,517	1,232,517	880,722	(351,795)
5020	Total Revenues	2,087,517	2,087,517	1,713,999	(373,518)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,372,524	1,372,524	1,372,523	1
0072	Interest on Long Term Debt	1,219,009	1,219,009	1,219,008	1
0073	Bond Issuance Cost and Fees	2,000	2,000	800	1,200
6030	Total Expenditures	2,593,533	2,593,533	2,592,331	1,202
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(506,016)	(506,016)	(878,332)	(372,316)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	550,733	550,733
7080	Total Other Financing Sources (Uses)	-	-	550,733	550,733
1200	Net Change in Fund Balances	(506,016)	(506,016)	(327,599)	178,417
0100	Fund Balance - September 1 (Beginning)	327,599	327,599	327,599	-
3000	Fund Balance - August 31 (Ending)	\$ (178,417)	\$ (178,417)	\$ -	\$ 178,417

## FEDERAL AWARDS SECTION

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MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION

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CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST  
P.O. BOX 977  
DENTON, TEXAS 76202-0977

TEL. (940) 387-8563  
FAX (940) 383-4746

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

Board of Trustees  
Kaufman Independent School District  
Kaufman, Texas

We have audited the 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### Compliance and Other Matters

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

The District's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the District's response and, accordingly, we express no opinion on the response.

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

*Hankins, Eastup, Deaton, Tonn & Seay*

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

January 8, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees  
Kaufman Independent School District  
Kaufman, Texas

Compliance

We have audited Kaufman Independent School District's (the "District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

Internal Control Over Compliance

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

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

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

The District's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the District's response and, accordingly, we express no opinion on the response.

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

*Hankins, Eastup, Deaton, Tonn & Seay*

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

January 8, 2013

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2012

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
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: Unqualified.
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 84.394	Title XIV, State Fiscal Stabilization Fund - ARRA
CFDA 84.410	Education Jobs Fund – ARRA
CFDA 93.600	Head Start
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

Finding 2012-1 - Expenditures in excess of appropriations

Criteria: The District is required to prepare budgets for certain governmental funds. The budget should not be exceeded in any functional category under TEA requirements.

Condition Found: During the year ended August 31, 2012, expenditures exceeded appropriations in four functional categories in the General Fund and one functional category in the Food Service Fund.

Questioned Costs: None

Cause: The District failed to amend its budget to account for all expenditures at the end of the fiscal year.



KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED AUGUST 31, 2012

III. Other Findings – continued

Effect: The District did not comply with TEA requirements.

Recommendation: The District should establish additional procedures related to budget amendments to ensure that all expenditures are considered when preparing budget amendments.

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2012

**PRIOR YEAR FINDING/NONCOMPLIANCE**

**Finding:** Expenditures exceeded appropriations in one functional category in the Food Service Fund for the year ended August 31, 2011.

**Status:** Expenditures exceeded appropriations in four functional categories in the General Fund and one functional category in the Food Service Fund for the year ended August 31, 2012.

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2012

**CORRECTIVE ACTION PLAN**

Contact for Corrective Action Plan:

Brian Carter  
Director, Finance and Business

Finding: 2012-1 – Expenditures in excess of appropriations

The District will more closely monitor actual expenses and amend the budget on a timely basis as required during the 2012-2013 fiscal year. In addition, careful attention will be given to the final budget amendment in August 2013 to ensure all expenditures are provided for in the final amended budget. This corrective action plan will be implemented immediately.

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2012

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Region 10 Service Center</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101057950	\$ 598,041
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101057950	34,147
Total CFDA Number 84.010A			632,188
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389	10551001057950	11,746
Total Title I, Part A Cluster			643,934
Title III, Part A - English Language Acquisition	84.365A	12671001057950	46,112
Title III, Part A - English Language Acquisition	84.365A	13671001057950	2,158
Total CFDA Number 84.365A			48,270
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501057950	121,409
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501057950	5,685
Total CFDA Number 84.367A			127,094
Total Passed Through Region 10 Service Center			\$ 819,298
<u>Passed Through State Department of Education</u>			
*IDEA - Part B, Formula	84.027	126600011299036600	\$ 617,512
*IDEA - Part B, Formula	84.027	136600010579036600	25,420
Total CFDA Number 84.027			642,932
*IDEA - Part B, Preschool	84.173	126610011299036610	38,880
Total Special Education Cluster (IDEA)			681,812
Career and Technical - Basic Grant	84.048	12420006061901	45,608
Summer School LEP	84.369A	69551102	2,220
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11557001129903	145,447
Education Jobs Fund- ARRA	84.410	11550101129903	579,737
Total Passed Through State Department of Education			\$ 1,454,824
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 2,274,122</b>
 <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Direct Programs</u>			
Head Start-Expansion Grant	93.600	06SH7004/02	\$ 8,354
Head Start	93.600	06CH700413	501,700
Head Start	93.600	06CH700414	21,293
Total CFDA Number 93.600			531,347
Total Direct Programs			\$ 531,347
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 531,347</b>

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2012

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401201	\$ 365,198
*National School Lunch Program - Cash Assistance	10.555	71301201	1,001,746
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301201	87,762
Total CFDA Number 10.555			<u>1,089,508</u>
Total Child Nutrition Cluster			<u>1,454,706</u>
Total Passed Through the State Department of Agriculture			<u>\$ 1,454,706</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>\$ 1,454,706</u>
 <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			 <u><u>\$ 4,260,175</u></u>

\*Clustered Programs

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2012

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, 2012, 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.

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