KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2013

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
For The Year Ended August 31, 2013

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KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
For The Year Ended August 31, 2013

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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Kirbyville Consolidated Independent School District	Jasper	121-905
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district was reviewed and ✓ approved _____ disapproved for the year ended August 31, 2013 at a meeting of the board of school trustees of such school district on the 17th day of December, 2013.

Board Secretary

Board President

If the Board of Trustees disapproved the auditors' report, the reason(s) for disapproving it is (are): (attach list as necessary)

FINANCIAL SECTION

J. R. Edwards & Associates, LLC
Certified Public Accountants

December 17, 2013

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Kirbyville Consolidated Independent School District
206 East Main Street
Kirbyville, Texas 75956

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kirbyville Consolidated Independent School District (the "District") as of and for the year ended August 31, 2013, and the related notes to the financial statements, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kirbyville Consolidated Independent School District, as of August 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the notes to the basic financial statements, the District implemented GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the year ended August 31, 2013, which changed the residual of all other elements in the statement of net position from "net assets" to "net position." Our opinion is not modified with respect to this matter.

4349 Crow Road • Beaumont, Texas 77706
Phone (409) 924-9100 • Fax (409) 924-0990

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and other supplementary information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 17, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering District's internal control over financial reporting and compliance.

J.R. Edwards & Associates, LLC

In this section of the Annual Financial Report, we, the managers of the Kirbyville Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2013. We encourage readers to consider the information presented here in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements that begin on page 11.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was $9,763,920 at August 31, 2013.
- During the year, the District's expenses were $233,248 less than the $12,417,467 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased slightly from the period ended August 31, 2012. The District continues to introduce new programs and enhance existing programs designed to assist students in at-risk, economically disadvantaged, and special education sub groups in order to comply with the Texas Academic Knowledge and Skills assessments as well as the mandates of the federal No Child Left Behind Act.
- The general fund reported a fund balance this year of $3,156,237. Of this amount, $2,056,237 is for unrestricted use by the District.
- During the 2012-2013 school year the District received the highest rating (Superior Achievement) from the State's Financial Integrity Rating System of Texas for the school year 2011-2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplementary information.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They include the Statement of Net Position and the Statement of Activities that 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.

The Statement of Net Position presents information in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources to equal net position. Net position is displayed in three components – net investment in capital assets, restricted, and unrestricted. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The *Statement of Activities* presents information showing how the government's net position changed during the current fiscal year. All changes in net position are reported for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

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

- Some funds are required by State law and by bond covenants.

- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- ***Governmental Funds.*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

  Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

  The District maintains several individual governmental funds organized according to their type. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the District's most significant funds. The District's major governmental fund is the General Fund. Data for the remaining governmental funds are combined into a single, aggregated presentation.

  The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The Texas Education Agency also requires the District to present a budgetary comparison statement for one of its special revenue funds (food service) and the debt service fund.

- ***Proprietary Funds.*** Proprietary funds reported by the District are generally used to account for services for which the District charges its employees or internal units. The District maintains an Internal Service fund to accumulate and allocate costs internally among the District's various functions. The District used internal service funds to account for its self-insurance program for workers' compensation. The activities and balances of these funds have been included with governmental activities in the government-wide financial statements.

- ***Fiduciary Funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net position and the Statement of Changes in Fiduciary Net Position on pages 20-21.

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Notes to the Financial Statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-34 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on page 35 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the District's governmental activities.

The District's combined net position was $9,763,920 at August 31, 2013. (See Table I)

Table I
Kirbyville Consolidated Independent School District
Net Position

	August 31, 2013	August 31, 2012
Current and Other Assets	$ 14,819,716	$ 5,328,023
Capital Assets	11,225,350	11,556,650
Total Assets	26,045,066	16,884,673
Long-term Liabilities	15,180,469	6,486,254
Other Liabilities	1,100,677	997,747
Total Liabilities	16,281,146	7,484,001
Net Assets:		
Invested in Capital Assets Net of Related Debt	4,957,751	5,070,396
Restricted for Federal and State Programs	182,058	129,441
Restricted for Debt Service	761,442	727,798
Unrestricted	3,862,669	3,473,037
Total Net Position	$ 9,763,920	$ 9,400,672

Approximately $4.9 of the District's net position represents investments in capital assets net of related debt. The $3.9 million of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position. The Districts total revenues were $12.4 million. A portion, 18 percent, of the District's revenue comes from local property taxes, 77 percent comes from grants and contributions not restricted, while only 3 percent relates to charges for services and the remaining 2 percent relates to investment earnings and other miscellaneous revenue.

Total Cost of all programs and services was $12.2 million. The net position of the District for the current year increased $233,248 (see Table II on page 7 of this report).

Key elements of the governmental activities of the District are reflected in the following table.

Table II
Kirbyville Consolidated Independent School District
Changes in Net Position

	August 31, 2013	August 31, 2012
Revenues:		
Program Revenues:		
Charges for Services	$ 339,230	$ 324,253
Operating Grants and Contributions	1,489,400	1,795,025
General Revenues:		
Maintenance and Operations Taxes	1,970,391	1,987,556
Debt Service Taxes	210,516	212,890
State Aid - Formula Grants		
Grants and Contributions - Not Restricted to Specific Functions	8,092,721	7,660,808
Investment Earnings	9,998	8,824
Miscellaneous	305,211	339,304
Total Revenue	12,417,467	12,328,660
Expenses:		
Instruction	6,260,954	6,330,692
Instructional Resources and Media Services	177,092	173,725
Curriculum/Instructional Development	226,215	306,843
Instructional Leadership	12,596	12,549
School Leadership	631,964	617,487
Guidance and Counseling Services	270,676	270,033
Social Work Services	3,990	-
Health Services	81,132	77,360
Student (Pupil) Transportation	733,397	704,879
Food Services	763,919	661,625
Cocurricular/Extracurricular Activities	464,977	431,250
General Administration	512,389	488,933
Plant Maintenance and Operations	1,318,441	1,349,781
Security and Monitoring Services	34,153	51,223
Data Processing Services	99,899	112,669
Community Services	4,680	8,660
Debt Services - Interest on Long-Term Debt	266,934	284,906
Debt Services - Bond Issuance Cost & Fees	5,309	5,309
Payments to Fiscal Agent/Member Districts of SSA	315,502	273,432
Total Expenses Governmental Activities	12,184,219	12,161,356
Increase (Decrease) in Net Assets	233,248	167,304
Net Assets - September 1 (Beginning)	9,400,672	9,296,152
Prior Period Adjustment	130,000	(62,784)
Net Assets - September 1 (Restated)	9,530,672	9,233,368
Net Assets - August 31 (Ending)	$ 9,763,920	$ 9,400,672

GOVERNMENTAL ACTIVITIES

- Property tax rates were set at $1.04 per $100 valuation for M&O and $.11 for I&S. The rate for 2013-2014 is set at $1.04 for M&O and $.345 for I&S.

- The District continues to pay down the $14.9 million in bonds and notes payable.

Table III presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid. The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all governmental activities this year was $12.2 million.

- The amount that our taxpayers paid for these activities through property taxes was $2.2 million.

- Some of the cost, $339,230 was paid by those who directly benefited from the programs or by grants and contributions in the amount of $1,489,400.

Net Cost of Selected District Functions

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	$ 6,260,954	$ 6,330,692	$ 5,505,010	$ 5,215,650
School Administration	512,389	488,933	497,881	474,194
School Leadership	631,964	617,487	611,094	597,218
Plant Maintenance & Operations	1,318,441	1,349,781	1,271,232	1,311,512
Cocurrricular/Extracurricular Activities	464,977	431,250	406,108	376,324
Food Services	763,919	661,625	(37,577)	(71,166)
Student (Pupil) Transportation	733,397	704,879	708,723	681,096

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District continues to operate from a very conservative viewpoint due to a variety of issues. With much uncertainty about the future of public school finance, the District feels it is prudent to continue to approach fiscal matters conservatively.

The District completed many projects to meet student needs. The District remains in a period of conservation planning even though local values indicate a slight increase.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were few budget amendments for the 2012-2013 school year required to meet various needs throughout the District approved by the Board of Trustees.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets. At August 31, 2013 the District had $11.2 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, furniture and equipment used for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of $331,300 (including additions and deductions) over last year.

Kirbyville Consolidated Independent School District
Capital Assets
Governmental Activities

	August 31, 2013	August 31, 2012
Land	$ 450,644	$ 450,644
Construction in Progress	56,140	-
Buildings and Improvements	20,967,255	20,895,624
Equipment	1,916,134	1,893,059
Vehicles	2,072,081	2,072,081
Totals at Historical Cost	25,462,254	25,311,408
Less Accumulated Depreciation:		
Buildings and Improvements	(10,836,743)	(10,499,432)
Equipment	(1,635,807)	(1,573,775)
Vehicles	(1,764,354)	(1,681,551)
Total Accumulated Depreciation	(14,236,904)	(13,754,758)
Net Capital Assets	$11,225,350	$ 11,556,650

Long-Term Debt. At year-end, the District had $14.9 million in bonds and notes payable outstanding. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

Kirbyville Consolidated Independent School District
Outstanding Debt

	August 31, 2013	August 31, 2012
Governmental activities:		
General Obligation Bonds	$ 14,535,000	$ 5,775,000
Tax Exempt Obligations	455,254	484,493
Note Payable	-	107,000
Total	$ 14,990,254	$ 6,366,493

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

- Appraised value used for 2013-2014 budget preparation increased slightly. However, due to the instability of the Texas school finance system, the District continues to systematically review staffing patterns, special projects, and revenue and expenditure projections at this time.

- General operating fund spending per student increased in the 2013 budget and is expected to increase again in 2014 primarily due to mandatory pay increases for professional staff.

- The District projected 2013-2014 refined ADA numbers to be approximately 1350. Currently the refined ADA number is 1342.25 which is slightly lower than projected. The attendance rate is steady at 95.5 percent.

These indicators were taken into account when adopting the general fund budget for 2013-2014. Budget amounts available in the general fund budget are slightly lower due to state funding shortfalls.

Expenditures continue to rise due to mandated salary increases, insurance, utilities and facilities. The 79th Legislature mandated a property tax reduction from the maximum of $1.33 rate in 2006-2007 for maintenance and operations to a maximum of $1.00 in 2007-2008 with an additional 4 cents made available at the local school board's discretion for enrichment. Currently the District has been able to fill all teaching positions. Any new initiatives undertaken by the District this year are related to At-Risk, Economically Disadvantaged, Special Education or Drop Out retention or Non Completion. These initiatives are focused on improving student performance and decreasing the number of students who are unsuccessful in school. The District is also focusing professional development activities on the improvement of math and science as these are the academic areas demonstrating the greatest need.

If all revenue and expenditure estimates are realized in 2014, the District's fund balance is projected to increase by $100,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Superintendent, 206 East Main Street Kirbyville, Texas 75956.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
AUGUST 31, 2013

Data Control Codes		Primary Government Governmental Activities
	Assets	
1110	Cash and Cash Equivalents	$ 13,940,412
1220	Property Taxes Receivable (Delinquent)	1,476,781
1230	Allowance for Uncollectible Taxes	(1,102,073)
1240	Due from Other Governments	76,459
1290	Other Receivables	112,558
1410	Prepayments	5,664
1420	Capital Bond and Other Debt Issuance Costs	309,915
	Capital Assets (Net of Accumulated Depreciation):	
1510	Land	450,644
1520	Buildings and Improvements	10,130,512
1530	Furniture and Equipment	588,054
1580	Construction In Progress	56,140
1000	**Total Assets**	26,045,066
	Liabilities	
2110	Accounts Payable and Accrued Expenses	170,392
2150	Payroll Deductions and Withholdings Payable	2,413
2160	Accrued Wages Payable	210,137
2180	Due to Other Governments	676,672
2200	Accrued Expenditures	41,063
	Long Term Liabilities:	
2501	Due Within One Year	425,903
2502	Due in More Than One Year	14,754,566
2000	**Total Liabilities**	16,281,146
	Net Assets	
3800	Invested in Capital Assets, Net of Related Debt	4,957,751
3820	Restricted for Federal and State Programs	182,058
3850	Restricted for Debt Service	761,442
3900	Unrestricted Net Assets	3,862,669
3000	**Total Net Position**	$ 9,763,920

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

EXHIBIT B-1

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

Data Control Codes		Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government Governmental Activities
	Governmental Activities				
0011	Instruction	$ 6,260,954	$ -	$ 755,944	$ (5,505,010)
0012	Instructional Resources & Media Services	177,092	-	7,680	(169,412)
0013	Curriculum/Instructional Development	226,215	-	59,503	(166,712)
0021	Instructional Leadership	12,596	-	12,074	(522)
0023	School Leadership	631,964	-	20,870	(611,094)
0031	Guidance and Counseling Services	270,676	-	13,636	(257,040)
0032	Social Work Services	3,990	-	-	(3,990)
0033	Health Services	81,132	-	4,011	(77,121)
0034	Student (Pupil) Transportation	733,397	-	24,674	(708,723)
0035	Food Services	763,919	290,146	511,350	37,577
0036	Cocurricular/Extracurricular Activities	464,977	49,084	9,785	(406,108)
0041	General Administration	512,389	-	14,508	(497,881)
0051	Plant Maintenance and Operations	1,318,441	-	47,209	(1,271,232)
0052	Security and Monitoring Services	34,153	-	-	(34,153)
0053	Data Processing Services	99,899	-	3,479	(96,420)
0061	Community Services	4,680	-	4,677	(3)
0072	Debt Service - Interest on Long-Term Debt	266,934	-	-	(266,934)
0073	Debt Service - Bond Issuance Cost & Fees	5,309	-	-	(5,309)
0093	Shared Service Arrangements/Local Deaf	315,502	-	-	(315,502)
TG	**Total Governmental Activities:**	$ 12,184,219	$ 339,230	$ 1,489,400	$ (10,355,589)
TP	**Total Primary Government**	$ 12,184,219	$ 339,230	$ 1,489,400	(10,355,589)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, levied for general purposes	1,970,391
DT	Property Taxes, levied for debt service	210,516
GC	Grants and Contributions not restricted	8,092,721
IE	Investment Earnings	9,998
MI	Miscellaneous Local and Intermediate	305,211
TR	**Total General Revenues**	10,588,837
CN	**Change in Net Position**	233,248
NB	**Net Position - September 1 (Beginning)**	9,400,672
PA	**Prior Period Adjustment**	130,000
NB	**Net Position - September 1 (Restated)**	9,530,672
NE	**Net Position - August 31 (Ending)**	$ 9,763,920

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes		10 General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
	Assets				
1110	Cash and Cash Equivalents	$ 4,079,864	$ 8,922,870	$ 875,289	$ 13,878,023
1220	Property Taxes - Delinquent	1,321,832	-	154,949	1,476,781
1230	Allowance for Uncollectible Taxes (credit)	(993,609)	-	(108,464)	(1,102,073)
1240	Due from Other Governments	25,811	-	50,648	76,459
1260	Due from Other Funds	82,024	-	193,337	275,361
1290	Other Receivables	108,918	-	3,640	112,558
1410	Prepayments	5,664	-	-	5,664
1000	**Total Assets**	$ 4,630,504	$ 8,922,870	$ 1,169,399	$ 14,722,773
	Liabilities				
2110	Accounts Payable and Accrued Expenditures	$ 93,130	$ 10,000	$ 67,224	$ 170,354
2150	Payroll Deduction and Withholdings Payable	2,413	-	-	2,413
2160	Accrued Wages Payable	176,481	-	33,656	210,137
2170	Due to Other Funds	229,459	-	82,024	311,483
2180	Due to Other Governments	676,672	-	-	676,672
2300	Deferred Revenues	296,112	-	42,995	339,107
2000	**Total Liabilities**	$ 1,474,267	$ 10,000	$ 225,899	$ 1,710,166
	Fund Balance				
	Restricted Fund Balance				
3450	Federal or State Funds Grant Restriction	$ -	$ -	$ 182,058	$ 182,058
3470	Capital Projects	100,000	8,912,870	-	9,012,870
3480	Retirement of Long-Term Debt	500,000	-	761,442	1,261,442
	Committed Fund Balance:				
3510	Construction	500,000	-	-	500,000
3600	Unassigned Fund Balance	2,056,237	-	-	2,056,237
3000	**Total Fund Balance**	$ 3,156,237	$ 8,912,870	$ 943,500	$ 13,012,607
4000	**Total Liabilities and Fund Balance**	$ 4,630,504	$ 8,922,870	$ 1,169,399	$ 14,722,773

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

Total Fund Balances - Governmental Funds	$ 13,012,607
Capital assets and bond related costs used in governmental activities are not financial resources and therefore are not reported in governmental funds.	11,535,265
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	339,107
Notes payable which are not due in the current period are not reported in the funds.	(15,180,469)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	57,410
Net Position of Governmental Activities - Statement of Net Position	$ 9,763,920

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

Data Control Codes		10 General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
	Revenues				
5700	Local Sources	$ 2,384,269	$ 1,033	$ 528,702	$ 2,914,004
5800	State Program Revenues	8,147,150	-	322,287	8,469,437
5900	Federal Program Revenues	83,610	-	1,029,074	1,112,684
5020	**Total Revenues**	10,615,029	1,033	1,880,063	12,496,125
	Expenditures				
	Current				
0011	Instruction	5,524,581	-	478,542	6,003,123
0012	Instructional Resources and Media Services	169,759	-	-	169,759
0013	Curriculum and Instructional Development	165,503	-	51,345	216,848
0021	Instructional Leadership	-	-	12,074	12,074
0023	School Leadership	605,796	-	-	605,796
0031	Guidance and Counseling Services	259,468	-	-	259,468
0032	Social Work Services	3,990	-	-	3,990
0033	Health Services	77,773	-	-	77,773
0034	Student (Pupil) Transportation	703,029	-	-	703,029
0035	Food Services	-	-	748,878	748,878
0036	Cocurricular/Extracurricular Activities	452,911	-	-	452,911
0041	General Administration	491,172	-	-	491,172
0051	Plant Maintenance and Operations	1,258,724	-	20,361	1,279,085
0052	Security and Monitoring Services	86,166	-	-	86,166
0053	Data Processing Services	95,763	-	-	95,763
0061	Community Services	3	-	4,677	4,680
	Debt Service				
0071	Debt Service - Principal on long-term debt	136,239	-	240,000	376,239
0072	Debt Service - Interest on long-term debt	28,838	-	237,494	266,332
0073	Debt Service - Bond Issuance Cost and Fees	-	231,875	431	232,306
	Capital Outlay				-
0081	Facilities Acquisition and Construction	-	56,140	-	56,140
	Intergovernmental				
0093	Shared Service Arrangement/Deaf Program	315,502	-	-	315,502
6030	**Total Expenditures**	10,375,217	288,015	1,793,802	12,457,034
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	239,812	(286,982)	86,261	39,091
	Other Financing Sources (Uses):				
7911	Proceeds From Issuance of Refunding of Bonds	-	9,000,000	-	9,000,000
7916	Premium or Discount on Bonds	-	199,852	-	199,852
7080	**Total Other Financing Sources (Uses)**	-	9,199,852	-	9,199,852
1200	Net Change in Fund Balances	239,812	8,912,870	86,261	9,238,943
0100	**Fund Balance - September 1 (Beginning)**	2,916,425	-	857,239	3,773,664
3000	**Fund Balance - August 31 (Ending)**	$ 3,156,237	$ 8,912,870	$ 943,500	$ 13,012,607

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

Total Net Change in Fund Balances - Governmental Funds	$	9,238,943
Capital outlays and bond issuance costs are not reported as expenses in the statement of activities.		382,721
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets. amounts this year.		(482,146)
The Issuance of debt and the premium on the issuance of debt is recognized as an other financing source in the funds but not in the statement of activities.		(9,199,852)
Repayment of loan principal is an expenditure in the funds but is not an expense in the statement of activities.		376,239
The amortization of bond premiums and discounts are not reported in the funds.		(602)
The amortization of bond issuance costs is not reported in the funds.		(4,878)
Certain property tax revenues are deferred in the funds. This is the change in these		(78,656)
The net revenue (expense) of internal service funds is reported with governmental activities		1,479
Change in Net Position of Governmental Activities	$	233,248

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT D-1

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2013

	Governmental Activities Internal Service Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	$ 62,389
Due from Other Funds	36,121
Total Current Assets	98,510
Total Assets	98,510
Liabilities	
Current Liabilities:	
Accounts Payable	38
Accrued Expenses	41,062
Total Current Liabilities	41,100
Total Liabilities	41,100
Net Position	
Unrestricted Net Assets	57,410
Total Net Position	$ 57,410

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT D-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

	Governmental Activities Internal Service Fund
Operating Revenues	
Local and Intermediate Sources	$ 43,527
Total Operating Revenues	43,527
Operating Expenses	
Payroll Costs	1,264
Professional and Contracted Services	33,358
Other Operating Costs	7,425
Total Operating Expenses	42,047
Change in Net Assets	1,480
Total Net Assets - September 1 (Beginning)	55,930
Total Net Assets - August 31 (Ending)	$ 57,410

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 13,114
Cash Payments For Insurance Claims	(33,358)
Cash Payments For Payroll Costs	(1,264)
Cash Payments to Other Suppliers for Goods and Services	(7,425)
Net Cash Provided by (Used for) Operating Activities	(28,933)
Net Increase (Decrease) in Cash and Cash Equivalents	(28,933)
Cash and Cash Equivalents at Beginning of the Year:	91,322
Cash and Cash Equivalents at End of the Year:	$ 62,389

Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:

Operating Income (Loss):	$ 1,480
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Due from Other Funds	-
Increase (decrease) in Accrued Expenses	(30,413)
Net Cash Provided by (Used for) Operating Activities	$ (28,933)

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash and Cash Equivalents	$ 28,622	$ 146,581
Due from Other Funds		746
Other Receivables	-	-
Total Assets	28,622	$ 147,327
Liabilities		
Due to Student Groups	-	147,327
Total Liabilities		$ 147,327
Net Assets		
Unrestricted Net Position	28,622	
Total Liabilities and Net Position	$ 28,622	

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

	Private Purpose Trust Funds
Additions	
Local Sources	$ 31,372
Total Revenues	31,372
Deductions	
Other Operating Costs	2,750
Total Expenditures	2,750
Change in Net Position	28,622
Total Net Position - September 1 (Beginning)	-
Total Net Position - August 31 (Ending)	$ 28,622

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kirbyville Consolidated Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has 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 ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are no component units included within the reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (consist of the statement of net position and the statement of activities. These statements report information on all non-fiduciary activities of the District. The effect of the interfund activity in the government-wide statements eliminates services provided and used in the process of consolidation. Governmental activities are mainly supported by tax revenues and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. All capital asset depreciation is reported as a direct expense of the functional program that benefits from the use of the capital assets. *Program revenues* include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function. They also include grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*. The GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net position, to standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position, rather than net position. The District implemented GASB 63. For the fiscal year ended August 31, 2013. The implementation of the GASB No. 63 required the District to change the format of the financial statement.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when the payment is due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the susceptible-to-accrual concept and so have been recognized as revenues of the current fiscal period. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Capital Projects Fund: This fund accounts for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

In addition, the District reports the following fund types:

Agency Funds: These funds are used to account for resources held in a custodial capacity by the District and consists of funds that are the property of students or others. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Private Purpose Trust Fund: This fund is used to account for scholarship funds received by the District to be awarded to current students for post-secondary education purposes.

Proprietary fund - Internal Service Fund: Internal service funds distinguish operating revenues from non-operating revenues. This fund is used to report on activity in the worker's compensation fund. Accrued liabilities include provisions for claims reported and claims incurred but not reported for workers' compensation insurance.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash, Cash Equivalents and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, money market bank sweep accounts, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

1. Cash, Cash Equivalents and Investments, Continued

For cash management purposes, the District's funds must be deposited and invested under the terms of a depository contract, contents of which are set out in the Depository Contract Law. 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.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the non-current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Property taxes are levied by October 1, on the assessed 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 Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the following year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund and Debt Service are based upon historical experience in collecting property 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.

3. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in the accounting system in order to assign the portion of the applicable appropriation, is employed in the governmental fund financial statements. Encumbrances, which have not been liquidated, are reported as an assigned portion of fund balance in the governmental funds.

5. Capital Assets

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

5. Capital Assets, continued

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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

Assets	Years
Infrastructure	40
Buildings	40
Building Improvements	40
Vehicles	10
Office Equipment	10
Computer Equipment	10

6. Compensated Absences

No compensated absences are allowed under the District's personnel policies.

7. Arbitrage Payable

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The District had no arbitrage liability as of August 31, 2013.

8. 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.

9. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a state-wide data base for policy development and funding plans.

10. Government-Wide Net Position

Net investment in capital assets – the component of net position that represents capital assets less capital debt plus unspent bond proceeds. As of August 31, 2013 this amount was 4,957,751.

Restricted for Federal and State Programs – the component of net position that reports the difference between assets and liabilities of the Federal and State special revenue programs that consists of assets with constraints placed on their use by the Department of Education, Agriculture or Texas Education Agency ("TEA") of $182,058.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

10. Government-Wide Net Position, Continued

Restricted for debt service – the component of net position that reports the difference between assets and liabilities of the Debt Service Fund net of accrued interest at August 31, that consist of assets with constraints placed on their use by the bond covenants of $761,442.

Unrestricted – the difference between the assets and liabilities that are not restricted for any purposes in the amount of $3,862,669.

11. Fund Equity

In the fund financial statements, governmental funds report classifications of fund balance based on controls placed upon the funds. In accordance with GASB Statement No. 54, fund balance classifications are recorded as follows:

Non-spendable Fund Balance – amounts that are not in spendable form or amounts that are legally and contractually required to be maintained intact.
Restricted Fund Balance – amounts constrained to a specific purpose by external parties through constitutional provisions or by enabling legislation.
Committed Fund Balance – amounts constrained to a specific purpose by the Board of Trustees (the highest level of authority within the District); amount cannot be used for any other purpose unless the Board of Trustees takes the same action to remove or change the constraint.
Assigned Fund Balance- general fund amounts constrained to a specific purpose by the Superintendent.
Unassigned Fund balance – residual classification applicable to the general fund only.

The District's unassigned general fund balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned general fund balance may only be appropriated by resolution of the Board of Trustees.

When it is appropriate for fund balance to be assigned, the Board delegates authority to the Superintendent.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is from the least restrictive to the most restrictive, unless otherwise approved by the Board of Trustees.

12. Management's review of subsequent events

Management has evaluated subsequent events through December 17, 2013, the date the financial statements were available to be issued.

Note 2: COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Board of Trustees adopts an "appropriated budget" on a basis consistent with GAAP for the General Fund, Debt Service Fund, and Food Service Fund, which is included in the Special Revenue Funds. At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these three funds.

Note 2: COMPLIANCE AND ACCOUNTABILITY, Continued

A. Budgetary Information, Continued

The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

- Prior to August 20th, the District prepares a budget for the next fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- After one or more budget workshops with the Board of Trustees, a meeting is called for the purpose of adopting the proposed budget. At least ten (10) days but no more than thirty (30) days public notice for the meeting is required.
- Prior to August 31st, the Board of Trustees legally adopts the budget for the General Fund, Debt Service Fund and Food Service Fund through passage of a resolution.

After the budget is approved, it can only be amended at the function and fund level by approval of a majority of the Board. Amendments are presented to the Board at its regular meetings for their approval.

As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Total expenditures may not exceed total appropriations, as amended, by fund at function level. Because the District has a policy of careful budgetary control, budget amendments are necessary throughout the year.

B. Finance-Related Legal and Contractual Provisions

1. In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

1. Deficit Fund Balance or Fund Net Assets of Individual Funds

   The District did not have any deficit fund balances or negative fund net assets for the fiscal year ended August 31, 2013.

Note 3: DEPOSITS AND INVESTMENTS

At August 31, 2013, the carrying amount of the District's demand deposits and cash on hand was $463,778. The $512,079 bank balance was covered by federal deposit insurance through the FDIC and was collateralized by securities held by the District or by the District's agent in name of the District.

The District was not exposed to custodial credit risk at any point during the fiscal year ended August 31, 2013.

All cash balances and investments are held separately in each of its funds. Funds held at the depository bank were properly secured at all times, and the following was disclosed:

a. Name of depository bank: BBVA Compass Bank

b. Amount of bond or securities pledged as of the date of the highest combined balance on deposit was $1,266,065.

Note 3: DEPOSITS AND INVESTMENTS, CONTINUED

c. Highest cash balance amounted to $1,590,456 and occurred during the month of February, 2013.

d. Total amount of Federal Deposit Insurance Corporation ("FDIC") coverage at the time of the highest combined balance was $500,000.

Investments

The State Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. It requires the District to adopt, implement, and publicize an investment policy. The investment 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, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in (1) obligations of the United States Treasury, certain United States agencies, and obligations of 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, and (10) common trust funds. Management of the District believes it is in compliance with the requirements of the Act and with local policies. The District's
investments in public funds investment pools and money market mutual funds include those with the Lone Star Investment Pool (LSIP).

LSIP is a public funds investment pool administered by First Public (formerly known as the Texas Association of School Board Financial Service). LSIP is a public funds investment pool created under the authorization of the Interlocal Cooperation Act of the State of Texas, Article 4413 (32c), Vernon's Texas Civil Statutes, as amended. It is designed to provide participating local governments with investment vehicles for (1) local funds that are not required to be spent immediately and are available for investment in securities with maturities and returns generally greater than those for money market instruments and (2) local funds which provide daily liquidity. The objective of the LSIP is to provide participating local governments with the highest possible rate of return for such funds, while maintaining safety of principal.

To achieve its objective, the LSIP invests primarily in obligations issued or secured by the U.S. Government, its agencies and instrumentalities, and in commercial paper. Standish Mellon Asset Management and AMR Investments provide investment advisory services. Each fund within the Pool has received the highest rating, AAA, from Standard & Poor's as required by the Public Funds Investment Act

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The overall objective of the District's investment policy is to ensure that District financial assets are properly safeguarded, provide sufficient liquidity, and produce a reasonable rate of return while enabling the District to react to changes in economic conditions.

Note 3: DEPOSITS AND INVESTMENTS, CONTINUED

Investments, Continued

The District's investments at August 31, 2013 are shown below:

Type	Carrying Amount	Fair Value	Maturity
Investments not subject to categorization			
LoneStar	$ 13,651,837	$ 13,651,837	Weighted average < 120 days
Total Investments	$ 13,651,837	$ 13,651,837	

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Credit Risk: Credit Ratings

District investments conform to the District's banking and investment policies and are in accordance with laws and regulations of the State of Texas and TEA. Statutes of the State of Texas and policies mandated by the District's Board authorize the District to invest in obligations of the U.S. Government or its agencies, repurchase agreements, commercial paper, public funds investment pools, mutual funds and money market accounts. As stated above, Lonestar has received the highest rating, AAA, from Standard & Poor's. At year end, the District was not significantly exposed to credit risk.

Custodial Credit Risk

Deposits are exposed to custodial risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. The District was not exposed to custodial credit risk during the course of the fiscal year.

Concentration of Credit Risk

It is the policy of the District to reduce risk associated with investments by diversification of the portfolio. The District was not exposed to concentration of credit risk during the course of the fiscal year

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District concentrates its investment portfolio in short and intermediate term securities to limit market risk caused by changes in interest rates. At year end, the District was not exposed to interest rate risk.

Note 4: CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended August 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$ 450,644	$ -	$ -	$ 450,644
Construction in Progress	-	56,140	-	56,140
Total Capital Assets, Not Being Depreciated	450,644	56,140	-	506,784
Capital Assets, Being Depreciated:				
Buildings & Improvements	20,895,624	71,631	-	20,967,255
Equipment	1,893,059	23,075	-	1,916,134
Vehicles	2,072,081	-	-	2,072,081
Total Capital Assets, Being Depreciated:	24,860,764	94,706	-	24,955,470
Less Accumulated Depreciation:				
Buildings & Improvements	(10,499,432)	(337,311)	-	(10,836,743)
Equipment	(1,573,775)	(62,032)	-	(1,635,807)
Vehicles	(1,681,551)	(82,803)	-	(1,764,354)
Total Accumulated Depreciation	(13,754,758)	(482,146)	-	(14,236,904)
Total Capital Assets, Being Depreciated, Net	11,106,006	(387,440)	-	10,718,566
Governmental Activities Capital Assets, Net	$ 11,556,650	$ (331,300)	$ -	$ 11,225,350

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

Instruction	$ 259,312
Instructional resources	7,333
Cirriculum	9,367
Instructional leadership	522
School leadership	26,168
Guidance	11,208
Health services	3,359
Student transportation	30,368
Food services	30,618
Cocurricular/Extracurricular Activities	19,564
General administration	21,217
Plant maintenance	55,252
Security	3,722
Data processing	4,136
Total Depreciation Expense	$ 482,146

Note 5: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables are short-term transactions between funds that are accounted for in the appropriate interfund receivable and payable accounts. Interfund balances at August 31, 2013 consisted of the following individual fund receivables and payables:

Receivable Fund	Payable Fund	Amount
General	Special Revenue	$ 81,008
Special Revenue	General	193,338
General	Debt Service	1,016
Internal Service	General	36,121
		$ 311,483

The receivables in the general fund totaling $81,008, and $1,016 from special revenue funds, and the debt service fund represent amounts due for reimbursement of expenditures paid by the general fund. The receivable in the Special Revenue Fund from the General Fund in the amount of $193,338 includes amounts that are initially deposited into Lone Star for other funds. The receivable in the Internal Service Fund and the Student Activity Fund from the General Fund represents amounts paid by those funds to be reimbursed by the General Fund.

Note 6: SHORT-TERM DEBT ACTIVITY

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. There was no short-term debt activity during the year ended August 31, 2013.

Note 7: LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for only governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Current principal and interest requirements are payable solely from future revenues of the Debt Service fund which consists principally of property taxes collected by the District and interest earnings. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indentures. The District has never defaulted on any principal or interest payment.

General obligation bonds payable at August 31, 2013, are summarized as follows:

Date of Issue	Original Issue	Final Maturity	Annual Installments	% Rate	Outstanding Balance
2005	$ 6,125,000	2029	$40,000-$465,000	2.8%-4.5%	5,535,000
2013	$ 9,000,000	2043	$145,000-$520,000	2.0%-4.375%	9,000,000
					$ 14,535,000

Note 7: LONG-TERM DEBT, Continued

The District entered into a finance contract with Government Capital Corporation for the purpose of financing "District Wide Energy Conservation Project". Amounts outstanding as of August 31, 2013 are as follows:

Date of Issue	Original Issue	Final Maturity	Annual Installments	% Rate	Outstanding Balance
2009	$ 575,670	2024	$3,060-$30,645	5.69%	$ 455,254

In 2010 the District entered into a note with Compass bank for various construction projects. The district made their final payment on this note during the year ended August 31, 2013.

Date of Issue	Original Issue	Final Maturity	Annual Installments	% Rate	Outstanding Balance
2010	$ 321,000	2012	$107,000	4.50%	$ -

Changes in long-term liabilities

Long-term liability activity for the year ended August 31, 2013, was as follows:

	Beginning Balance	Additions	Retirements/ Payments	Ending Balance	Due Within One Year
Governmental activities:					
Bonds Payable:					
General obligations bonds	$ 5,775,000	$ 9,000,000	$ 240,000	$ 14,535,000	$ 395,000
Add: Premium on bonds	-	199,852	-	199,852	-
Less: Discount on bonds	(10,239)	-	(604)	(9,635)	-
Contractual Obligations	484,493	-	29,239	455,254	30,903
Note Payable	107,000	-	107,000	-	-
Total governmental activities	$ 6,356,254	$ 9,199,852	$ 375,635	$ 15,180,471	$ 425,903

Annual debt service requirements to maturity for the bonds are as follows:

Year Ending August 31	Principal	Interest	Total
2014	425,903	629,582	1,055,485
2015	452,662	606,694	1,059,356
2016	474,522	589,235	1,063,757
2017	501,487	569,170	1,070,657
2018	518,564	548,193	1,066,757
2019-2023	2,923,358	2,394,540	5,317,898
2024-2028	3,383,759	1,718,352	5,102,111
2029-2033	750,000	1,102,558	1,852,558
2034-2038	350,000	734,659	1,084,659
2039-2043	435,000	269,500	704,500
Total	$ 10,215,255	$ 9,162,483	$ 19,377,738

Note 8: RETIREMENT BENEFITS

Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. TRS operates primarily under the provision of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas legislature has the authority to establish or amend benefit provisions and may, under certain circumstances, grant special authority to the TRS Board of Trustees.

TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy

Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during the fiscal year.(2) A state statute prohibits benefit improvements 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.

Contribution rates and contributions for fiscal years 2013-2011 are shown in the following table. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the stat's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

	Member		State		Statutory Minimum
Year	Rate	Amount	Rate	Amount	Amount
2013	6.4%	$ 445,936	6.000%	$ 411,053	$ 23,827
2012	6.4%	$ 448,373	6.000%	$ 418,782	$ 26,313
2011	6.4%	$ 439,845	6.644%	$ 423,890	$ 41,097

Note 9: SCHOOL DISTRICT RETIREE HEALTH PLAN

The 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 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 the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas 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 Website at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1–800–223–8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

Note 9: SCHOOL DISTRICT RETIREE HEALTH PLAN, Continued

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. Funding for free basic coverage is provided by the program based upon public school district payroll. 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. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2013–2011.

	Member		State		School District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2013	0.65%	$ 45,291	1.0%	$ 69,677	0.55%	$ 38,322
2012	0.65%	$ 45,538	1.0%	$ 70,058	0.55%	$ 38,532
2011	0.65%	$ 44,677	1.0%	$ 68,735	0.55%	$ 37,803

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part 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. For the fiscal years ended August 31, 2013, 2012, and 2011, the subsidy payments received by TRS-Care on-behalf of the District were $19,440, $17,993, and $17,519, respectively. The information for the year ended August 31, 2013 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 10: RISK MANAGEMENT

Property, Casualty and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of property; errors and omissions; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded insurance coverage in any of the previous three years. There has not been any significant reduction in insurance coverage from that of the previous year. The District retains the risk of the first $10,000 in property insurance after which insurance is purchased.

Workman's Compensation

Effective September 1, 2000, the District contracted with the East Texas Educational Insurance Association for the administration of the worker's compensation program. Claims are paid through Claims Administrative Services, Inc., the third party administrator.

The claims liability recorded in the general ledger includes an estimate for claims incurred but not recorded, based on the District's historical claims experience. The District is protected against unanticipated catastrophic loss by stop-loss coverage carried through Safety National Casualty Corporation, a commercial insurer licenses or eligible to do business in Texas in accordance with the Texas Insurance Code. The District's maximum loss for 2012-2013 is $81,717. Stop-loss coverage in effect was for annual individual claims exceeding $500,000.

Note 10: RISK MANAGEMENT, Continued

The following is a summary of the changes in the balances of claims liabilities for worker's compensation for the year ended August 31:

	2013	2012
Liability for claims September 1	$ 71,475	$ 73,232
Current year claims and changes in estimates	(17,731)	7,868
Claim payments	(12,682)	(9,625)
Liability for claims August 31	$ 41,062	$ 71,475

Note 11: COMMITMENTS AND CONTINGENCIES

During the year, the District received financial assistance from federal and state governmental agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies and the TEA. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, such disallowed claims, if any, will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at August 31, 2013.

As of August 31, 2013, there was no pending litigation against the District.

Note 12: SHARED SERVICE ARRANGEMENTS

The District participates in a Shared Service Arrangement ("SSA") for a federal program with the following school districts:

Member Districts
Buna Independent School District

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal contingencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

Note 13: PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of $130,000 was made to the government-wide statements to correct accumulated accretion on capital appreciation bonds.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT G-1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	Revenues				
5700	Local Sources	$ 2,901,591	$ 2,423,910	$ 2,384,269	$ (39,641)
5800	State Program Revenues	8,421,375	8,259,416	8,147,150	(112,266)
5900	Federal Program Revenues	-	85,500	83,610	(1,890)
5020	**Total Revenues**	11,322,966	10,768,826	10,615,029	(153,797)
	Expenditures				
	Current				
0011	Instruction	5,848,088	5,841,238	5,524,581	316,657
0012	Instructional Resources & Media Svcs	175,953	175,953	169,759	6,194
0013	Curriculum and Instructional Development	193,216	193,216	165,503	27,713
0023	School Leadership	623,982	624,182	605,796	18,386
0031	Guidance and Counseling Services	265,030	265,030	259,468	5,562
0032	Social Work Services	1,000	5,000	3,990	1,010
0033	Health Services	79,516	83,298	77,773	5,525
0034	Student (Pupil) Transportation	674,367	765,867	703,029	62,838
0036	Cocurricular/Extracurricular Activities	448,846	500,396	452,911	47,485
0041	General Administration	508,286	520,086	491,172	28,914
0051	Plant Maintenance and Operations	1,221,819	1,436,329	1,258,724	177,605
0052	Security and Monitoring Services	49,500	105,235	86,166	19,069
0053	Data Processing Services	102,688	105,686	95,763	9,923
0061	Community Services	4,592	4,592	3	4,589
0071	Debt Service - Principal on long-term debt	614,240	136,240	136,239	1
0072	Debt Service - Interest on long-term debt	40,000	40,000	28,838	11,162
0093	Shared Service Arrangements/Deaf Program	255,000	289,000	315,502	(26,502)
6030	**Total Expenditures**	11,106,123	11,091,348	10,375,217	716,131
	Excess (Deficiency) of Revenues				
1200	Net Changes in Fund Balance	216,843	(322,522)	239,812	562,334
0100	**Fund Balance - September 1 (Beginning)**	2,916,425	2,916,425	2,916,425	-
3000	**Fund Balance - August 31 (Ending)**	$ 3,133,268	$ 2,593,903	$ 3,156,237	$ 562,334

OTHER SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE (UNAUDITED)

FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

Last Ten Years Ended August 31	Tax Rate*		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	Various
2005	1.50	0.17	129,746,690
2006	1.50	0.09	134,423,538
2007	1.37	0.12	133,499,435
2008	1.04	0.11	145,782,696
2009	1.04	0.11	173,653,478
2010	1.04	0.11	181,330,261
2011	1.04	0.11	195,726,957
2012	1.04	0.11	208,543,043
2013	1.04	0.11	213,362,609
1000 Totals			

* - Per $100 of assessed valuation

10 Beginning Balance 09/01/12	20 Current Year's Total Levy	30 Maintenance Total Collections	30a Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 08/31/13
$ 602,470	$ -	$ 7,695	$ 1,034	$ (89,160)	$ 504,581
72,659	-	2,207	250	(747)	$ 69,455
78,248	-	4,601	276	(436)	$ 72,935
79,299	-	3,370	295	(409)	$ 75,225
72,943	-	1,660	176	(736)	$ 70,371
88,344	-	6,728	712	(832)	$ 80,072
114,185	-	18,404	1,947	7,658	$ 101,492
150,875	-	25,198	2,665	9,533	$ 132,545
215,398	-	51,685	5,467	2,255	$ 160,501
-	2,453,670	2,030,372	214,751	1,057	$ 209,604
$ 1,474,421	$ 2,453,670	$ 2,151,920	$ 227,573	$ (71,817)	$ 1,476,781

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2014-2015 (UNAUDITED)
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

Function 41 and Related Function 53 - General Administration

Account Number		1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Miscel-laneous	7 Total
611X-6146	Payroll Costs	$ -	$ -	$ 220,779	$ 86,412	$ -	$ -	$ 307,191
6149	Leave for Separating Employees in Fn 41 & 53				-			-
6149	Leave - Separating Employees not in 41 & 53				-			-
6211	Legal Services	15,482	-	-		-		15,482
6212	Audit Services				15,768			15,768
6213	Tax Appraisal and Collection		82,444					82,444
621X	Other Professional Services	-	-	-	3,795	-	-	3,795
6220	Tuition and Transfer Payments						-	-
6230	Education Service Centers	1,500	-	-	-	-	-	1,500
6240	Contr. Maint. and Repair					2,615		2,615
6250	Utilities					-		-
6260	Rentals	-	-	-	1,395	-	-	1,395
6290	Miscellaneous Contracted	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	2,000	-	-	12,290	-	-	14,290
6410	Travel, Subsistence, Stipends	826	-	3,289	2,903	-	-	7,018
6420	Insurance and Bonding Costs	8,000	500	-	-	-	-	8,500
6430	Election Costs	14,567						14,567
6490	Miscellaneous Operating	-	-	-	25,218	-	1,082	26,300
6500	Debt Service						-	-
6600	Capital Outlay						-	-
6000- TOTAL		$ 42,375	$ 82,944	$ 224,068	$ 147,781	$ 2,615	$ 1,082	$ 500,865

Total expenditures/expenses for General and Special Revenue Funds:		(9)	$ 11,691,094
LESS: Deductions of Unallowable Costs			
FISCAL YEAR			
Total Capital Outlay (6600)	(10)	$ 170,920	
Total Debt & Lease (6500)	(11)	165,076	
Plant Maintenance (Function 51, 6100-6400)	(12)	1,208,839	
Food (Function 35, 6341 and 6499)	(13)	344,335	
Stipends (6413)	(14)	-	
Column 4 (above) - Total Indirect Cost		147,781	
Subtotal:			2,036,951
Net Allowed Direct Cost			$ 9,654,143
CUMULATIVE			
Total Cost of Buildings before Depreciation (1520)		(15)	$ 20,967,256
Historical Cost of Buildings over 50 years old		(16)	$ 3,115,149
Amount of Federal Money in Building Cost (Net of Above)		(17)	$ -
Total cost of Furniture & Equipment before Depreciation (1530 & 154C		(18)	$ 3,988,215
Historical Cost of Furniture & Equipment over 16 years old		(19)	$ 969,356
Amount of Federal Money in Furniture & Equipment (Net of Above)		(20)	$ 15,577

(8) Note A: $9,692 in Function 53 expenditures are included in this report on administrative costs.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (UNAUDITED)
BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
	Revenues				
5700	Local Sources	$ 295,000	$ 295,000	$ 290,145	$ (4,855)
5800	State Program Revenues	13,000	13,000	12,475	(525)
5900	Federal Program Revenues	470,000	470,000	519,236	49,236
5020	**Total Revenues**	778,000	778,000	821,856	43,856
	Expenditures				
0035	Food Services	760,562	760,562	748,878	11,684
0051	Maintenance	27,700	27,700	20,361	7,339
6030	**Total Expenditures**	788,262	788,262	769,239	19,023
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,262)	(10,262)	52,617	62,879
1200	Net Changes in Fund Balance	(10,262)	(10,262)	52,617	62,879
0100	**Fund Balance - September 1 (Beginning)**	129,441	129,441	129,441	-
3000	**Fund Balance - August 31 (Ending)**	$119,179	$119,179	$ 182,058	$ 62,879

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT J-4

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (UNAUDITED)
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	Revenues				
5700	Local Sources	$ 238,681	$ 238,681	$ 238,555	$ (126)
5800	State Program Revenues	275,000	275,000	273,014	(1,986)
5020	**Total Revenues**	513,681	513,681	511,569	(2,112)
	Expenditures				
	Debt Service:				
0071	Debt Service - Principal on Long-Term Debt	240,000	240,000	240,000	-
0072	Debt Service - Interest on Long Term-Debt	237,500	237,500	237,494	6
0073	Debt Service - Bond Issuance Cost and Fees	500	500	431	69
6030	**Total Expenditures**	478,000	478,000	477,925	75
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	35,681	35,681	33,645	(2,036)
1200	Net Changes in Fund Balance	35,681	35,681	33,644	(2,037)
0100	**Fund Balance - September 1 (Beginning)**	727,798	727,798	727,798	-
3000	**Fund Balance - August 31 (Ending)**	$ 763,479	$ 763,479	$ 761,442	$ (2,037)

J. R. Edwards & Associates, LLC
Certified Public Accountants

December 17, 2013

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

Board of Trustees
Kirbyville Consolidated Independent School District
206 East Main Street
Kirbyville, TX 75956

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kirbyville Consolidated Independent School District (the "District"), as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 17, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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*.

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Purpose of this Report

This report is intended solely for the information and use of the District's Trustees and management, 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.

J.R. Edwards & Associates, LLC

J. R. Edwards & Associates, LLC
Certified Public Accountants

December 17, 2013

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

Board of Trustees
Kirbyville Consolidated Independent School District
206 East Main Street
Kirbyville, Texas 75956

Report on Compliance for Each Major Program

We have audited Kirbyville Consolidated Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 17, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

J.R. Edwards & Associates, LLC

KIRBYVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

A. Summary of Auditor's Results

1 Financial Statements

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	____ Yes	X No	
Significant deficiencies identified?	____ Yes	X No	None Reported
Noncompliance material to financial statements noted?	____ Yes	X No	

2 Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	____ Yes	X No	
Significant deficiencies identified?	____ Yes	X No	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____ Yes	X No	

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

B. Financial Statement Findings
NONE

C. Federal Award Findings and Questioned Costs
NONE

KIRBYVILLE INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
None		

None

Basis of Presentation

1. The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the 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 awards generally are accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of specified grant periods.

2. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing resources) and decreases (i.e. expenditures and other financing uses) in net current assets.

   The modified accrual basis of accounting is used for these 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 liability is incurred, if measurable, except for 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. The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 30 days beyond the federal project period ending date, in accordance with provisions in Section H: Period of Availability of Federal Funds, Part 3, *OMB Circular A-133 Compliance Supplement.*

4. The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable at August 31, 2013, may be impaired.

KIRBYVILLE INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
ESEA Title I Part A Improving Basic Programs*	84.010A	13610101121905	$ 389,269
Career and Technical - Basic Grant	84.048A	13420006121905	20,256
ESEA Title IV, Part B - Rural & Low Income Prog.	84.358B	136969001121905	28,880
ESEA Title II Part A Teacher Principal Training Recruitment	84.367A	13694501121905	71,433
Total Passed Through State Department of Education			$ 509,838
TOTAL DEPARTMENT OF EDUCATION			$ 509,838
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Agriculture			
*National School Breakfast	10.553	71401201	$ 152,446
*National School Lunch Program - Cash Assistance	10.555	71301201	326,717
*National School Lunch Program - Non-Cash Assistance	10.555	71301201	40,073
Total CFDA Number 10.555			366,790
Total Child Nutrition Cluster			519,236
Total Passed Through the State Department of Agriculture			$ 519,236
TOTAL DEPARTMENT OF AGRICULTURE			$ 519,236
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,029,074

* Clustered Programs

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

Data Control Codes		
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total Accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	$ -