KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2011

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
For The Year Ended August 31, 2011

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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, 2011 at a meeting of the board of school trustees of such school district on the 13th day of December, 2011.

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 7, 2011

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Kirbyville Consolidated Independent School District
206 East Main St
Kirbyville, TX 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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 7, 2011, 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* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statement. 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

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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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kirbyville Consolidated Independent School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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, 2011. 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 assets were $9,296,152 at August 31, 2011.
- During the year, the District's expenses were $988,542 less than the $13,383,964 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased slightly from the period ended August 31, 2010. 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 $3,084,223. Of this amount, $1,984,223 is for unrestricted use by the District.
- During the 2010-2011 school year the District received the highest rating (Superior Achievement) from the State's Financial Integrity Rating System of Texas for the school year 2009-2010.

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 Assets 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 Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the current fiscal year. All changes in net assets 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 Assets on page 20.

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 21-33 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 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The District's combined net assets were $9,258,401 at August 31, 2011. (See Table I)

Table I
Kirbyville Consolidated Independent School District
Net Assets

	August 31, 2011	August 31, 2010
Current and Other Assets	$ 4,812,401	$ 4,206,116
Capital Assets	11,802,709	12,088,973
Total Assets	16,615,110	16,295,089
Long-term Liabilities	6,848,287	7,202,089
Other Liabilities	470,671	579,867
Total Liabilities	7,318,958	7,781,956
Net Assets:		
Invested in Capital Assets Net of Related Debt	4,954,422	4,886,884
Restricted for Federal and State Programs	48,789	31,316
Restricted for Debt Service	1,172,803	1,117,179
Unrestricted	3,120,138	2,477,754
Total Net Assets	$ 9,296,152	$ 8,513,133

Approximately $4.9 million of the District's net assets represent investments in capital assets net of related debt. The $3.0 million of unrestricted net assets represents resources available to fund the programs of the District next year.

Changes in net assets. The Districts total revenues were $13.3 million. A portion, 15 percent, of the District's revenue comes from local property taxes, 79 percent comes from grants and contributions not restricted, while only 3 percent relates to charges for services and the remaining 3 percent relates to investment earnings and other miscellaneous revenue.

Total Cost of all programs and services was $12.4 million. Net assets of the District's governmental activities for the current year increased by $988,542 (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 Assets

	August 31, 2011	August 31, 2010
Revenues:		
Program Revenues:		
Charges for Services	$ 330,481	$ 324,915
Operating Grants and Contributions	2,914,182	2,740,356
General Revenues:		
Maintenance and Operations Taxes	1,858,632	1,610,365
Debt Service Taxes	199,991	174,896
State Aid - Formula Grants		
Grants and Contributions - Not Restricted to Specific Functions	7,603,319	7,544,590
Investment Earnings	6,341	8,152
Miscellaneous	471,018	378,522
Total Revenue	13,383,964	12,781,796
Expenses:		
Instruction	6,613,167	7,021,227
Instructional Resources and Media Services	191,614	191,309
Curriculum/Instructional Development	265,253	242,607
Instructional Leadership	29,520	26,169
School Leadership	617,359	626,934
Guidance and Counseling Services	278,013	216,368
Social Work Services	-	1,982
Health Services	77,044	76,315
Student (Pupil) Transportation	614,876	614,291
Food Services	657,980	666,762
Cocurricular/Extracurricular Activities	481,330	494,510
General Administration	490,569	492,953
Plant Maintenance and Operations	1,389,357	1,325,574
Security and Monitoring Services	46,068	25,312
Data Processing Services	101,995	106,267
Community Services	5,659	9,298
Debt Services - Interest on Long-Term Debt	297,925	292,093
Debt Services - Bond Issuance Cost & Fees	5,309	7,740
Payments to Fiscal Agent/Member Districts of SSA	232,384	235,466
Total Expenses Governmental Activities	12,395,422	12,673,177
Increase (Decrease) in Net Assets	988,542	108,619
Net Assets - September 1 (Beginning)	8,513,133	8,404,514
Prior Period Adjustment	(205,523)	-
Net Assets - September 1 (Restated)	8,307,610	-
Net Assets - August 31 (Ending)	$ 9,296,152	$ 8,513,133

GOVERNMENTAL ACTIVITIES

- Property tax rates were set at $1.04 per $100 valuation for M&O and $.11 for I&S. The rate for 2011-2012 is set at $1.04 for M&O and $.11 for I&S.

- The District continues to pay down the $6.7 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 $12.4 million.

- The amount that our taxpayers paid for these activities through property taxes was $2 million.

- Some of the cost, $330,481 was paid by those who directly benefited from the programs or by grants and contributions in the amount of $2,914,182.

Net Cost of Selected District Functions

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	$ 6,613,167	$ 7,021,227	$ 4,376,819	$ 4,986,225
School Administration	490,569	492,953	476,161	478,692
School Leadership	617,359	626,934	601,962	611,340
Plant Maintenance & Operations	1,389,357	1,325,574	1,316,848	1,207,121
Cocurrricular/Extracurricular Activities	481,330	494,510	382,938	411,234
Food Services	657,980	666,762	(9,792)	(7,519)
Student (Pupil) Transportation	614,876	614,291	590,987	589,739

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 2010-2011 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, 2011 the District had $11.8 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 $286,264 (including additions and deductions) over last year.

Kirbyville Consolidated Independent School District
Capital Assets
Governmental Activities

	August 31, 2011	August 31, 2010
Land	$ 450,644	$ 450,644
Construction in Progress	-	-
Buildings and Improvements	20,834,682	20,760,182
Equipment	1,758,846	1,720,274
Vehicles	2,015,538	1,915,538
Totals at Historical Cost	25,059,710	24,846,638
Less Accumulated Depreciation:		
Buildings and Improvements	(10,163,600)	(9,826,450)
Equipment	(1,512,141)	(1,461,851)
Vehicles	(1,581,260)	(1,469,364)
Total Accumulated Depreciation	(13,257,001)	(12,757,665)
Net Capital Assets	$11,802,709	$ 12,088,973

Long-Term Debt. At year-end, the District had $6,531,882 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, 2011	August 31, 2010
Governmental activities:		
General Obligation Bonds	$ 5,805,665	$ 5,847,615
Tax Exempt Obligations	512,157	538,331
Time Warrants	-	-
Note Payable	214,000	321,000
Total	$ 6,531,822	$ 6,706,946

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

- Appraised value used for 2011-2012 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 2011 budget and is expected to increase again in 2012 primarily due to mandatory pay increases for professional staff.

- The District projected 2011-2012 refined ADA numbers to be approximately 1372. Currently the refined ADA number is 1367.80 which is slightly lower than projected. The attendance rate is up at 96.7 percent.

These indicators were taken into account when adopting the general fund budget for 2011-2012. 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 2012, the District's fund balance is projected to increase by $8,550.

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 ASSETS
AUGUST 31, 2011

Data Control Codes		Primary Government Governmental Activities
	Assets	
1110	Cash and Cash Equivalents	$ 635,435
1120	Current Investments	3,202,751
1220	Property Taxes Receivable (Delinquent)	1,454,055
1230	Allowance for Uncollectible Taxes	(1,017,839)
1240	Due from Other Governments	340,556
1260	Internal Balances	-
1290	Other Receivables	109,648
1420	Capital Bond and Other Debt Issuance Costs	87,795
	Capital Assets (Net of Accumulated Depreciation):	
1510	Land	450,644
1520	Buildings and Improvements	10,671,082
1530	Furniture and Equipment	680,983
1000	**Total Assets**	16,615,110
	Liabilities	
2110	Accounts Payable and Accrued Expenses	108,789
2150	Payroll Deductions and Withholdings Payable	2,546
2160	Accrued Wages Payable	265,476
2177	Due to Fiduciary Funds	11,500
2200	Accrued Expenditures	73,232
2300	Unearned Revenues	9,128
	Long Term Liabilities:	
2501	Due Within One Year	165,329
2502	Due in More Than One Year	6,682,958
2000	**Total Liabilities**	7,318,958
	Net Assets	
3800	Invested in Capital Assets, Net of Related Debt	4,954,422
3820	Restricted for Federal and State Programs	48,789
3850	Restricted for Debt Service	1,172,803
3900	Unrestricted Net Assets	3,120,138
3000	**Total Net Assets**	$ 9,296,152

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, 2011

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	$ 6,613,167	$ -	$ 2,236,348	$ (4,376,819)
0012	Instructional Resources & Media Services	191,614	-	8,162	(183,452)
0013	Curriculum/Instructional Development	265,253	-	52,009	(213,244)
0021	Instructional Leadership	29,520	-	28,296	(1,224)
0023	School Leadership	617,359	-	15,397	(601,962)
0031	Guidance and Counseling Services	278,013	-	15,054	(262,959)
0033	Health Services	77,044	-	4,266	(72,778)
0034	Student (Pupil) Transportation	614,876	-	23,889	(590,987)
0035	Food Services	657,980	241,848	425,924	9,792
0036	Cocurricular/Extracurricular Activities	481,330	88,633	9,759	(382,938)
0041	General Administration	490,569	-	14,408	(476,161)
0051	Plant Maintenance and Operations	1,389,357	-	72,509	(1,316,848)
0052	Security and Monitoring Services	46,068	-	-	(46,068)
0053	Data Processing Services	101,995	-	3,444	(98,551)
0061	Community Services	5,659	-	4,717	(942)
0072	Debt Service - Interest on Long-Term Debt	297,925	-	-	(297,925)
0073	Debt Service - Bond Issuance Cost & Fees	5,309	-	-	(5,309)
0093	Shared Service Arrangements/Local Deaf	232,384	-	-	(232,384)
TG	**Total Governmental Activities:**	$ 12,395,422	$ 330,481	$ 2,914,182	$ (9,150,759)
TP	**Total Primary Government**	$ 12,395,422	$ 330,481	$ 2,914,182	(9,150,759)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, levied for general purposes	1,858,632
DT	Property Taxes, levied for debt service	199,991
GC	Grants and Contributions not restricted	7,603,319
IE	Investment Earnings	6,341
MI	Miscellaneous Local and Intermediate	471,018
TR	**Total General Revenues**	10,139,301
CN	**Change in Net Assets**	988,542
NB	**Net Assets - September 1 (Beginning)**	8,513,133
PA	**Prior Period Adjustment**	(205,523)
NB	**Net Assets - September 1 (Restated)**	8,307,610
NE	**Net Assets - August 31 (Ending)**	$ 9,296,152

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, 2011

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	Assets				
1110	Cash and Temporary Investments (market)	$ 504,447	$ 101,840	$ 20,970	$ 627,257
1120	Investments - Current	2,566,289	569,537	-	3,135,826
1220	Property Taxes - Delinquent	1,295,278	158,777	-	1,454,055
1230	Allowance for Uncollectible Taxes (credit)	(906,695)	(111,144)	-	(1,017,839)
1240	Due from Other Governments	228,487	-	112,069	340,556
1260	Due from Other Funds	224,190	-	228,533	452,723
1290	Other Receivables	109,615	-	33	109,648
1000	**Total Assets**	$ 4,021,611	$ 719,010	$ 361,605	$ 5,102,226
	Liabilities				
2110	Accounts Payable and Accrued Expenditures	$ 88,643	$ -	$ 20,108	$ 108,751
2150	Payroll Deduction and Withholdings Payable	2,546	-	-	2,546
2160	Accrued Wages Payable	205,397	-	60,079	265,476
2170	Due to Other Funds	275,623	1,016	223,502	500,141
2300	Deferred Revenues	365,179	45,191	9,127	419,497
2000	**Total Liabilities**	$ 937,388	$ 46,207	$ 312,816	$ 1,296,411
	Fund Balance				
	Restricted Fund Balance				
3450	Federal or State Funds Grant Restriction	$ -	$ -	$ 48,789	$ 48,789
3470	Capital Acquisition Program	100,000	-	-	100,000
3480	Retirement of Long-Term Debt	500,000	672,803	-	1,172,803
	Committed Fund Balance:				
3510	Construction	500,000	-	-	500,000
3600	Unassigned Fund Balance	1,984,223	-	-	1,984,223
3000	**Total Fund Balance**	$ 3,084,223	$ 672,803	$ 48,789	$ 3,805,815
4000	**Total Liabilities and Fund Balance**	$ 4,021,611	$ 719,010	$ 361,605	$ 5,102,226

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 ASSETS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

Total Fund Balances - Governmental Funds	$ 3,805,815
Capital assets and bond related costs used in governmental activities are not financial resources and therefore are not reported in governmental funds.	11,890,504
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	410,370
Notes payable which are not due in the current period are not reported in the funds.	(6,848,287)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	37,750
Net Assets of Governmental Activities - Statement of Net Assets	$ 9,296,152

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, 2011

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	Revenues				
5700	Local Sources	$ 2,404,541	$ 234,136	$ 241,421	$ 2,880,098
5800	State Program Revenues	7,644,609	298,912	212,131	8,155,652
5900	Federal Program Revenues	83,687	-	2,278,162	2,361,849
5020	**Total Revenues**	10,132,837	533,048	2,731,714	13,397,599
	Expenditures				
	Current				
0011	Instruction	4,475,654	-	1,943,224	6,418,878
0012	Instructional Resources and Media Services	183,666	-	-	183,666
0013	Curriculum and Instructional Development	211,468	-	42,783	254,251
0021	Instructional Leadership	-	-	28,296	28,296
0023	School Leadership	599,053	-	-	599,053
0031	Guidance and Counseling Services	266,482	-	-	266,482
0033	Health Services	73,848	-	-	73,848
0034	Student (Pupil) Transportation	685,225	-	-	685,225
0035	Food Services	-	-	650,283	650,283
0036	Cocurricular/Extracurricular Activities	461,366	-	-	461,366
0041	General Administration	470,222	-	-	470,222
0051	Plant Maintenance and Operations	1,305,975	-	45,000	1,350,975
0052	Security and Monitoring Services	44,157	-	-	44,157
0053	Data Processing Services	97,764	-	-	97,764
0061	Community Services	1,004	-	4,655	5,659
	Debt Service				-
0071	Debt Service - Principal on long-term debt	133,174	41,950	-	175,124
0072	Debt Service - Interest on long-term debt	41,559	435,044	-	476,603
0073	Debt Service - Bond Issuance Cost and Fees	-	430	-	430
	Capital Outlay				-
0081	Facilities Acquisition and Construction	21,166	-	-	21,166
	Intergovernmental				-
0093	Shared Service Arrangement/Deaf Program	232,384	-	-	232,384
6030	**Total Expenditures**	9,304,167	477,424	2,714,241	12,495,832
1200	Net Change in Fund Balances	828,670	55,624	17,473	901,767
0100	**Fund Balance - September 1 (Beginning)**	2,461,076	617,179	31,316	3,109,571
1300	**Prior Period Adjustment**	(205,523)	-	-	(205,523)
0100	**Fund Balance - September 1 (Restated)**	2,255,553	617,179	31,316	2,904,048
3000	**Fund Balance - August 31 (Ending)**	$ 3,084,223	$ 672,803	$ 48,789	$ 3,805,815

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, 2011

Total Net Change in Fund Balances - Governmental Funds	$	901,767
Capital outlays are not reported as expenses in the statement of activities.		213,072
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.		(499,336)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(13,635)
Repayment of loan principal is an expenditure in the funds but is not an expense in the statement of activities.		175,124
The accretion of interest on capital appreciation bonds is not reported in the funds.		178,678
The amortization of bond issuance costs is not reported in the funds.		(4,878)
The net revenue (expense) of internal service funds is reported with governmental activities		37,750
Issuance of debt is recognized as an other financing source in the funds but not in the statement of activities.		-
Change in Net Assets of Governmental Activities	$	988,542

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT D-1

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2011

	Governmental Activities Internal Service Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	$ 8,178
Investments - Current	66,925
Due from Other Funds	35,917
Total Current Assets	111,020
Total Assets	111,020
Liabilities	
Current Liabilities:	
Accounts Payable	38
Accrued Expenses	73,232
Total Current Liabilities	73,270
Total Liabilities	73,270
Net Assets	
Unrestricted Net Assets	37,750
Total Net Assets	$ 37,750

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 ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	Governmental Activities Internal Service Fund
Operating Revenues	
Local and Intermediate Sources	$ 76,880
Total Operating Revenues	76,880
Operating Expenses	
Payroll Costs	9,512
Professional and Contracted Services	29,618
Total Operating Expenses	39,130
Change in Net Assets	37,750
Total Net Assets - September 1 (Beginning)	-
Total Net Assets - August 31 (Ending)	$ 37,750

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT D-3

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 76,880
Cash Payments For Insurance Claims	(95,959)
Cash Payments For Payroll Costs	(9,512)
Net Cash Provided by (Used for) Operating Activities	(28,591)
Net Increase (Decrease) in Cash and Cash Equivalents	(28,591)
Cash and Cash Equivalents at Beginning of the Year:	103,694
Cash and Cash Equivalents at End of the Year:	$ 75,103

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

Operating Income (Loss):	$ 37,750
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Due from Other Funds	(19,855)
Increase (decrease) in Accrued Expenses	(46,486)
Net Cash Provided by (Used for) Operating Activities	$ (28,591)

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT E-1

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	Agency Fund
Assets	
Cash and Cash Equivalents	$ 144,087
Due from Other Funds	11,500
Other Receivables	934
Total Assets	$ 156,521
Liabilities	
Accounts Payable	$ 1,272
Due to Student Groups	155,249
Total Liabilities	$ 156,521
Net Assets	
Unrestricted Net Assets	
Total Liabilities and Net Assets	

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 (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 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*.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting the definitions described above are reported as nonoperating revenues and expenses.

Separate financial statements are provided for governmental funds, proprietary 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.

Debt Service Fund: This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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.

Internal Service Fund: This fund is used to report on activity in the worker's compensation fund.

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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. 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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, and Net Assets or Equity, Continued

4. Capital Assets, Continued

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

5. Compensated Absences

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

6. 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, 2011.

7. 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.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

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.

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, 2011.

Note 3: DEPOSITS AND INVESTMENTS

At August 31, 2011, the carrying amount of the District's demand deposits and cash on hand was $779,522. The $835,259 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, 2011.

Note 3: DEPOSITS AND INVESTMENTS, CONTINUED

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 $2,476,126.

c. Highest cash balance amounted to $2,448,296 and occurred during the month of February, 2011.

d. Total amount of Federal Deposit Insurance Corporation ("FDIC") coverage at the time of the highest combined balance was $260,786.

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.

Note 3: DEPOSITS AND INVESTMENTS, CONTINUED

Investments, Continued

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.

The District's investments at August 31, 2011 are shown below:

Type	Carrying Amount	Fair Value	Maturity
Investments not subject to categorization			
LoneStar	$ 3,202,751	$ 3,202,751	Weighted average < 120 days
Total Investments	$ 3,202,751	$ 3,202,751	

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

Note 3: DEPOSITS AND INVESTMENTS, CONTINUED

Investments, Continued

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, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$ 450,644	$ -	$ -	$ 450,644
Construction in Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	450,644	-	-	450,644
Capital Assets, Being Depreciated:				
Buildings & Improvements	20,760,182	74,500	-	20,834,682
Equipment	1,720,274	38,572	-	1,758,846
Vehicles	1,915,538	100,000	-	2,015,538
Total Capital Assets, Being Depreciated:	24,395,994	213,072	-	24,609,066
Less Accumulated Depreciation:				
Buildings & Improvements	(9,826,450)	(337,150)	-	(10,163,600)
Equipment	(1,461,851)	(50,290)	-	(1,512,141)
Vehicles	(1,469,364)	(111,896)	-	(1,581,260)
Total Accumulated Depreciation	(12,757,665)	(499,336)	-	(13,257,001)
Total Capital Assets, Being Depreciated, Net	11,638,329	(286,264)	-	11,352,065
Governmental Activities Capital Assets, Net	$ 12,088,973	$ (286,264)	$ -	$ 11,802,709

Note 4: CAPITAL ASSETS, Continued

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

Instruction	$	277,758
Instructional resources		7,948
Cirriculum		11,002
Instructional leadership		1,224
School leadership		25,922
Guidance		11,531
Health services		3,196
Student transportation		29,651
Food services		28,139
Cocurricular/Extracurricular Activities		19,964
General administration		20,347
Plant maintenance		56,512
Security		1,911
Data processing		4,231
Total Depreciation Expense	$	499,336

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, 2011 consisted of the following individual fund receivables and payables:

Receivable Fund	Payable Fund	Amount
General	Special Revenue	$ 223,174
Special Revenue	General	228,534
General	Debt Service	1,016
Internal Service	General Fund	35,917
Student Activity	General Fund	11,500
		$ 500,141

The receivables in the general fund totaling $223,174, 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 $223,174 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, 2011.

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, 2011, are summarized as follows:

Date of Issue	Original Issue	Final Maturity	Annual Installments	% Rate	Outstanding Balance
2005	$ 6,125,000	2029	$40,000-$465000	2.8%-4.5%	5,805,665
					$ 5,805,665

The District entered into a finance contract with Government Capital Corporation June 16, 2011 for the purpose of financing "District Wide Energy Conservation Project". The contract is designated as a "qualified tax exempt obligation" for the purposes of Section 265 (b) (3) of the Internal Revenue Code of 1986, as amended. Amounts outstanding as of August 31, 2011 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%	$ 512,157

The District entered into a note with Compass bank for various construction projects. Amounts outstanding as of August 31, 2011 are as follows:

Date of Issue	Original Issue	Final Maturity	Annual Installments	% Rate	Outstanding Balance
2010	$ 321,000	2012	$107,000- $108,231	4.50%	$ 214,000

Changes in long-term liabilities

Long-term liability activity for the year ended August 31, 2011, was as follows:

	Beginning Balance	Additions	Retirements/ Payments	Ending Balance	Due Within One Year
Governmental activities:					
Bonds Payable:					
General obligations bonds	$ 5,847,615	$ -	$ 41,950	$ 5,805,665	$ 30,665
Add: Premium on bonds	57,745	-	46,599	11,146	-
Accretion on CAB	437,398	60,971	193,050	305,319	-
Contractual Obligations	538,331	-	26,174	512,157	27,664
Note Payable	321,000	-	107,000	214,000	107,000
Total governmental activities	$ 7,202,089	$ 60,971	$ 414,773	$ 6,848,287	$ 165,329

Note 7: LONG-TERM DEBT, Continued

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

Year Ending August 31	Principal	Interest	Total
2012	165,329	475,484	640,813
2013	376,239	266,305	642,544
2014	280,903	254,222	535,125
2015	292,662	242,575	535,237
2016	304,522	230,116	534,638
2017-2021	1,739,421	942,702	2,682,123
2022-2026	2,032,746	529,962	2,562,708
2027-2029	1,340,000	92,025	1,432,025
Total	$ 6,531,822	$ 3,033,391	$ 9,565,213

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 by the Texas state legislature: (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.(2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010 and 2009, and a state contribution rate of 6.644%, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of the District for the years 2011, 2010 and 2009 were $423,890, $426,219, and $420,238.

Note 9: SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description

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 Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. 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 legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payrolls set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010, and 2009, the State's contributions to TRS-Care were $68,735, $69,539, and $67,235, respectively, the active member contributions were $44,677, $45,199 and $43,705 respectively, and the school district's contributions were $37,804, $38,247, and $37,008, respectively, which equaled the required contributions each year.

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, 2011, 2010, and 2009, the subsidy payments received by TRS-Care on-behalf of the District were $17,519, $19,564, and $16,209, respectively. The information for the year ended August 31, 2011 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.

Note 10: RISK MANAGEMENT, Continued

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 2010-2011 is $81,717. Stop-loss coverage in effect was for annual individual claims exceeding $500,000.

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

	2011	2010
Liability for claims September 1	$ 119,718	$ 64,262
Current year claims and changes in estimates	(37,222)	96,699
Claim payments	(9,264)	(41,243)
Liability for claims August 31	$ 73,232	$ 119,718

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, 2011.

As of August 31, 2011, 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 $205,523 was made to correct prior year estimates of amounts due from state.

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, 2011

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	Revenues				
5700	Local Sources	$ 2,064,206	$ 2,399,516	$ 2,404,541	$ 5,025
5800	State Program Revenues	7,794,290	8,241,824	7,644,609	(597,215)
5900	Federal Program Revenues	10,000	10,000	83,687	73,687
5020	**Total Revenues**	9,868,496	10,651,340	10,132,837	(518,503)
	Expenditures				
	Current				
0011	Instruction	4,908,530	4,924,075	4,475,654	448,421
0012	Instructional Resources & Media Svcs	194,349	194,349	183,666	10,683
0013	Curriculum and Instructional Development	220,550	220,550	211,468	9,082
0023	School Leadership	608,157	617,415	599,053	18,362
0031	Guidance and Counseling Services	270,209	270,209	266,482	3,727
0032	Social Work Services	3,000	3,000	-	3,000
0033	Health Services	75,204	75,204	73,848	1,356
0034	Student (Pupil) Transportation	757,211	769,211	685,225	83,986
0036	Cocurricular/Extracurricular Activities	445,517	491,142	461,366	29,776
0041	General Administration	502,356	502,576	470,222	32,354
0051	Plant Maintenance and Operations	1,172,403	1,319,594	1,305,975	13,619
0052	Security and Monitoring Services	44,500	48,000	44,157	3,843
0053	Data Processing Services	108,601	113,601	97,764	15,837
0061	Community Services	2,197	2,197	1,004	1,193
0071	Debt Service - Principal on long-term debt	133,175	133,175	133,174	1
0072	Debt Service - Interest on long-term debt	45,650	45,650	41,559	4,091
0073	Debt Service - Bond Issuance Cost and Fees	1,000	1,000	-	1,000
0081	Facilities Acquisition and Construction	-	21,166	21,166	-
0093	Shared Service Arrangements/Deaf Program	250,000	250,000	232,384	17,616
6030	**Total Expenditures**	9,742,609	10,002,114	9,304,167	697,947
	Excess (Deficiency) of Revenues				
1200	Net Changes in Fund Balance	125,887	649,226	828,670	179,444
0100	**Fund Balance - September 1 (Beginning)**	2,461,076	2,461,076	2,461,076	-
1300	**Prior Period Adjustment**	-	-	(205,523)	(205,523)
0100	**Fund Balance - September 1 (Restated)**	2,461,076	2,461,076	2,255,553	(205,523)
3000	**Fund Balance - August 31 (Ending)**	$ 2,586,963	$ 3,110,302	$ 3,084,223	-$ 26,079

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

FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

Last Ten Years Ended August 31	Tax Rate*		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	Various
2003	1.50	0.17	126,904,252
2004	1.50	0.17	122,511,882
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
1000 Totals			

* - Per $100 of assessed valuation

10 Beginning Balance 09/01/10	20 Current Year's Total Levy	30 Maintenance Total Collections	30a Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 08/31/11
$ 600,233	$ -	$ 12,392	$ 2,041	$ (68,100)	$ 517,700
89,927	-	6,336	718	(3,565)	$ 79,308
86,786	-	5,883	667	(3,583)	$ 76,653
91,481	-	8,482	961	(3,689)	$ 78,349
113,116	-	17,186	1,031	(3,578)	$ 91,321
111,611	-	16,213	1,420	(3,530)	$ 90,448
110,156	-	19,299	2,042	(3,284)	$ 85,531
138,747	-	28,100	2,969	(3,010)	$ 104,668
253,208	-	111,119	11,753	612	$ 130,948
-	2,250,860	1,859,202	196,646	4,117	$ 199,129
$ 1,595,265	$ 2,250,860	$ 2,084,212	$ 220,248	$ (87,610)	$ 1,454,055

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2012-2013
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

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	$ -	$ -	$ 199,422	$ 101,016	$ -	$ -	$ 300,438
6149	Leave for Separating Employees in Fn 41 & 53				-			-
6149	Leave - Separating Employees not in 41 & 53				-			-
6211	Legal Services	8,473	-	-		-		8,473
6212	Audit Services				15,566			15,566
6213	Tax Appraisal and Collection		75,768					75,768
621X	Other Professional Services	-	-	-	4,000	-	-	4,000
6220	Tuition and Transfer Payments						-	-
6230	Education Service Centers	1,800	-	-	-	-	-	1,800
6240	Contr. Maint. and Repair					-		-
6250	Utilities					-		-
6260	Rentals	-	-	-	2,385	-	-	2,385
6290	Miscellaneous Contracted	-	-	-	3,907	-	-	3,907
6320	Textbooks and Reading	-	-	-	489	-	-	489
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	2,000	-	-	14,984	-	-	16,984
6410	Travel, Subsistence, Stipends	500	-	6,097	3,781	-	-	10,378
6420	Insurance and Bonding Costs	6,304	-	-	-	-	-	6,304
6430	Election Costs	389						389
6490	Miscellaneous Operating	-	-	-	23,896	-	309	24,205
6500	Debt Service						-	-
6600	Capital Outlay						13,164	13,164
6000- TOTAL		$ 19,466	$ 75,768	$ 205,519	$ 170,024	$ -	$ 13,473	$ 484,250

Total expenditures/expenses for General and Special Revenue Funds:		(9)	$ 13,184,287
LESS: Deductions of Unallowable Costs			
FISCAL YEAR			
Total Capital Outlay (6600)	(10)	$ 405,527	
Total Debt & Lease (6500)	(11)	174,733	
Plant Maintenance (Function 51, 6100-6400)	(12)	1,235,029	
Food (Function 35, 6341 and 6499)	(13)	287,115	
Stipends (6413)	(14)	-	
Column 4 (above) - Total Indirect Cost		170,024	
Subtotal:			2,272,428
Net Allowed Direct Cost			$ 10,911,859
CUMULATIVE			
Total Cost of Buildings before Depreciation (1520)		(15)	$ 20,834,683
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)	$ 3,774,384
Historical Cost of Furniture & Equipment over 16 years old		(19)	$ 859,846
Amount of Federal Money in Furniture & Equipment (Net of Above)		(20)	$ -

(8) Note A: $14,027 in Function 53 expenditures are included in this report on administrative costs.

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT J-3

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF AUGUST 31, 2011
(Unaudited)

1	Total General Fund Balance 8/31/11 (Exhibit C-1 object 3000 for General Fund only)		$ 3,084,223
2	Total Non-Spendable Fund Balance (Exhibit C-1 total of object 3400s for the General Fund only)	$ -	
3	Total Restricted Fund Balance (Exhibit C-1 total of object 3400s for the General Fund only)	$ 600,000	
4	Total Committed Fund Balance (Exhibit C-1 total of object 3400s for the General Fund only)	$ 500,000	
5	Total Assigned Fund Balance (from ExhibitCB-1 total of object 3500s for the General Fund only)	$ -	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues)	$ 365,000	
7	Estimate of one month's average cash disbursements during the regular school session (9/1/11- 5/31/12)	$ 1,010,000	
8	Estimate of delayed payments from state sources (58XX) including August payment delays	$ 114,309	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	$ 228,487	
10	Estimate of delayed payments from federal sources (59XX)	$ -	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	$ -	
12	Optimum Fund Balance and Cash Flow 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9		$ 2,817,796
13	Excess/Deficit Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)		$ 266,427

The District is in the process of updating facilities using available fund balance.

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT J-4

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	Revenues				
5700	Local Sources	$ 235,000	$ 285,600	$ 241,421	$ (44,179)
5800	State Program Revenues	12,000	14,000	13,920	(80)
5900	Federal Program Revenues	370,000	480,000	457,004	(22,996)
5020	**Total Revenues**	617,000	779,600	712,345	(67,255)
	Expenditures				
0035	Food Services	660,972	682,972	650,283	32,689
0051	Maintenance	45,000	45,000	45,000	-
6030	**Total Expenditures**	705,972	727,972	695,283	32,689
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(88,972)	51,628	17,062	(34,566)
1200	Net Changes in Fund Balance	(88,972)	51,628	17,062	(34,566)
0100	**Fund Balance - September 1 (Beginning)**	31,316	31,316	31,316	-
3000	**Fund Balance - August 31 (Ending)**	($57,656)	$82,944	$ 48,378	$ (34,566)

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT J-5

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	Revenues				
5700	Local Sources	$ 202,813	$ 243,813	$ 234,136	$ (9,677)
5800	State Program Revenues	303,813	303,813	298,912	(4,901)
5020	**Total Revenues**	506,626	547,626	533,048	(14,578)
	Expenditures				
	Debt Service:				
0071	Debt Service - Principal on Long-Term Debt	235,000	235,000	41,950	193,050
0072	Debt Service - Interest on Long Term-Debt	242,000	242,000	435,044	(193,044)
0073	Debt Service - Bond Issuance Cost and Fees	1,000	2,000	431	1,569
6030	**Total Expenditures**	478,000	479,000	477,425	1,575
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	28,626	68,626	55,623	(13,003)
1200	Net Changes in Fund Balance	28,626	68,626	55,623	(13,003)
0100	**Fund Balance - September 1 (Beginning)**	617,179	617,179	617,179	-
3000	**Fund Balance - August 31 (Ending)**	$ 645,805	$ 685,805	$ 672,802	$ (13,003)

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

December 7, 2011

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 St
Kirbyville, TX 75956

We have audited the financial statements of the governmental activities, and the aggregate remaining fund information of Kirbyville Consolidated Independent School District as of and for the year ended August 31, 2011, which collectively comprise Kirbyville Consolidated Independent School District's (the "District") basic financial statements, and have issued our report thereon dated December 7, 2011. 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 *Governmental Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a significant deficiency, or 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

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Compliance and Other Matters, Continued

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 that are required to be reported under *Government Auditing Standards*.

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 7, 2011

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

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

Compliance

We have audited the compliance of Kirbyville Consolidated Independent School District (the "District") 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, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Kirbyville Consolidated Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

Internal Control Over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, and the aggregate remaining fund information of Kirbyville Consolidated Independent School District as of and for the year ended August 31, 2011, and have issued our report thereon dated December 7, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

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

KIRBYVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

A. Summary of Auditor's Results

1 Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiencies identified that are not considered to be material weaknesses?	____ Yes	X 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 that are not considered to be material weaknesses?	____ Yes	X None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____ Yes	X None Reported

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010A	Title I
84.389	Title I - ARRA
84.394	State Fiscal Stabilization Fund

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, 2011

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

None

KIRBYVILLE INDEPENDENT SCHOOL DISTRICT EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

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	11610101121905	$ 430,430
Career and Technical - Basic Grant	84.048	11420006121905	22,369
ESEA Title IV, Part B - Rural & Low Income Prog.	84.358B	116969001121905	29,896
ESEA Title II Part A Teacher Principal Training Recruitment	84.367A	11694501121905	79,694
Title II, Part D - ARRA - Enhancing Ed. Through Technology*	84.386	10553001121905	282
ESEA, Title I, A - ARRA - Improving Basic Programs*	84.389	10551001121905	136,625
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11557001121905	1,108,570
Education Jobs Fund	84.410	11550101121905	13,292
Total Passed Through State Department of Education			$ 1,821,158
TOTAL DEPARTMENT OF EDUCATION			$ 1,821,158
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Agriculture			
National School Breakfast*	10.553	71401101	$ 119,549
National School Lunch Program*	10.555	71301101	337,455
TOTAL DEPARTMENT OF AGRICULTURE			$ 457,004
TOTAL FEDERAL AWARDS			$ 2,278,162

* Clustered Programs

Basis of Presentation

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.* 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. Generally, unused balances are returned to the grantor at the close of specified project periods.

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

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.	$ 305,319