KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Kirbyville, Texas

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2017

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
For The Year Ended August 31, 2017

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KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
For The Year Ended August 31, 2017

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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, 2017 at a meeting of the board of school trustees of such school district on the 18th day of December, 2017.

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 4, 2017

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kirbyville Consolidated Independent School District (the "District") as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kirbyville Consolidated Independent School District, as of August 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4347 Crow Road • Beaumont, TX 77706
Phone (409) 924-9100 • Fax (409) 924-0990

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and the TRS pension schedules on pages 4-10 and 41-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 4, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering District's internal control over financial reporting and compliance.

J.R. Edwards & Associates, LLC

In this section of the Annual Financial Report, we, the managers of the Kirbyville Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2017. We encourage readers to consider the information presented here in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements that begin on page 11.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was $10,222,333 at August 31, 2017.
- During the year, the District's expenses were $148,902 less than the $15,576,421 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased slightly from the period ended August 31, 2016. 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 State of Texas Assessment of Academic Readiness and End of Course assessments as well as the mandates of the federal No Child Left Behind Act.
- The general fund reported a fund balance this year of $4,267,661. Of this amount, $3,167,661 is for unrestricted use by the District.
- During the 2016-2017 school year the District passed the State's Financial Integrity Rating System of Texas for the school year 2015-2016 with a Superior rating

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They include the Statement of Net Position and the Statement of Activities that provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

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

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

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

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Notes to the Financial Statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-40 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 41 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The District's combined net position was $10,222,333 at August 31, 2017. (See Table I)

Table I
Kirbyville Consolidated Independent School District
Net Position

	August 31, 2017	August 31, 2016
Current and Other Assets	$ 7,246,548	$ 9,881,097
Capital Assets	29,453,771	27,954,716
Deferred Outflows	1,046,407	1,271,361
Total Assets	37,746,726	39,107,174
Long-term Liabilities	25,568,634	26,377,033
Other Liabilities	1,785,182	2,502,247
Deferred Inflows	170,577	154,463
Total Liabilities	27,524,393	29,033,743
Net Assets:		
Net Investment in Capital Assets	5,667,601	5,516,249
Restricted for Federal and State Programs	360,661	295,434
Restricted for Debt Service	633,636	503,153
Restricted for Capital Projects	527,954	2,584,347
Unrestricted	3,032,481	1,174,248
Total Net Position	$ 10,222,333	$ 10,073,431

Approximately $5.7 million of the District's net position represents investments in capital assets net of related debt. The $3.0 million of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position. The Districts total revenues were $15.6 million. A portion, 21 percent, of the District's revenue comes from local property taxes, 74 percent comes from grants and contributions, while only 2 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 $15.4 million. The net position of the District for the current year increased $148,902 (see Table II on page 7 of this report).

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

Program Revenues:		
Charges for Services	$ 259,698	$ 300,964
Operating Grants and Contributions	1,580,814	1,620,694
General Revenues:		
Maintenance and Operations Taxes	2,488,512	2,275,828
Debt Service Taxes	829,238	780,361
State Aid - Formula Grants		
Grants and Contributions - Not Restricted to Specific Functions	9,892,461	10,426,542
Investment Earnings	65,990	51,921
Miscellaneous	459,708	523,459
Transfers Out	-	-
Total Revenue	15,576,421	15,979,769
Expenses:		
Instruction	7,093,099	7,262,884
Instructional Resources and Media Services	225,111	205,146
Curriculum/Instructional Development	286,984	267,728
Instructional Leadership	1,399	1,667
School Leadership	686,743	750,540
Guidance and Counseling Services	316,878	325,906
Social Work Services	5,133	4,000
Health Services	115,296	83,459
Student (Pupil) Transportation	706,816	722,596
Food Services	723,445	875,983
Cocurricular/Extracurricular Activities	603,549	543,122
General Administration	1,102,044	621,660
Plant Maintenance and Operations	1,881,993	1,672,123
Security and Monitoring Services	123,701	76,389
Data Processing Services	285,664	243,286
Community Services	5,689	5,967
Debt Services - Interest on Long-Term Debt	895,233	913,736
Debt Services - Bond Issuance Cost & Fees	750	1,282
Payments to Fiscal Agent/Member Districts of SSA	367,992	404,340
Total Expenses Governmental Activities	15,427,519	14,981,814
Increase (Decrease) in Net Assets	148,902	997,955
Net Assets - September 1 (Beginning)	10,073,431	9,075,476
Prior Period Adjustment	-	-
Net Assets - September 1 (Restated)	10,073,431	9,075,476
Net Assets - August 31 (Ending)	$ 10,222,333	$ 10,073,431

GOVERNMENTAL ACTIVITIES

- Property tax rates were set at $1.04 per $100 valuation for M&O and $.345 for I&S. The rate for 2017-2018 is set at $1.04 for M&O and $.335 for I&S. The District lowered the I&S tax rate by 1 penny and will continue to strive to be good stewards of state revenue and taxpayer contributions.

- The District continues to pay down the $23.3 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 $15.4 million.

- The amount that our taxpayers paid for these activities through property taxes was $3.3 million.

- Some of the cost, $259,698 was paid by those who directly benefited from the programs or by grants and contributions in the amount of $1,580,814.

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	$ 7,093,099	$ 7,262,884	$ 6,298,082	$ 6,429,328
School Administration	1,102,044	621,660	1,081,160	604,937
School Leadership	686,743	750,540	659,712	718,842
Plant Maintenance & Operations	1,881,993	1,672,123	1,808,634	1,606,811
Cocurricular/Extracurricular Activities	603,549	543,122	552,034	492,822
Food Services	723,445	875,983	(14,243)	57,719
Student (Pupil) Transportation	706,816	722,596	682,355	695,381

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District continues to operate from a very conservative viewpoint. 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 recently completed facility projects at all three campuses which provide a more secure environment for our students and staff. The District remains in a period of conservation planning. With the recent natural disasters affecting our District and state, we feel it is imperative to continue a long-term process of managing finances wisely.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget amendments for the 2016-2017 school year were required to meet various needs throughout the District. All amendments were approved by the Board of Trustees.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets. At August 31, 2017 the District had $29.5 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 increase of $1.5 million (including additions and deductions) over last year.

Kirbyville Consolidated Independent School District
Capital Assets
Governmental Activities

	August 31, 2017	August 31, 2016
Land	$ 596,685	$ 596,685
Construction in Progress	7,935,824	12,239,267
Buildings and Improvements	32,483,503	26,064,839
Equipment	2,434,078	2,348,155
Vehicles	2,583,376	2,501,432
Totals at Historical Cost	46,033,466	43,750,378
Less Accumulated Depreciation:		
Buildings and Improvements	(12,491,339)	(11,885,986)
Equipment	(1,922,432)	(1,833,607)
Vehicles	(2,165,926)	(2,076,070)
Total Accumulated Depreciation	(16,579,697)	(15,795,663)
Net Capital Assets	$ 29,453,769	$ 27,954,715

Long-Term Debt. At year-end, the District had $23.3 million in bonds and notes payable outstanding. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

Kirbyville Consolidated Independent School District
Outstanding Debt

	August 31, 2017	August 31, 2016
Governmental activities:		
Capital Lease	83,132	127,317
General Obligation Bonds	$ 22,935,000	$ 23,525,000
Tax Exempt Obligations	320,680	357,167
Total	$ 23,338,812	$ 24,009,484

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

- Appraised value used for 2016-2017 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.

- General operating fund spending per student increased in the 2017 budget and is expected to increase again in 2018 primarily due to inflation, salaries and professional development for staff.

- The District projected 2016-2017 refined ADA numbers to be approximately 1425. Currently the refined ADA number is 1433 which is slightly higher than projected. The attendance rate is steady at 95 percent.

These indicators were taken into account when adopting the general fund budget for 2016-2017. Budget amounts available in the general fund budget are slightly higher due to the District striving to be fiscally conservative.

Expenditures continue to rise due to salary increases, increased insurance and utility costs and facility upgrades. The District is consistently looking for highly qualified teachers and staff. This year the District's instructional focus was on early literacy and preparing our students for post-secondary opportunities. Other initiatives remain focused on improving student performance by offering more professional development activities in core academic areas including math, science, language arts, and social studies.

The District continues to support Career and Technology education by providing several quality programs such as Welding, Ag Science, Auto Mechanics, Building Trades, FCCLA, and a CAN program. We plan to offer additional certification programs in the health science field in the future.

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

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KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION
AUGUST 31, 2017

Data Control Codes		Primary Government Governmental Activities
	Assets	
1110	Cash and Cash Equivalents	$ 6,181,919
1220	Property Taxes Receivable (Delinquent)	1,603,067
1230	Allowance for Uncollectible Taxes	(1,122,147)
1240	Due from Other Governments	491,611
1267	Due from Fiduciary Funds	300
1290	Other Receivables	91,798
	Capital Assets (Net of Accumulated Depreciation):	
1510	Land	596,685
1520	Buildings and Improvements	19,992,164
1530	Furniture and Equipment	929,098
1580	Construction In Progress	7,935,824
1000	**Total Assets**	36,700,319
	Deferred Outflows of Resources	
1705	Deferred Resource Outflow Related to TRS	1,046,407
1700	**Total Deferred Outflows of Resources**	1,046,407
	Total Assets and Deferred Outflows of Resources	37,746,726
	Liabilities	
2110	Accounts Payable and Accrued Expenses	549,101
2140	Interest Payable	50,767
2160	Accrued Wages Payable	429,644
2200	Accrued Expenditures	66,391
	Long Term Liabilities:	
2501	Due Within One Year	689,279
2502	Due in More Than One Year	23,574,078
2540	Net Pension Liability (District's Share)	1,994,556
2000	**Total Liabilities**	27,353,816
	Deferred Inflows of Resources	
2605	Deferred Resource Inflow Related to TRS	170,577
2600	**Total Deferred Inflows of Resources**	170,577
	Total Liabilities and Deferred Inflows of Resources	27,524,393
	Net Assets	
3200	Net Investment in Capital Assets	5,667,601
3820	Restricted for Federal and State Programs	360,661
3850	Restricted for Debt Service	633,636
3860	Restricted for Capital Projects	527,954
3900	Unrestricted Net Assets	3,032,481
3000	**Total Net Position**	$ 10,222,333

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, 2017

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	$ 7,093,099	$ -	$ 795,017	$ (6,298,082)
0012	Instructional Resources & Media Services	225,111	-	9,279	(215,832)
0013	Curriculum/Instructional Development	286,984	-	63,449	(223,535)
0021	Instructional Leadership	1,399	-	1,320	(79)
0023	School Leadership	686,743	-	27,331	(659,412)
0031	Guidance and Counseling Services	316,878	-	14,429	(302,449)
0032	Social Work Services	5,133	-	-	(5,133)
0033	Health Services	115,296	-	5,582	(109,714)
0034	Student (Pupil) Transportation	706,816	-	24,461	(682,355)
0035	Food Services	723,445	219,490	518,198	14,243
0036	Cocurricular/Extracurricular Activities	603,549	40,208	11,307	(552,034)
0041	General Administration	1,102,044	-	20,884	(1,081,160)
0051	Plant Maintenance and Operations	1,881,993	-	73,359	(1,808,634)
0052	Security and Monitoring Services	123,701	-	-	(123,701)
0053	Data Processing Services	285,664	-	11,209	(274,455)
0061	Community Services	5,689	-	4,989	(700)
0072	Debt Service - Interest on Long-Term Debt	895,233	-	-	(895,233)
0073	Debt Service - Bond Issuance Cost & Fees	750	-	-	(750)
0093	Shared Service Arrangements/Local Deaf	367,992	-	-	(367,992)
TG	**Total Governmental Activities:**	$ 15,427,519	$ 259,698	$ 1,580,814	$ (13,587,007)
TP	**Total Primary Government**	$ 15,427,519	$ 259,698	$ 1,580,814	(13,587,007)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, levied for general purposes	2,488,512
DT	Property Taxes, levied for debt service	829,238
SF	State aid-formula grant	8,412,432
GC	Grants and Contributions not restricted	1,480,029
IE	Investment Earnings	65,990
MI	Miscellaneous Local and Intermediate	459,708
FR	Transfers In (Out):	-
TR	**Total General Revenues**	13,735,909
CN	**Change in Net Position**	148,902
NB	**Net Position - September 1 (Beginning)**	10,073,431
PA	**Prior Period Adjustment**	-
NB	**Net Position - September 1 (Restated)**	10,073,431
NE	**Net Position - August 31 (Ending)**	$ 10,222,333

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, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Funds	Total Governmental Funds
	Assets					
1110	Cash and Cash Equivalents	$4,469,450	$ 515,068	$ 797,487	$ 337,591	$ 6,119,596
1220	Property Taxes - Delinquent	1,322,306	280,761	-	-	1,603,067
1230	Allowance for Uncollectible Taxes (credit)	(925,614)	(196,533)	-	-	(1,122,147)
1240	Due from Other Governments	385,362	10,681	-	95,312	491,355
1260	Due from Other Funds	153,727	5,054	-	178,470	337,251
1290	Other Receivables	73,059	18,605	-	134	91,798
1410	Prepayments	-	-	-	-	-
1000	**Total Assets**	$5,478,290	$ 633,636	$ 797,487	$ 611,507	$ 7,520,920
	Liabilities					
2110	Accounts Payable and Accrued Expenditures	$ 226,917	$ -	$ 269,533	$ 52,611	$ 549,061
2160	Accrued Wages Payable	384,580	-	-	45,064	429,644
2170	Due to Other Funds	230,993	-	-	153,427	384,420
2180	Due to Other Governments	-	-	-	(256)	(256)
2000	**Total Liabilities**	$ 842,490	$ -	$ 269,533	$ 250,846	$ 1,362,869
	Deferred Inflows of Resources					
2601	Unavailable Revenue - Property Taxes	$ 368,139	$ 75,580	$ -	$ -	$ 443,719
2600	**Total Deferred Inflows of Resources**	$ 368,139	$ 75,580	$ -	$ -	$ 443,719
	Fund Balance					
	Restricted Fund Balance					
3450	Federal or State Funds Grant Restriction	$ -		$ -	$ 360,661	$ 360,661
3470	Capital Projects	-	-	527,954	-	527,954
3480	Retirement of Long-Term Debt	-	558,056	-	-	558,056
	Committed Fund Balance:					
3510	Construction	500,000	-	-	-	500,000
3525	Retirement of Long-Term Debt	500,000		-	-	500,000
3545	Other Committed Fund Balance	100,000		-	-	100,000
3600	Unassigned Fund Balance	3,167,661	-	-	-	3,167,661
3000	**Total Fund Balance**	$4,267,661	$ 558,056	$ 527,954	$ 360,661	$ 5,714,332
4000	**Total Liabilities, Deferred Inflows, and Fund Balance**	$5,478,290	$ 633,636	$ 797,487	$ 611,507	$ 7,520,920

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Total Fund Balances - Governmental Funds	$ 5,714,332
Capital assets and bond related costs used in governmental activities are not financial resources and therefore are not reported in governmental funds.	29,453,771
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	443,719
Notes payable which are not due in the current period are not reported in the funds.	(24,263,357)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	43,365
Payable for bond interest is not reported in the funds.	(50,767)
Included in the items related to debit is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of $1,994,556, a Deferred Resource Inflow related to TRS in the amount of $170,577, and a Deferred Resource Outflow related to TRS in the amount of $1,046,407. This amounted to a decrease in Net Position in the amount of $1,118,730	(1,118,730)
	$ 10,222,333

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

EXHIBIT C

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Funds	Total Governmental Funds
	Revenues					
5700	Local Sources	$ 2,935,391	$ 902,905	$ 14,257	$ 219,490	$ 4,072,043
5800	State Program Revenues	9,443,193	655,667	-	83,146	10,182,006
5900	Federal Program Revenues	134,018	-	-	1,024,696	1,158,714
5020	**Total Revenues**	12,512,602	1,558,572	14,257	1,327,332	15,412,763
	Expenditures					
	Current					
0011	Instruction	6,001,405	-	-	490,899	6,492,304
0012	Instructional Resources and Media Services	208,105	-	-	-	208,105
0013	Curriculum and Instructional Development	211,335	-	-	53,888	265,223
0021	Instructional Leadership	-	-	-	1,320	1,320
0023	School Leadership	628,829	-	-	-	628,829
0031	Guidance and Counseling Services	290,671	-	-	-	290,671
0032	Social Work Services	4,842	-	-	-	4,842
0033	Health Services	106,012	-	-	-	106,012
0034	Student (Pupil) Transportation	744,435	-	-	-	744,435
0035	Food Services	-	-	-	672,462	672,462
0036	Cocurricular/Extracurricular Activities	583,749	-	-	-	583,749
0041	General Administration	1,027,360	-	-	-	1,027,360
0051	Plant Maintenance and Operations	1,824,955	-	-	38,547	1,863,502
0052	Security and Monitoring Services	116,694	-	-	-	116,694
0053	Data Processing Services	263,978	-	-	-	263,978
0061	Community Services	700	-	-	4,989	5,689
	Debt Service					
0071	Debt Service - Principal on long-term debt	80,672	590,000	-	-	670,672
0072	Debt Service - Interest on long-term debt	20,332	912,919	-	-	933,251
0073	Debt Service - Bond Issuance Cost and Fee	-	750	-	-	750
	Capital Outlay					
0081	Facilities Acquisition and Construction	-	-	2,070,650	-	2,070,650
	Intergovernmental					
0093	Shared Service Arrangement/Deaf Program	367,992	-	-	-	367,992
6030	**Total Expenditures**	12,482,066	1,503,669	2,070,650	1,262,105	17,318,490
1200	Net Change in Fund Balances	30,536	54,903	(2,056,393)	65,227	(1,905,727)
0100	**Fund Balance - September 1 (Beginning)**	4,237,125	503,153	2,584,347	295,434	7,620,059
3000	**Fund Balance - August 31 (Ending)**	$ 4,267,661	$ 558,056	$ 527,954	$ 360,661	$ 5,714,332

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, 2017

Total Net Change in Fund Balances - Governmental Funds	$	(1,905,727)
Capital outlays and bond issuance costs are not reported as expenses in the statement of activities.		2,283,089
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.		(784,034)
The Issuance and refunding of debt and the premium on the issuance of debt is recognized as an other financing source in the funds but not in the statement of activities.		
Repayment of loan principal is an expenditure in the funds but is not an expense in the statement of activities.		670,672
The amortization of bond premiums and discounts are not reported in the funds.		37,224
Certain property tax revenues are deferred in the funds. This is the change in these.		31,103
Accrued interest on bonds is not reported in the funds.		794
The net revenue (expense) of internal service funds is reported with governmental activities		(25,042)
Adjustment for change in ending deferred inflows and outflows and net pension liability		(159,177)
Change in Net Position of Governmental Activities	$	148,902

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT D-1

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2017

	Governmental Activities Internal Service Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	$ 62,323
Due from Other Funds	47,470
Total Current Assets	109,793
Total Assets	109,793
Liabilities	
Current Liabilities:	
Accounts Payable	38
Accrued Expenses	66,390
Total Current Liabilities	66,428
Total Liabilities	66,428
Net Position	
Unrestricted Net Position	43,365
Total Net Position	$ 43,365

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT D-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

	Governmental Activities Internal Service Fund
Operating Revenues	
Local and Intermediate Sources	$ 41,759
Total Operating Revenues	41,759
Operating Expenses	
Professional and Contracted Services	66,801
Total Operating Expenses	66,801
Change in Net Position	(25,042)
Total Net Position - September 1 (Beginning)	68,407
Total Net Position - August 31 (Ending)	$ 43,365

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, 2017

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 41,759
Cash Payments For Insurance Claims	(43,202)
Net Cash Provided by (Used for) Operating Activities	(1,443)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,443)
Cash and Cash Equivalents at Beginning of the Year:	63,766
Cash and Cash Equivalents at End of the Year:	$ 62,323

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

Operating Income (Loss):	$ (25,042)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accrued Expenses and Due From Other Funds	23,599
Net Cash Provided by (Used for) Operating Activities	$ (1,443)

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DIST EXHIBIT E-1

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Agency Fund
Assets	
Cash and Cash Equivalents	$ 211,845
Due from Other Funds	746
Other Receivables	230
Total Assets	$ 212,821
Liabilities	
Accounts Payable	$ 101
Due to Other Funds	$ 300
Due to Student Groups	212,420
Total Liabilities	$ 212,821
Net Assets	
Unrestricted Net Position	
Total Liabilities and Net Position	

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. All capital asset depreciation is reported as a direct expense of the functional program that benefits from the use of the capital assets. *Program revenues* include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function. They also include grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*.

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

The District reports the following major governmental funds:

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

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.

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

In addition, the District reports the following fund types:

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash, Cash Equivalents and Investments

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

1. Cash, Cash Equivalents and Investments, Continued

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

2. Receivables and Payables

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

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

Allowances for uncollectible tax receivables within the General Fund and Debt Service are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

3. Inventories and Prepaid Items

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

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

4. Encumbrances

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

5. Capital Assets

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

5. Capital Assets, continued

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

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

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

6. Compensated Absences

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

7. Arbitrage Payable

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The District had no arbitrage liability as of August 31, 2017.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

9. Data Control Codes

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

10. Government-Wide Net Position

Net investment in capital assets – the component of net position that represents capital assets less capital debt plus unspent bond proceeds. As of August 31, 2017 this amount was $5,667,607.

Restricted for Federal and State Programs – the component of net position that reports the difference between assets and liabilities of the Federal and State special revenue programs that consists of assets with constraints placed on their use by the Department of Education, Agriculture or Texas Education Agency ("TEA") of $360,661.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

10. Government-Wide Net Position, Continued

Restricted for debt service – the component of net position that reports the difference between assets and liabilities of the Debt Service Fund net of accrued interest at August 31, 2017 that consist of assets with constraints placed on their use by the bond covenants of $633,636.

Restricted for capital projects – the component of net position that reports the difference between assets and liabilities of the Capital projects fund in the amount of $527,954.

Unrestricted – the difference between the assets and liabilities that are not restricted for any purposes in the amount of $3,032,481.

11. Fund Equity

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

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

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

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

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

12. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Management's review of subsequent events

Management has evaluated subsequent events through December 4, 2017, the date the financial statements were available to be issued.

Note 2: COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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.

A. Finance-Related Legal and Contractual Provisions

1. In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," there are no violations of finance-related legal and contractual provisions to report.
2. The District did not have any deficit fund balances or negative fund net assets for the fiscal year ended August 31, 2017.

Note 3: DEPOSITS AND INVESTMENTS

At August 31, 2017, the carrying amount of the District's demand deposits and cash on hand was $472,569. The $604,157 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.

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 $2,150,000.
c. Highest cash balance amounted to $2,026,138 and occurred during the month of February, 2017.

Note 3: DEPOSITS AND INVESTMENTS, CONTINUED

d. Total amount of Federal Deposit Insurance Corporation ("FDIC") coverage at the time of the highest combined balance was $276,813.

Investments

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

Statutes authorize the District to invest in (1) obligations of the United States Treasury, certain United States agencies, and obligations of the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools,(9) guaranteed investment contracts, and (10) common trust funds. Management of the District believes it is in compliance with the requirements of the Act and with local policies. The District's
investments in public funds investment pools and money market mutual funds include those with the Lone Star Investment Pool (LSIP).

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

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

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

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

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

Note 3: DEPOSITS AND INVESTMENTS, CONTINUED

Investments, Continued

The District's investments at August 31, 2017 are shown below:

Type	Carrying Amount	Fair Value	Maturity
Investments not subject to categorization			
LoneStar	$ 5,921,121	$ 5,921,121	Weighted average < 120 days
Total Investments	$ 5,921,121	$ 5,921,121	

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.

Custodial Credit Risk – Investments

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

Concentration of Credit Risk

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

Foreign Currency Risk

At year end, there are no foreign currency investments in the District's portfolio.

Note 3: DEPOSITS AND INVESTMENTS, CONTINUED

Analysis of Specific Deposit and Investment Risks, Continued

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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$ 596,685	$ -	$ -	$ 596,685
Construction in Progress	12,239,267	2,070,651	6,374,094	7,935,824
Total Capital Assets, Not Being Depreciated	12,835,952	2,070,651	6,374,094	8,532,509
Capital Assets, Being Depreciated:				
Buildings & Improvements	26,064,839	6,418,664	-	32,483,503
Equipment	2,348,155	85,923	-	2,434,078
Vehicles	2,501,432	81,944	-	2,583,376
Total Capital Assets, Being Depreciated:	30,914,426	6,586,531	-	37,500,957
Less Accumulated Depreciation:				
Buildings & Improvements	(11,885,986)	(605,353)	-	(12,491,339)
Equipment	(1,833,607)	(88,825)	-	(1,922,432)
Vehicles	(2,076,070)	(89,856)	-	(2,165,926)
Total Accumulated Depreciation	(15,795,663)	(784,034)	-	(16,579,697)
Total Capital Assets, Being Depreciated, Net	15,118,763	5,802,497	-	20,921,260
Governmental Activities Capital Assets, Net	$ 27,954,715	$ 7,873,148	$ 6,374,094	$ 29,453,769

Note 4: CAPITAL ASSETS, Continued

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

Instruction	$	389,841
Instructional resources		12,496
Cirriculum		15,926
Instructional leadership		79
School leadership		37,759
Guidance		17,454
Social Work Services		291
Health services		6,366
Student transportation		39,362
Food services		40,379
Cocurricular/Extracurricular Activities		33,858
General administration		61,690
Plant maintenance		105,675
Security		7,007
Data processing		15,851
Total Depreciation Expense	$	784,034

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, 2017 consisted of the following individual fund receivables and payables:

Receivable Fund	Payable Fund		Amount
General	Special Revenue	$	153,427
Special Revenue	General		178,469
Debt Service	General		5,054
Internal Service	General		47,470
		$	384,420

The receivables in the general fund totaling $153,427, from special revenue funds 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 $178,469 includes amounts that are initially deposited into Lone Star for other funds. The receivable in the Debt Service and Internal Service 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, 2017.

Note 7: CAPITAL LEASES

The Public Property Finance Act gives the District authority to enter into capital leases for the acquisition of personal property. The District has entered into lease agreements as lessee for financing the acquisition of technology equipment in accordance with provisions of the Texas Education Code Section 45.109. This lease agreement qualifies as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Capital leases at August 31, 2017 are summarized as follows:

Date of Issue / Maturity	Interest Rate Payable	Amounts Original Issue	Current Interest	Outstanding 8/31/16	Issued	Retired	Outstanding 8/31/17
2016-2019	4.17%	$ 217,317	$ -	$ 127,317	$ -	$ 44,185	$ 83,132

Future minimum lease payments as of August 31, 2017 are as follows:

Year ending August 31,	
2018	44,185
2019	44,186
Total	88,371
Less: Interest	5,239
Present value of Minimum Lease Payments	$ 83,132

Note 8: LONG-TERM DEBT

The District issued 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, 2017, are summarized as follows:

Date of Issue	Original Issue	Final Maturity	Annual Installments	% Rate	Outstanding Balance
2013	$ 9,000,000	2043	$145,000-$520,000	2.0%-4.375%	8,345,000
2014	$ 8,920,000	2044	$80,000-$555,000	2.0%-4.000%	8,750,000
2015	$ 6,550,000	2045	$90,000-$470,000	4.0%-4.50%	5,840,000
					$ 22,935,000

The District entered into a finance contract with Government Capital Corporation for the purpose of financing "District Wide Energy Conservation Project". Amounts outstanding as of August 31, 2017 are as follows:

Note 8: LONG-TERM DEBT, Continued

Date of Issue	Original Issue	Final Maturity	Annual Installments	% Rate	Outstanding Balance
2009	$ 575,670	2024	$3,060-$30,645	5.69%	$ 320,680

Changes in long-term liabilities

Long-term liability activity for the year ended August 31, 2017, was as follows:

	Beginning Balance	Additions	Retirements/ Payments	Ending Balance	Due Within One Year
Governmental activities:					
Bonds Payable:					
General obligations bonds	$ 23,525,000	$ -	$ 590,000	$ 22,935,000	$ 610,000
Add: Premium on bonds	961,769	-	37,224	924,545	-
Capital Lease	127,317	-	44,185	83,132	40,716
Contractual Obligations	357,167	-	36,487	320,680	38,563
Total governmental activities	$ 24,971,253	$ -	$ 707,896	$ 24,263,357	$ 689,279

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

Year Ending August 31	Principal	Interest	Total
2018	648,564	909,424	1,557,988
2019	675,759	883,379	1,559,138
2020	713,079	857,858	1,570,937
2021	755,532	832,656	1,588,188
2022	793,124	806,114	1,599,238
2023-2027	4,479,622	3,554,611	8,034,233
2028-2032	4,170,000	2,679,670	6,849,670
2033-2037	4,090,000	1,906,625	5,996,625
2038-2042	5,045,000	934,278	5,979,278
2043-2045	1,885,000	72,075	1,957,075
Total	$ 23,255,680	$ 13,436,690	$ 36,692,370

Note 9: RETIREMENT BENEFITS

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution

Note 9: RETIREMENT BENEFITS, Continued

rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description note above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Legislature GAA established the employer contribution rates for fiscal years 2016 and 2017.

Note 9: RETIREMENT BENEFITS, Continued

Contributions, Continued

	2016	2017
Member	7.2%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Kirbyville CISD 2017 Employer Contributions	$ 200,467
Kirbyville CISD 2017 Member Contributions	$ 588,663
Kirbyville CISD 2016 NECE On-Behalf Contributions	$ 426,609

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

1. On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
2. During a new member's first 90 days of employment.
3. When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
4. When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

1. When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
2. When a school district or charger school does not contribute to the Federal Old-Age, survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Note 9: RETIREMENT BENEFITS, Continued

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

	Valuation Date August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc post-employment benefit changes	None

**Includes Inflation of 2.5%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Note 9: RETIREMENT BENEFITS, Continued

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Vlaue Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

* The Expected Contribution to Returns incorporates the volatility drag resulting from the converstion between Arithmetic and Geometric mean returns.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	$ 3,086,901	$ 1,994,556	$ 1,068,027

Note 9: RETIREMENT BENEFITS, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At August 31, 2017, the District reported a liability of $1,994,556 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	$ 1,994,556
State's proportionate share that is associated with District	$ 5,063,786
Total	$ 7,058,342

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0058742 % which was a decrease of 0.005821418% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2017, the District recognized pension expense of $525,500 and revenue of $525,500 for support provided by the State.

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 31,274	59,556
Changes in actuarial assumptions	60,790	55,286
Difference between projected and actual investment earnings	168,895	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	584,981	55,735
Contributions paid to TRS subsequent to the measure	200,467	
Total	$ 200,467	$ 170,577

Note 9: RETIREMENT BENEFITS, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - Continued

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2018	$ 125,309
2019	125,309
2020	233,038
2021	117,032
2022	79,862
Thereafter	(5,187)

Note 10: SCHOOL DISTRICT RETIREE HEALTH PLAN

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2015–2017.

	Member		State		School District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	$ 47,173	1.0%	$ 72,574	0.55%	$ 39,915
2016	0.65%	$ 47,150	1.0%	$ 72,538	0.55%	$ 39,896
2015	0.65%	$ 46,167	1.0%	$ 71,026	0.55%	$ 39,064

Note 10: SCHOOL DISTRICT RETIREE HEALTH PLAN, Continued

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, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on-behalf of the District were $23,478, $29,871, and $31,034, respectively. The information for the year ended August 31, 2017 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 11: RISK MANAGEMENT

Property, Casualty and Liability Insurance

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

Workman's Compensation

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

Workman's Compensation, Continued

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 2016-2017 is $83,962. 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:

	2017	2016
Liability for claims September 1	$ 42,791	$ 54,140
Current year claims and changes in estimates	65,252	(2,181)
Claim payments	(41,652)	(9,168)
Liability for claims August 31	$ 66,391	$ 42,791

Note 12: 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, 2017.

As of August 31, 2016, there was no pending litigation against the District.

Note 13: 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.

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.

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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, 2017

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	Revenues				
5700	Local Sources	$ 2,627,115	$ 2,975,115	$ 2,935,391	$ (39,724)
5800	State Program Revenues	9,166,317	9,340,550	9,443,193	102,643
5900	Federal Program Revenues	45,000	135,000	134,018	(982)
5020	**Total Revenues**	11,838,432	12,450,665	12,512,602	61,937
	Expenditures				
	Current				
0011	Instruction	6,350,579	6,440,812	6,001,405	439,407
0012	Instructional Resources & Media Svcs	201,090	214,650	208,105	6,545
0013	Curriculum and Instructional Development	234,756	234,756	211,335	23,421
0023	School Leadership	666,886	674,136	628,829	45,307
0031	Guidance and Counseling Services	283,374	291,574	290,671	903
0032	Social Work Services	4,000	4,850	4,842	8
0033	Health Services	114,945	120,570	106,012	14,558
0034	Student (Pupil) Transportation	781,562	905,092	744,435	160,657
0036	Cocurricular/Extracurricular Activities	480,421	599,736	583,749	15,987
0041	General Administration	620,781	1,081,066	1,027,360	53,706
0051	Plant Maintenance and Operations	1,418,679	2,230,579	1,824,955	405,624
0052	Security and Monitoring Services	65,500	153,500	116,694	36,806
0053	Data Processing Services	252,819	284,819	263,978	20,841
0061	Community Services	800	800	700	100
0071	Debt Service - Principal on long-term debt	56,830	36,490	80,672	(44,182)
0072	Debt Service - Interest on long-term debt	-	20,340	20,332	8
0081	Facilities Acquisition and Construction	-	-	-	-
0093	Shared Service Arrangements/Deaf Program	360,000	410,000	367,992	42,008
6030	**Total Expenditures**	11,893,022	13,703,770	12,482,066	1,221,704
	Excess (Deficiency) of Revenues				
1200	Net Changes in Fund Balance	(54,590)	(1,253,105)	30,536	1,283,641
0100	**Fund Balance - September 1 (Beginning)**	4,237,125	4,237,125	4,237,125	-
3000	**Fund Balance - August 31 (Ending)**	$ 4,182,535	$ 2,984,020	$ 4,267,661	$ 1,283,641

KIRBYVILLE INDEPENDENT SCHOOL DISTRICT EXHIBIT G-2

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2017

	Fiscal Year			
	2015	2016	2017	2018
District's Proportion of the Net Pension Liability	0.0027902%	0.0058742%	0.005278207%	-
District's Proportionate Share of Net Pension Liability	$ 745,301	2,076,452	1,994,556	-
States Proportionate Share of the Net Pension Liability associated with the District	4,372,033	4,882,796	5,063,786	
Total	5,117,334	6,959,248	7,058,342	
District's Covered-Employee Payroll	7,066,979	7,102,602	7,257,360	-
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	10.55%	29.24%	27.48%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%	78.43%	78.00%	-

Note: Only three years of data is presented in accordance with GASB # 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

KIRBYVILLE INDEPENDENT SCHOOL DISTRICT EXHIBIT G-3

SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2017

	Fiscal Year			
	2015	2016	2017	2018
Contractually Required Contribution	$ 173,938	176,231	167,702	-
Contribution in Relation to the Contractually Required Contribution	(173,938)	(176,231)	(167,702)	-
Contribution Deficiency (Excess)	$ -			
District's Covered-Employee Payroll	$ 7,102,602	7,253,814	7,257,360	-
Contributions as a Percentage of Covered-Employee Payroll	2.45%	2.43%	2.31%	-

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2014 - August 31, 2015.

Note: Only two years of data is presented in accordance with GASB # 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

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OTHER SUPPLEMENTARY INFORMATION

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

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE (UNAUDITED)
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Last Ten Years Ended August 31	Tax Rate*		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	Various
2009	1.04	0.11	173,653,478
2010	1.04	0.11	181,330,261
2011	1.04	0.11	195,726,957
2012	1.04	0.11	208,543,043
2013	1.04	0.11	213,362,609
2014	1.04	0.35	219,266,064
2015	1.04	0.345	222,766,498
2016	1.04	0.345	242,441,083
2017	1.04	0.345	260,251,119
1000 Totals			

* - Per $100 of assessed valuation

10 Beginning Balance 09/01/16	20 Current Year's Total Levy	30 Maintenance Total Collections	30a Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 08/31/17
$ 520,714	$ -	$ 15,448	$ 1,072	$ (25,668)	$ 478,526
53,308	-	3,250	344	(784)	48,930
63,338	-	3,042	322	(899)	59,075
75,804	-	7,410	784	(811)	66,799
92,983	-	12,954	1,370	(1,146)	77,513
102,054	-	14,489	1,533	(1,282)	84,750
149,088	-	17,889	5,934	(356)	124,909
186,149	-	31,644	10,497	(622)	143,386
301,573	-	88,864	29,478	14,032	197,263
-	3,604,478	2,464,313	817,489	(759)	321,917
$ 1,545,011	$ 3,604,478	$ 2,659,303	$ 868,823	$ (18,295)	$ 1,603,068

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (UNAUDITED)
BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	Revenues				
5700	Local Sources	$ 235,000	$ 245,000	$ 219,490	$ (25,510)
5800	State Program Revenues	13,000	18,000	4,276	(13,724)
5900	Federal Program Revenues	550,000	565,000	552,469	(12,531)
5020	**Total Revenues**	798,000	828,000	776,235	(51,765)
	Expenditures				
0035	Food Services	695,513	760,513	672,462	88,051
0051	Maintenance	45,000	45,010	38,547	6,463
6030	**Total Expenditures**	740,513	805,523	711,009	94,514
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	57,487	22,477	65,226	42,749
1200	Net Changes in Fund Balance	57,487	22,477	65,226	42,749
0100	**Fund Balance - September 1 (Beginning)**	295,432	295,432	295,432	-
3000	**Fund Balance - August 31 (Ending)**	$352,919	$317,909	$ 360,658	$ 42,749

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT EXHIBIT J-3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (UNAUDITED)
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	Revenues				
5700	Local Sources	$ 805,245	$ 896,745	$ 902,905	$ 6,160
5800	State Program Revenues	725,115	725,115	655,667	(69,448)
5020	**Total Revenues**	1,530,360	1,621,860	1,558,572	(63,288)
	Expenditures				
	Debt Service:				
0071	Debt Service - Principal on Long-Term Debt	590,000	590,000	590,000	-
0072	Debt Service - Interest on Long Term-Debt	912,169	912,169	912,919	(750)
0073	Debt Service - Bond Issuance Cost and Fees	1,000	1,000	750	250
6030	**Total Expenditures**	1,503,169	1,503,169	1,503,669	(500)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	27,191	118,691	54,903	(63,788)
	Other Financing Sources (Uses):				
7901	Refunding Bonds Issued	-	-	-	-
7916	Premium or Discount on Issuance of Bonds	-	-	-	
8949	Other (Uses)	-	-	-	-
	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Changes in Fund Balance	27,191	118,691	54,903	(63,788)
0100	**Fund Balance - September 1 (Beginning)**	503,153	503,153	503,153	-
3000	**Fund Balance - August 31 (Ending)**	$ 530,344	$ 621,844	$ 558,056	$ (63,788)

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

December 4, 2017

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kirbyville Consolidated Independent School District (the "District"), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

4347 Crow Road • Beaumont, Texas 77706
Phone (409) 924-9100 • Fax (409) 924-0990

Purpose of this Report

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

J.R. Edwards & Associates, LLC

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

December 4, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Kirbyville Consolidated Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB 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, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

4347 Crow Road • Beaumont, TX 77706
Phone (409) 924-9100 • Fax (409) 924-0990

Report on Internal Control over Compliance

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

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

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

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

J.R. Edwards & Associates, LLC

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KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

A. Summary of Auditor's Results

1 Financial Statements

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

2 Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiencies identified?	____ Yes	X None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	X No

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

KIRBYVILLE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

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, 2017

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	16610101121905	$ 358,042
Total Title I, Part A Cluster	84.010A		358,042
Career and Technical - Basic Grant	84.048	17420006121905	19,232
ESEA, Title VI, Part B, Rural & Low Income Program	84.358B	17696001121905	32,466
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501121905	62,487
Total Passed Through State Department of Education			$ 472,227
TOTAL DEPARTMENT OF EDUCATION			$ 472,227
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Agriculture			
National School Breakfast*	10.553	71401701	$ 178,963
National School Lunch Program* - Cash Assistance	10.555	71301701	373,506
Total Nutrition Cluster			552,469
Total Passed Through the State Department of Agriculture			$ 552,469
TOTAL DEPARTMENT OF AGRICULTURE			$ 552,469
TOTAL FEDERAL AWARDS			$ 1,024,696

* Clustered Programs

Basis of Presentation

1. The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide.*

   Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state awards generally are accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of specified grant periods.

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

   The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

   Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned. The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 30 days beyond the federal project period ending date, in accordance with provisions in *OMB Compliance Supplement,* or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards.*

4. The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable at August 31, 2017, may be impaired.

5. The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

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
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF7	Did the District make timely payments to Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS) and other government agencies?	Yes
SF8	Did the District not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of FSP funds as a result of financial hardship?	Yes
SF10	Total Accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	$ -
SF11	District's proportionate share of Net Pension Assets	$ -
SF12	District's proportionate share of Net Pension Liabilities	$ 1,994,556
SF13	District's proportionate share of TRS Pension Expenses	$ 159,177