

**KAUFMAN INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE**  
**YEAR ENDED AUGUST 31, 2011**

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2011

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CERTIFICATE OF BOARD

Kaufman Independent School District  
Name of School District

Kaufman  
County

129-903  
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2011, at a meeting of the Board of Trustees of such school district on the 23rd day of January, 2012.

Jd - Zdy  
Signature of Board Secretary

Byron Gregg  
Signature of Board President

Independent Auditor's Report

Board of Trustees  
Kaufman Independent School District  
Kaufman, Texas

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman Independent School District (the District), as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman Independent School District as of August 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Hankins, Eastup, Deaton, Tonn & Seay*

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

January 9, 2012

**KAUFMAN INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2011  
(UNAUDITED)**

As management of Kaufman Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2011. Please read this narrative in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements that begin on page 13.

**FINANCIAL HIGHLIGHTS**

- The assets of Kaufman Independent School District exceeded its liabilities at the close of the most recent fiscal period by \$26,388,308 (net assets). Of this amount, \$4,475,585 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fund balance and fiscal policies.
- The District's total government-wide net assets increased by \$1,286,019.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$8,655,908. Over 56% of this total amount (\$4,962,290) is unassigned and available for use within the District's fund balance policies.
- At the end of the current fiscal period, unassigned fund balance for the general fund was \$4,962,290 or 17.9% of the total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

## **Reporting the District as a Whole**

### **The Statement of Net Assets and the Statement of Activities**

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

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

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

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

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

## **Reporting the District's Most Significant Funds**

### **Fund Financial Statements**

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

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

## The District as Trustee

### Reporting the District's Fiduciary Responsibilities

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net assets of the District's governmental activities increased from \$25,102,289 to \$26,388,308. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$4,475,585 at August 31, 2011. The increase in governmental net assets was the result primarily of an increase in the General Fund fund balance.

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

#### NET ASSETS

	Governmental Activities 2011	Governmental Activities 2010
Current and other assets	\$13,214,522	\$ 9,983,684
Capital assets	49,525,158	48,939,804
Total assets	62,739,680	58,923,488
Long-term liabilities	33,267,498	31,431,541
Other liabilities	3,083,874	2,389,658
Total liabilities	36,351,372	33,821,199
Net Assets:		
Invested in capital assets net of related debt	19,415,426	19,895,347
Restricted	2,497,297	2,785,707
Unrestricted	4,475,585	2,421,235
Total net assets	\$26,388,308	\$25,102,289



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

	Governmental Activities 2011	Governmental Activities 2010
Revenues:		
Program Revenues:		
Charges for services	\$ 1,371,311	\$ 1,569,076
Operating grants and contributions	9,725,656	8,922,560
General Revenues:		
Maintenance and operations taxes	7,348,694	6,624,751
Debt service taxes	824,376	1,650,625
State aid	17,922,551	15,981,130
Investment Earnings	29,975	30,794
Miscellaneous	91,542	214,775
Total Revenue	<u>37,314,105</u>	<u>34,993,711</u>
Expenses:		
Instruction, curriculum and media services	20,713,447	19,598,189
Instructional and school leadership	2,280,883	2,088,220
Student support services	2,440,977	2,365,439
Food services	1,736,249	1,622,692
Extracurricular activities	1,599,646	1,474,663
General administration	759,346	700,547
Plant maintenance, security & data processing	4,483,195	4,189,324
Community services	455,379	416,621
Debt services	1,474,053	1,547,658
Facilities acquisition, construction	5,825	796,690
Other intergovernmental charges	79,086	116,854
Total Expenses	<u>36,028,086</u>	<u>34,916,897</u>
Increase in net assets	1,286,019	76,814
Net assets at beginning of year	<u>25,102,289</u>	<u>25,025,475</u>
Net assets at end of year	<u>\$26,388,308</u>	<u>\$25,102,289</u>

Although this financial report presents relatively balanced revenues and expenditures as well as an acceptable fund balance in the General and Debt Service Funds, a number of adjustments were necessary in the preparation of the 2010-11 Budget to enable the District to maintain a sound financial position.

- General Fund expenditures increased 8.8% due primarily to higher personnel costs resulting from District approved pay increases, increased capital outlay, and certain one-time expenditures.
- The District's maintenance and operations tax rate increased from \$1.04 per \$100 valuation to \$1.17 per \$100 valuation. Voters in the District approved the increase in a tax-rate election in September 2010. The Debt Service tax rate was reduced from \$0.26 per \$100 valuation to \$0.13 per \$100 valuation. The District's taxable property value decreased 0.5%. State revenues increased 12.1% due to changes in the state funding formula and increased local maintenance and operations tax effort.

The cost of all governmental activities for the current fiscal year was \$36,028,086. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$8,173,070 because some of the costs were paid by those who directly benefited from the programs (\$1,371,311) or by other governments and organizations that subsidized certain programs with grants and contributions (\$9,725,656) or by State equalization funding (\$17,922,551).

## **THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$8,655,908, which is \$2,409,950 more than last year's total of \$6,245,958. Included in this year's total change in fund balance is an increase of \$2,636,403 in the District's General Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2010). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The primary amendment was for additional facilities acquisition and construction budgeted for repairs to Monday Primary School and other construction projects. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$8,101,994 reported on page 16 differs from the General Fund's budgetary fund balance of \$5,472,221 reported in the budgetary comparison schedule on page 20. This is principally due to cost savings in several functional categories and state revenue in excess of budgeted amounts.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At August 31, 2011, the District had \$49,525,158 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$585,354, or 1.2 percent, more than last year. This increase was due primarily to \$2,735,755 of capital asset additions reduced by depreciation on capital assets.

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

### **Debt Administration**

At August 31, 2011, the District had \$33,267,498 in bonds, notes, and capital leases outstanding (including accreted interest on bonds) versus \$31,431,541 last year—an increase of \$1,835,957. The District issued \$3,500,000 of Qualified School Construction Maintenance Tax Notes in October 2010. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund) according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The District's maintenance and operations tax rate remained \$1.17 per \$100 valuation. The debt service tax rate remained \$0.13 per \$100 valuation.
- Expenditures are budgeted to decrease approximately \$2.2 million due primarily to lower budgeted capital outlay and reductions in personnel costs and other expenses.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Kaufman Independent School District, 1000 S. Houston Street, Kaufman, Texas 75142 (972) 932-2622.

## BASIC FINANCIAL STATEMENTS

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KAUFMAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2011

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 8,650,367
1220 Property Taxes Receivable (Delinquent)	1,039,383
1230 Allowance for Uncollectible Taxes	(93,545)
1240 Due from Other Governments	912,780
1290 Other Receivables, net	2,955
1420 Capitalized Bond and Other Debt Issuance Costs	606,743
Capital Assets:	
1510 Land	1,321,974
1520 Buildings, Net	44,495,881
1530 Furniture and Equipment, Net	1,380,158
1580 Construction in Progress	2,327,145
1800 Restricted Assets	2,095,839
1000 Total Assets	62,739,680
<b>LIABILITIES</b>	
2110 Accounts Payable	1,247,386
2141 Accrued Interest Payable	77,841
2160 Accrued Wages Payable	831,379
2180 Due to Other Governments	14,152
2200 Accrued Expenses	138,202
2300 Unearned Deferred Revenues	774,914
Noncurrent Liabilities	
2501 Due Within One Year	1,979,132
2502 Due in More Than One Year	31,288,366
2000 Total Liabilities	36,351,372
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	19,415,426
3820 Restricted for Federal and State Programs	16,538
3850 Restricted for Debt Service	2,480,759
3900 Unrestricted Net Assets	4,475,585
3000 Total Net Assets	\$ 26,388,308

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

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KAUFMAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT B-1

Data Control Codes	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	1	3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
<b>Primary Government:</b>					
GOVERNMENTAL ACTIVITIES:					
11 Instruction	\$ 19,593,917	\$ 237,809	\$ 4,520,126	\$ (14,835,982)	
12 Instructional Resources and Media Services	735,045	-	242,542	(492,503)	
13 Curriculum and Staff Development	384,485	-	222,156	(162,329)	
21 Instructional Leadership	175,655	-	141,745	(33,910)	
23 School Leadership	2,105,228	-	477,062	(1,628,166)	
31 Guidance, Counseling and Evaluation Services	993,569	-	427,538	(566,031)	
32 Social Work Services	3,068	-	1,306	(1,762)	
33 Health Services	355,228	-	65,195	(290,033)	
34 Student (Pupil) Transportation	1,089,112	-	417,767	(671,345)	
35 Food Services	1,736,249	365,406	1,295,789	(75,054)	
36 Extracurricular Activities	1,599,646	533,530	45,795	(1,020,321)	
41 General Administration	759,346	-	120,443	(638,903)	
51 Plant Maintenance and Operations	3,506,215	6,788	45,723	(3,453,704)	
52 Security and Monitoring Services	289,714	-	12,536	(277,178)	
53 Data Processing Services	687,266	-	16,944	(670,322)	
61 Community Services	455,379	227,778	30,699	(196,902)	
72 Debt Service - Interest on Long Term Debt	1,441,488	-	1,642,290	200,802	
73 Debt Service - Bond Issuance Cost and Fees	32,565	-	-	(32,565)	
81 Capital Outlay	5,825	-	-	(5,825)	
99 Other Intergovernmental Charges	79,086	-	-	(79,086)	
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 36,028,086</u>	<u>\$ 1,371,311</u>	<u>\$ 9,725,656</u>	<u>(24,931,119)</u>	
General Revenues:					
Taxes:					
MT Property Taxes, Levied for General Purposes				7,348,694	
DT Property Taxes, Levied for Debt Service				824,376	
SF State Aid - Formula Grants				17,922,551	
IE Investment Earnings				29,975	
MI Miscellaneous Local and Intermediate Revenue				91,542	
TR Total General Revenues				<u>26,217,138</u>	
CN Change in Net Assets				1,286,019	
NB Net Assets--Beginning				25,102,289	
NE Net Assets--Ending				<u>\$ 26,388,308</u>	

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



KAUFMAN INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2011

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 8,287,502	\$ 362,865	\$ 8,650,367
1220 Property Taxes - Delinquent	890,304	149,079	1,039,383
1230 Allowance for Uncollectible Taxes (Credit)	(80,128)	(13,417)	(93,545)
1240 Receivables from Other Governments	-	912,780	912,780
1260 Due from Other Funds	694,079	106,451	800,530
1290 Other Receivables	-	2,955	2,955
1800 Restricted Assets	2,095,839	-	2,095,839
1000 Total Assets	<u>\$ 11,887,596</u>	<u>\$ 1,520,713</u>	<u>\$ 13,408,309</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
2110 Accounts Payable	\$ 1,127,557	\$ 119,829	\$ 1,247,386
2160 Accrued Wages Payable	831,379	-	831,379
2170 Due to Other Funds	106,451	694,079	800,530
2180 Due to Other Governments	-	14,152	14,152
2200 Accrued Expenditures	138,202	-	138,202
2300 Deferred Revenues	1,582,013	138,739	1,720,752
2000 Total Liabilities	<u>3,785,602</u>	<u>966,799</u>	<u>4,752,401</u>
Fund Balances:			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	16,538	16,538
3470 Capital Acquisition and Construction	1,044,365	-	1,044,365
3480 Retirement of Long-Term Debt	2,095,339	327,599	2,422,938
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	209,777	209,777
3600 Unassigned Fund Balance	4,962,290	-	4,962,290
3000 Total Fund Balances	<u>8,101,994</u>	<u>553,914</u>	<u>8,655,908</u>
4000 Total Liabilities and Fund Balances	<u>\$ 11,887,596</u>	<u>\$ 1,520,713</u>	<u>\$ 13,408,309</u>

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
AUGUST 31, 2011

<b>Total Fund Balances - Governmental Funds</b>	\$ 8,655,908
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	77,169,192
2 Accumulated depreciation has not been included in the fund financial statements.	(27,644,034)
3 Bonds payable, leases payable, notes payable, and other long-term debt have not been included in the fund financial statements.	(28,824,033)
4 Accreted interest on capital appreciation bonds has not been included in the fund financial statements.	(3,042,153)
5 Bond and other debt issuance costs are not capitalized in the fund financial statements.	606,743
6 Premiums and discounts on outstanding bonds payable and deferred losses on bond refundings are not recorded in the fund financial statements.	(1,401,312)
7 Property tax revenue reported as deferred revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	945,838
8 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(77,841)
<b>19 Net Assets of Governmental Activities</b>	<u>\$ 26,388,308</u>

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 7,529,973	\$ 1,936,469	\$ 9,466,442
5800 State Program Revenues	19,327,594	2,544,365	21,871,959
5900 Federal Program Revenues	205,817	5,755,976	5,961,793
5020 Total Revenues	27,063,384	10,236,810	37,300,194
EXPENDITURES:			
Current:			
0011 Instruction	14,268,743	3,832,690	18,101,433
0012 Instructional Resources and Media Services	465,544	226,078	691,622
0013 Curriculum and Instructional Staff Development	141,002	219,394	360,396
0021 Instructional Leadership	21,192	141,491	162,683
0023 School Leadership	1,558,121	378,308	1,936,429
0031 Guidance, Counseling and Evaluation Services	509,823	409,598	919,421
0032 Social Work Services	2,814	-	2,814
0033 Health Services	278,253	49,873	328,126
0034 Student (Pupil) Transportation	1,090,410	-	1,090,410
0035 Food Services	45	1,733,760	1,733,805
0036 Extracurricular Activities	1,082,549	470,048	1,552,597
0041 General Administration	612,930	103,594	716,524
0051 Facilities Maintenance and Operations	5,618,030	-	5,618,030
0052 Security and Monitoring Services	295,854	-	295,854
0053 Data Processing Services	661,244	-	661,244
0061 Community Services	75,852	348,330	424,182
Debt Service:			
0071 Principal on Long Term Debt	223,719	1,524,216	1,747,935
0072 Interest on Long Term Debt	97,483	1,275,399	1,372,882
0073 Bond Issuance Cost and Fees	129,240	800	130,040
Capital Outlay:			
0081 Facilities Acquisition and Construction	464,731	-	464,731
Intergovernmental:			
0099 Other Intergovernmental Charges	79,086	-	79,086
6030 Total Expenditures	27,676,665	10,713,579	38,390,244
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(613,281)	(476,769)	(1,090,050)
OTHER FINANCING SOURCES (USES):			
7914 Non-Current Loans	3,500,000	-	3,500,000
7915 Transfers In	-	250,316	250,316
8911 Transfers Out (Use)	(250,316)	-	(250,316)
7080 Total Other Financing Sources (Uses)	3,249,684	250,316	3,500,000
1200 Net Change in Fund Balances	2,636,403	(226,453)	2,409,950
0100 Fund Balance - September 1 (Beginning)	5,465,591	780,367	6,245,958
3000 Fund Balance - August 31 (Ending)	\$ 8,101,994	\$ 553,914	\$ 8,655,908

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2011

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 2,409,950</b>
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions is to increase net assets.	2,735,755
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net assets.	(2,150,401)
Current year long-term debt principal payments on notes payable, capital leases and bonds payable and payments of accreted interest on capital appreciation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	2,238,719
Current year interest accretion on capital appreciation bonds is not reflected in the fund financial statements, but is shown as an increase in long-term liabilities in the government-wide financial statements.	(520,828)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	15,286
Revenues from property taxes receivable are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements.	13,911
Current year amortization of bond issuance costs is not reflected in the fund financial statements, but is shown as a reduction of the bond issuance costs asset in the government-wide financial statements.	(31,015)
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(24,871)
Current year amortization of the deferred loss on bond refundings is not reflected in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(28,977)
Maintenance tax notes proceeds are shown as other financing sources in the fund financial statements, but are shown as an increase in long-term debt in the government-wide financial statements.	(3,500,000)
Current year maintenance tax notes issuance costs are expenditures in the fund financial statements but are capitalized as bond and other debt issuance costs in the government-wide financial statements	128,490
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 1,286,019</b>

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 9,101,072	\$ 8,865,543	\$ 7,529,973	\$ (1,335,570)
5800	State Program Revenues	17,070,698	17,102,989	19,327,594	2,224,605
5900	Federal Program Revenues	100,000	100,000	205,817	105,817
5020	Total Revenues	26,271,770	26,068,532	27,063,384	994,852
EXPENDITURES:					
Current:					
0011	Instruction	13,358,668	14,341,955	14,268,743	73,212
0012	Instructional Resources and Media Services	456,716	469,340	465,544	3,796
0013	Curriculum and Instructional Staff Development	131,433	154,101	141,002	13,099
0021	Instructional Leadership	24,655	24,655	21,192	3,463
0023	School Leadership	1,640,130	1,713,480	1,558,121	155,359
0031	Guidance, Counseling and Evaluation Services	478,130	547,723	509,823	37,900
0032	Social Work Services	21,885	22,700	2,814	19,886
0033	Health Services	292,540	302,849	278,253	24,596
0034	Student (Pupil) Transportation	1,086,750	1,172,189	1,090,410	81,779
0035	Food Services	45	45	45	-
0036	Extracurricular Activities	923,570	1,092,849	1,082,549	10,300
0041	General Administration	618,698	642,802	612,930	29,872
0051	Facilities Maintenance and Operations	3,568,431	5,893,773	5,618,030	275,743
0052	Security and Monitoring Services	268,817	304,161	295,854	8,307
0053	Data Processing Services	476,065	664,447	661,244	3,203
0061	Community Services	65,702	83,765	75,852	7,913
Debt Service:					
0071	Principal on Long Term Debt	379,838	253,397	223,719	29,678
0072	Interest on Long Term Debt	98,704	98,704	97,483	1,221
0073	Bond Issuance Cost and Fees	750	130,000	129,240	760
Capital Outlay:					
0081	Facilities Acquisition and Construction	190,000	573,034	464,731	108,303
Intergovernmental:					
0099	Other Intergovernmental Charges	120,000	110,000	79,086	30,914
6030	Total Expenditures	24,201,527	28,595,969	27,676,665	919,304
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	2,070,243	(2,527,437)	(613,281)	1,914,156
OTHER FINANCING SOURCES (USES):					
7914	Non-Current Loans	-	2,534,067	3,500,000	965,933
8911	Transfers Out (Use)	-	-	(250,316)	(250,316)
7080	Total Other Financing Sources (Uses)	-	2,534,067	3,249,684	715,617
1200	Net Change in Fund Balances	2,070,243	6,630	2,636,403	2,629,773
0100	Fund Balance - September 1 (Beginning)	5,465,591	5,465,591	5,465,591	-
3000	Fund Balance - August 31 (Ending)	\$ 7,535,834	\$ 5,472,221	\$ 8,101,994	\$ 2,629,773

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2011

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 118,442	\$ 84,685
Total Assets	<u>118,442</u>	<u>\$ 84,685</u>
<b>LIABILITIES</b>		
Accounts Payable	1,000	\$ 4,269
Due to Student Groups	-	80,416
Total Liabilities	<u>1,000</u>	<u>\$ 84,685</u>
<b>NET ASSETS</b>		
Unrestricted Net Assets	<u>117,442</u>	
Total Net Assets	<u>\$ 117,442</u>	

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 102,563
Total Additions	<u>102,563</u>
DEDUCTIONS:	
Other Operating Costs	<u>66,502</u>
Total Deductions	<u>66,502</u>
Change in Net Assets	36,061
 Total Net Assets - September 1 (Beginning)	 <u>81,381</u>
 Total Net Assets - August 31 (Ending)	 <u><u>\$ 117,442</u></u>

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

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

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

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

**B. BASIS OF PRESENTATION**

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

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



KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2011

Fund Financial Statements:

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

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

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

Additionally, the District reports the following fund types:

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

**C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2011

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

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

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

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

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

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

**D. BUDGETARY CONTROL**

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2011

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

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

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

August 31, 2011 <u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ -
Nonappropriated Budget Funds	<u>226,315</u>
All Special Revenue Funds	<u>\$226,315</u>

**E. ENCUMBRANCE ACCOUNTING**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at August 31, 2011.

**F. INVENTORIES**

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

**G. INTERFUND RECEIVABLES AND PAYABLES**

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2011

**H. CAPITAL ASSETS**

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

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

Buildings	40 Years
Furniture and Equipment	5-20 Years

**I. COMPENSATED ABSENCES**

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

**J. NET ASSETS**

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

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

**K. LONG-TERM OBLIGATIONS**

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

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2011

**L. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2011, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**M. ESTIMATES**

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

**NOTE 2. FUND BALANCES**

Beginning with the fiscal year ended August 31, 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has no nonspendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Federal and State grant resources are restricted because their use is restricted pursuant to the grant requirements.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees has committed resources as of August 31, 2011 for campus activities.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has not assigned any fund balance as of August 31, 2011.

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2011

- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

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

Beginning fund balances for the District's governmental funds have been restated to reflect the above classifications. The details of the fund balances are included in the Governmental Funds Balance Sheet (page 16) and are described below:

### **General Fund**

The General Fund has \$1,044,365 of fund balance restricted for Capital Acquisition and Construction. This amount represents the unspent proceeds of the QSC Maintenance Tax Notes issued in October 2010. The General Fund has \$2,095,339 of fund balance restricted for Retirement of Long-Term Debt. This amount is the balance in the required sinking fund to be used to repay the District's Qualified Zone Academy Maintenance Tax Notes. The General Fund has unassigned fund balance of \$4,962,296 at August 31, 2011.

### **Debt Service Fund**

The Debt Service Fund has restricted funds of \$327,599 at August 31, 2011 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

### **Other Funds**

The fund balance of \$209,777 of the Campus Activity Funds (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The following special revenue funds fund balances are restricted by Federal or State grant restrictions:

Advanced Placement Incentives	\$ 475
Technology Allotment	<u>16,063</u>
Total	<u>\$ 16,538</u>

## **NOTE 3. DEPOSITS AND INVESTMENTS**

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

### **1. Cash Deposits:**

At August 31, 2011, the carrying amount of the District's deposits (checking accounts and interest-bearing demand accounts) was \$5,414,189 and the bank balance was \$5,950,849. The District's cash deposits at August 31, 2011 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2011

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2011, the District's cash deposits totaled \$5,950,849. This entire amount was either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk as of August 31, 2011.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2011, the District held investments in three public funds investment pools. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for all three of the external investment pools held by the District at year-end was AAAm (Standard & Poor's).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 60 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2011, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

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

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

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

Name	Carrying Amount	Market Value
Lone Star Investment Pool	\$ 4,282	\$ 4,282
TexPool Investment Pool	2,845	2,845
MBIA Texas CLASS	<u>3,432,178</u>	<u>3,432,178</u>
	<u>\$3,439,305</u>	<u>\$3,439,305</u>

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2011, was as follows:

	Balance <u>September 1</u>	Additions/ <u>Completions</u>	Retirement/ <u>Adjustments</u>	Balance <u>August 31</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 1,321,974	\$ -	\$ -	\$ 1,321,974
Construction in Progress	<u>-</u>	<u>2,327,145</u>	<u>-</u>	<u>2,327,145</u>
Total Capital assets not being depreciated	<u>1,321,974</u>	<u>2,327,145</u>	<u>-</u>	<u>3,649,119</u>
Capital assets, being depreciated				
Buildings	67,792,464	258,906	-	68,051,370
Furniture and Equipment	<u>5,318,999</u>	<u>149,704</u>	<u>-</u>	<u>5,468,703</u>
Total capital assets being depreciated	<u>73,111,463</u>	<u>408,610</u>	<u>-</u>	<u>73,520,073</u>
Less accumulated depreciation for:				
Buildings	(21,792,126)	(1,763,363)	-	(23,555,489)
Furniture and Equipment	<u>(3,701,507)</u>	<u>(387,038)</u>	<u>-</u>	<u>(4,088,545)</u>
Total accumulated depreciation	<u>(25,493,633)</u>	<u>(2,150,401)</u>	<u>-</u>	<u>(27,644,034)</u>
Total capital assets, being depreciated, net	<u>47,617,830</u>	<u>(1,741,791)</u>	<u>-</u>	<u>45,876,039</u>
Governmental activities capital assets, net	<u>\$ 48,939,804</u>	<u>\$ 585,354</u>	<u>\$ -</u>	<u>\$ 49,525,158</u>



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

Governmental activities:	
Instruction	\$1,492,484
Instructional Resources & Media Services	43,423
Curriculum & Instructional Staff Development	24,089
Instructional Leadership	12,972
School Leadership	168,799
Guidance, Counseling & Evaluation Services	74,148
Social Work Services	254
Health Services	27,102
Student (Pupil) Transportation	68,170
Food Services	2,444
Cocurricular/Extracurricular Activities	47,049
General Administration	42,822
Plant Maintenance and Operations	68,863
Security and Monitoring	20,563
Data Processing Services	26,022
Community Services	<u>31,197</u>
Total depreciation expense-Governmental activities	<u>\$2,150,401</u>

**NOTE 5. MAINTENANCE TAX NOTES PAYABLE**

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

Debt service payments for the notes are paid from the General Fund. 1999 Maintenance Tax Note payment requirements are as follows:

Year Ended August 31,	Loans		Total Requirements
	Principal	Interest	
2012	\$ -	\$ 60,748	\$ 60,748
2013	2,073,325	30,374	2,103,699
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$2,073,325</u>	<u>\$ 91,122</u>	<u>\$2,164,447</u>

The District is required to transfer into a sinking fund \$159,487 per year through October 21, 2012. These deposits are being recorded as restricted cash in the General Fund and as a restriction of fund balance for retirement of long-term debt. At August 31, 2011 the District had \$2,095,839 in the sinking fund.

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

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

Year Ended August 31,	Loans		Total Requirements
	Principal	Interest	
2012	\$ -	\$ 185,430	\$ 185,430
2013	-	185,430	185,430
2014	-	185,430	185,430
2015	-	185,430	185,430
2016	-	185,430	185,430
2017-2021	-	927,150	927,150
2022-2026	-	927,150	927,150
2027	3,500,000	185,430	3,685,430
Thereafter	-	-	-
	<u>\$3,500,000</u>	<u>\$2,966,880</u>	<u>\$6,466,880</u>

The District is required to transfer into a sinking fund \$250,000 on August 15, 2014 and \$250,000 annually through August 15, 2027. These deposits will be recorded as restricted cash in the General Fund and as a restriction of fund balance for retirement of long-term debt. At August 15, 2011 the District had no funds in the sinking fund.

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

**NOTE 6. CAPITAL LEASES PAYABLE**

The following is a summary of leased property under capital leases at August 31, 2011:

Buses and Equipment	<u>\$790,924</u>
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The following is a schedule of future minimum lease payments as of August 31, 2011, for each of the next five years and in the aggregate:

Year Ended August 31,	Principal	Interest	Total
2012	\$144,132	\$15,944	\$160,076
2013	61,401	5,983	67,384
2014	16,402	444	16,846
2015	-	-	-
2016	-	-	-
Thereafter	-	-	-
	<u>\$221,935</u>	<u>\$22,371</u>	<u>\$244,306</u>

The lease payments will be made out of local general fund revenues. The interest rate on the capital leases range from 4.15% to 10.82%.

**NOTE 7. LONG-TERM DEBT**

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

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

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2011:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 9/1/10</u>	<u>Issued Current Year</u>	<u>Interest Accretion</u>	<u>Retired/ Refunded</u>	<u>Amounts Outstanding 8/31/11</u>	<u>Due Within One Year</u>
Bonded Indebtedness:							
2002 School Bldg. & Refunding Bonds	2.88-5.96%	\$ 6,236,557	\$ -	\$ -	\$ 1,524,216	\$ 4,712,341	\$ 1,372,523
2006 Refunding Bonds	3.86-4.50%	<u>18,316,432</u>	-	-	-	<u>18,316,432</u>	-
Total Bonded Indebtedness:		<u>24,552,989</u>	-	-	<u>1,524,216</u>	<u>23,028,773</u>	<u>1,372,523</u>
Other Direct Obligations:							
Accreted Interest -							
Capital Appreciation Bonds		3,012,109	-	520,828	490,784	3,042,153	462,477
Premiums/Discounts on Bonds Payable		1,984,962	-	-	(24,871)	2,009,833	-
Deferred Loss on Bond Refunding		(637,498)	-	-	(28,977)	(608,521)	-
1999 Maintenance Tax Notes	2.93%	2,073,325	-	-	-	2,073,325	-
Qualified School Construction							
Maint. Tax Notes, 2010	5.298%	-	3,500,000	-	-	3,500,000	-
Capital Leases Payable	4.15-10.82%	<u>445,654</u>	-	-	<u>223,719</u>	<u>221,935</u>	<u>144,132</u>
Total Other Obligations:		<u>6,878,552</u>	<u>3,500,000</u>	<u>520,828</u>	<u>660,655</u>	<u>10,238,725</u>	<u>606,609</u>
Total Obligations of District		<u>\$31,431,541</u>	<u>\$3,500,000</u>	<u>\$520,828</u>	<u>\$2,184,871</u>	<u>\$33,267,498</u>	<u>\$1,979,132</u>

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

<u>Year Ended August 31,</u>	<u>General Obligation</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 1,372,523	\$ 1,219,008	\$ 2,591,531
2013	923,850	1,672,584	2,596,434
2014	871,519	1,728,505	2,600,024
2015	824,581	1,774,003	2,598,584
2016	787,525	1,814,456	2,601,981
2017-2021	2,950,286	6,685,133	9,635,419
2022-2026	5,998,489	2,802,727	8,801,216
2027-2031	7,575,000	1,244,047	8,819,047
2032	<u>1,725,000</u>	<u>38,015</u>	<u>1,763,015</u>
	<u>\$23,028,773</u>	<u>\$18,978,478</u>	<u>\$42,007,251</u>

The 2002 and 2006 bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously in 2012 through 2024. Interest accrues on these bonds each February 15 and August 15 even though the interest is not paid until maturity.

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

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2011.

**NOTE 8. DEFEASED DEBT**

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

As of August 31, 2011, \$18,606,432 of defeased bonds remain outstanding.

**NOTE 9. PROPERTY TAXES**

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2010-11 fiscal year was based was \$640,085,175. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2011, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.13 per \$100 valuation, respectively, for a total of \$1.30 per \$100 valuation.

Current tax collections for the year ended August 31, 2011 were 95.6% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2011, property taxes receivable, net of estimated uncollectible taxes, totaled \$810,176 and \$135,662 for the General and Debt Service Funds, respectively.

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
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**NOTE 10. PENSION PLAN OBLIGATIONS**

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

**Funding Policy** - Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.644% of the District's covered payroll. In certain instances the District is required to make all or a portion of the state's 6.644% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. The District's employees' contributions to the System for the years ending August 31, 2009, 2010, and 2011 were \$1,077,570, \$1,132,226 and \$1,207,666, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2009, 2010, and 2011 were \$264,359, \$275,497 and \$331,770, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended August 31, 2009, 2010, and 2011 were \$862,904, \$944,601 and \$823,550, respectively, and are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

**NOTE 11. SCHOOL DISTRICT RETIREE HEALTH PLAN**

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

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*Funding Policy.* Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$140,535, \$130,233, and \$137,728, respectively, the active member contributions were \$122,659, \$114,996, and \$109,442, respectively, and the school district's contribution were \$131,459, \$117,241, and \$92,603, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2011, the contribution made on behalf of the District was \$49,081.

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

Interfund receivables and payables at August 31, 2011 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from August 31, 2011.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund:		
Special Revenue Funds:		
Head Start	\$140,668	\$ -
ESEA I, Part A	34,528	-
IDEA-B, Formula	62,261	-
Career & Technical	679	-
English Language Acquisition	759	-
ESEA Title II, Part A	1,538	-
Title XIV, SFSF	111,406	-
IDEA, Pt. B – ARRA	20,678	-
ESEA I, Part A – ARRA	36,975	-
Non-Ed. Community Based Support	2,520	-
District Awards for Teacher Excellence	260,948	-
Child Care Center	14,319	-
Student Success Initiative	6,800	-
Debt Service Fund	-	106,451
Total Major Governmental Funds	<u>694,079</u>	<u>106,451</u>
Nonmajor Governmental Funds:		
Special Revenue Funds:		
General Fund	-	694,079
Debt Service Fund:		
General Fund	<u>106,451</u>	-
Total Nonmajor Governmental Funds	<u>106,451</u>	<u>694,079</u>
Total	<u>\$800,530</u>	<u>\$800,530</u>

**KAUFMAN INDEPENDENT SCHOOL DISTRICT  
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During the fiscal year ended August 31, 2011, \$72,565 was transferred from the General Fund to the Food Service Fund and \$92,751 was transferred from the General Fund to the District's Child Care Center. These transfers were made to cover operating deficits. \$85,000 was transferred from the General Fund to the Debt Service Fund as an operating transfer to the Debt Service Fund.

**NOTE 13. HEALTH CARE**

During the year ended August 31, 2011, employees of Kaufman Independent School District were covered by a health insurance plan (the Plan). The District contributed \$250 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

**NOTE 14. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation, Per Capita, Existing Debt Allotment, and Instruction Facilities Allotment Programs. Amounts due from federal and state governments as of August 31, 2011, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Local Governments</u>	<u>Total</u>
General	\$ -	\$ -	\$ -	\$ -
Debt Service Fund	181,634	-	-	181,634
Special Revenue	<u>270,268</u>	<u>460,878</u>	<u>-</u>	<u>731,146</u>
Total	<u>\$451,902</u>	<u>\$460,878</u>	<u>\$ -</u>	<u>\$912,780</u>

**NOTE 15. LITIGATION AND CONTINGENCIES**

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2011 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**NOTE 16. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property Taxes	\$7,145,110	\$ -	\$822,991	\$7,968,101
Food Sales	-	365,406	-	365,406
Investment Income	28,733	-	1,242	29,975
Penalties, interest and other tax related income	163,219	-	27,839	191,058
Co-curricular student activities	83,482	480,850	-	564,332
Other	<u>109,429</u>	<u>238,141</u>	<u>-</u>	<u>347,570</u>
Total	<u>\$7,529,973</u>	<u>\$1,084,397</u>	<u>\$852,072</u>	<u>\$9,466,442</u>

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
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**NOTE 17. DEFERRED REVENUE**

Deferred revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 810,176	\$ -	\$135,662	\$ 945,838
Technology Allotment	-	2,631	-	2,631
Read to Succeed	-	406	-	406
Tobacco Grant	-	40	-	40
State Funding	<u>771,837</u>	<u>-</u>	<u>-</u>	<u>771,837</u>
	<u>\$1,582,013</u>	<u>\$ 3,077</u>	<u>\$135,662</u>	<u>\$1,720,752</u>

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

The Texas Education Agency requires the budgets for certain Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in one functional category in the Food Service Fund for the year ended August 31, 2011.



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## COMBINING SCHEDULES

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2011

Data Control Codes		204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	143,011	34,528	62,261
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 143,011</u>	<u>\$ 34,528</u>	<u>\$ 62,261</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 2,343	\$ -	\$ -
2170	Due to Other Funds	-	140,668	34,528	62,261
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>143,011</u>	<u>34,528</u>	<u>62,261</u>
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 143,011</u>	<u>\$ 34,528</u>	<u>\$ 62,261</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool
\$ 62,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
49,043	679	1,538	759	111,406	-	20,678	-
-	-	-	-	-	-	-	-
455	-	-	-	-	-	-	-
<u>\$ 112,266</u>	<u>\$ 679</u>	<u>\$ 1,538</u>	<u>\$ 759</u>	<u>\$ 111,406</u>	<u>\$ -</u>	<u>\$ 20,678</u>	<u>\$ -</u>
\$ 112,266	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	679	1,538	759	111,406	-	20,678	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>112,266</u>	<u>679</u>	<u>1,538</u>	<u>759</u>	<u>111,406</u>	<u>-</u>	<u>20,678</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 112,266</u>	<u>\$ 679</u>	<u>\$ 1,538</u>	<u>\$ 759</u>	<u>\$ 111,406</u>	<u>\$ -</u>	<u>\$ 20,678</u>	<u>\$ -</u>

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2011

Data Control Codes		285 ESEA I,A Improving Basic Program	289 Summer School LEP	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 475
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	36,975	-	2,520	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 36,975</u>	<u>\$ -</u>	<u>\$ 2,520</u>	<u>\$ 475</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2170	Due to Other Funds	36,975	-	2,520	-
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>36,975</u>	<u>-</u>	<u>2,520</u>	<u>-</u>
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	475
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>475</u>
4000	Total Liabilities and Fund Balances	<u>\$ 36,975</u>	<u>\$ -</u>	<u>\$ 2,520</u>	<u>\$ 475</u>

404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Pre-K Grants	423 Read to Succeed	427 Tobacco Grant	429 District Awards for Teacher Exc.	461 Campus Activity Funds	498 Child Care Center
\$ -	\$ 18,694	\$ 14,152	\$ 406	\$ 380	\$ -	\$ 212,083	\$ 14,393
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,800	-	-	-	-	260,948	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,500	-
<u>\$ 6,800</u>	<u>\$ 18,694</u>	<u>\$ 14,152</u>	<u>\$ 406</u>	<u>\$ 380</u>	<u>\$ 260,948</u>	<u>\$ 214,583</u>	<u>\$ 14,393</u>
\$ -	\$ -	\$ -	\$ -	\$ 340	\$ -	\$ 4,806	\$ 74
6,800	-	-	-	-	260,948	-	14,319
-	-	14,152	-	-	-	-	-
-	2,631	-	406	40	-	-	-
<u>6,800</u>	<u>2,631</u>	<u>14,152</u>	<u>406</u>	<u>380</u>	<u>260,948</u>	<u>4,806</u>	<u>14,393</u>
-	16,063	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	209,777	-
<u>-</u>	<u>16,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,777</u>	<u>-</u>
<u>\$ 6,800</u>	<u>\$ 18,694</u>	<u>\$ 14,152</u>	<u>\$ 406</u>	<u>\$ 380</u>	<u>\$ 260,948</u>	<u>\$ 214,583</u>	<u>\$ 14,393</u>

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2011

Data Control Codes		Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 323,351	\$ 39,514	\$ 362,865
1220	Property Taxes - Delinquent	-	149,079	149,079
1230	Allowance for Uncollectible Taxes (Credit)	-	(13,417)	(13,417)
1240	Receivables from Other Governments	731,146	181,634	912,780
1260	Due from Other Funds	-	106,451	106,451
1290	Other Receivables	2,955	-	2,955
1000	Total Assets	<u>\$ 1,057,452</u>	<u>\$ 463,261</u>	<u>\$ 1,520,713</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110	Accounts Payable	\$ 119,829	\$ -	\$ 119,829
2170	Due to Other Funds	694,079	-	694,079
2180	Due to Other Governments	14,152	-	14,152
2300	Deferred Revenues	3,077	135,662	138,739
2000	Total Liabilities	<u>831,137</u>	<u>135,662</u>	<u>966,799</u>
Fund Balances:				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	16,538	-	16,538
3480	Retirement of Long-Term Debt	-	327,599	327,599
Committed Fund Balance:				
3545	Other Committed Fund Balance	209,777	-	209,777
3000	Total Fund Balances	<u>226,315</u>	<u>327,599</u>	<u>553,914</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,057,452</u>	<u>\$ 463,261</u>	<u>\$ 1,520,713</u>

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KAUFMAN INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	3,931	556,687	586,900	696,410
5020	Total Revenues	3,931	556,687	586,900	696,410
EXPENDITURES:					
Current:					
0011	Instruction	3,931	476,248	586,900	628,355
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	50,589
0023	School Leadership	-	27,824	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	17,466
0033	Health Services	-	49,873	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0061	Community Services	-	2,742	-	-
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
6030	Total Expenditures	3,931	556,687	586,900	696,410
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool
\$ 365,406	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11,414	-	-	-	-	-	-	-
1,284,375	42,232	121,794	44,751	1,931,795	6,283	323,540	6,944
<u>1,661,195</u>	<u>42,232</u>	<u>121,794</u>	<u>44,751</u>	<u>1,931,795</u>	<u>6,283</u>	<u>323,540</u>	<u>6,944</u>
-	38,158	121,794	44,751	764,320	6,283	112,505	6,944
-	-	-	-	226,078	-	-	-
-	-	-	-	219,394	-	-	-
-	4,074	-	-	85,133	-	1,695	-
-	-	-	-	350,484	-	-	-
-	-	-	-	182,792	-	209,340	-
-	-	-	-	-	-	-	-
1,733,760	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	103,594	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,733,760</u>	<u>42,232</u>	<u>121,794</u>	<u>44,751</u>	<u>1,931,795</u>	<u>6,283</u>	<u>323,540</u>	<u>6,944</u>
<u>(72,565)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>72,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>72,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		285 ESEA I,A Improving Basic Program	289 Summer School LEP	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	25,059	-
5900	Federal Program Revenues	148,185	2,149	-	-
5020	Total Revenues	148,185	2,149	25,059	-
EXPENDITURES:					
Current:					
0011	Instruction	148,185	2,149	-	-
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0061	Community Services	-	-	25,059	-
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
6030	Total Expenditures	148,185	2,149	25,059	-
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	475
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 475

404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Pre-K Grants	423 Read to Succeed	427 Tobacco Grant	429 District Awards for Teacher Exc.	461 Campus Activity Funds	498 Child Care Center
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 491,213	\$ 227,778
96,778	101,425	141,807	-	3,696	521,896	-	-
-	-	-	-	-	-	-	-
96,778	101,425	141,807	-	3,696	521,896	491,213	227,778
96,778	124,853	144,672	-	3,696	521,896	272	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	470,048	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	320,529
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
96,778	124,853	144,672	-	3,696	521,896	470,320	320,529
-	(23,428)	(2,865)	-	-	-	20,893	(92,751)
-	-	-	-	-	-	-	92,751
-	-	-	-	-	-	-	92,751
-	(23,428)	(2,865)	-	-	-	20,893	-
-	39,491	2,865	-	-	-	188,884	-
\$ -	\$ 16,063	\$ -	\$ -	\$ -	\$ -	\$ 209,777	\$ -

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 1,084,397	\$ 852,072	\$ 1,936,469
5800	State Program Revenues	902,075	1,642,290	2,544,365
5900	Federal Program Revenues	5,755,976	-	5,755,976
5020	Total Revenues	7,742,448	2,494,362	10,236,810
EXPENDITURES:				
Current:				
0011	Instruction	3,832,690	-	3,832,690
0012	Instructional Resources and Media Services	226,078	-	226,078
0013	Curriculum and Instructional Staff Development	219,394	-	219,394
0021	Instructional Leadership	141,491	-	141,491
0023	School Leadership	378,308	-	378,308
0031	Guidance, Counseling and Evaluation Services	409,598	-	409,598
0033	Health Services	49,873	-	49,873
0035	Food Services	1,733,760	-	1,733,760
0036	Extracurricular Activities	470,048	-	470,048
0041	General Administration	103,594	-	103,594
0061	Community Services	348,330	-	348,330
Debt Service:				
0071	Principal on Long Term Debt	-	1,524,216	1,524,216
0072	Interest on Long Term Debt	-	1,275,399	1,275,399
0073	Bond Issuance Cost and Fees	-	800	800
6030	Total Expenditures	7,913,164	2,800,415	10,713,579
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(170,716)	(306,053)	(476,769)
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	165,316	85,000	250,316
7080	Total Other Financing Sources (Uses)	165,316	85,000	250,316
1200	Net Change in Fund Balance	(5,400)	(221,053)	(226,453)
0100	Fund Balance - September 1 (Beginning)	231,715	548,652	780,367
3000	Fund Balance - August 31 (Ending)	\$ 226,315	\$ 327,599	\$ 553,914

## REQUIRED T.E.A. SCHEDULES

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ 417,762,416
2003	1.460000	0.260000	445,897,234
2004	1.500000	0.220000	478,033,398
2005	1.500000	0.220000	479,317,602
2006	1.500000	0.220000	497,378,167
2007	1.370000	0.220000	585,122,547
2008	1.040000	0.260000	625,455,230
2009	1.040000	0.260000	662,907,636
2010	1.040000	0.260000	643,399,255
2011 (School year under audit)	1.170000	0.130000	640,085,175
1000 TOTALS			

(10) Beginning Balance 9/1/2010		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 8/31/2011	
\$	78,346	\$	-	\$	204	\$	6	\$	(5,702)	\$	72,434
	31,563		-		44		8		(1,569)		29,942
	38,096		-		390		57		(1,862)		35,787
	63,140		-		2,782		408		(3,413)		56,537
	61,394		-		4,366		640		(4,022)		52,366
	75,534		-		9,279		1,490		(4,497)		60,268
	98,963		-		17,687		4,422		(5,455)		71,399
	183,022		-		52,689		13,172		(3,052)		114,109
	394,037		-		144,234		36,059		(19,867)		193,877
	-		8,142,611		6,891,533		765,726		(132,688)		352,664
<u>\$</u>	<u>1,024,095</u>	<u>\$</u>	<u>8,142,611</u>	<u>\$</u>	<u>7,123,208</u>	<u>\$</u>	<u>821,988</u>	<u>\$</u>	<u>(182,127)</u>	<u>\$</u>	<u>1,039,383</u>



KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013  
GENERAL AND SPECIAL REVENUE FUNDS  
AUGUST 31, 2011

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 224,912	\$ 484,957	\$ -	\$ -	\$ 709,869
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	24,795	-	-	-	-	-	24,795
6212	Audit Services	-	-	-	23,500	-	-	23,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	79,086	-	-	-	-	79,086
621X	Other Professional Services	25,624	-	9,329	16,107	-	-	51,060
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	13,333	320,829	-	-	334,162
6240	Contr. Maint. and Repair	-	-	919	-	4,752	-	5,671
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	2,160	-	-	2,160
6290	Miscellaneous Contr.	-	-	-	6,452	-	-	6,452
6320	Textbooks and Reading	-	-	750	-	-	-	750
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	212	-	5,110	13,006	-	-	18,328
6410	Travel, Subsistence, Stipends	16,065	-	11,953	8,101	-	-	36,119
6420	Ins. and Bonding Costs	-	-	19,044	378	-	-	19,422
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	8,727	-	25,408	5,809	-	-	39,944
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 75,423	\$ 79,086	\$ 310,758	\$ 881,299	\$ 4,752	\$ -	\$ 1,351,318

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 35,589,829

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 2,740,463
Total Debt & Lease(6500)	(11) 449,693
Plant Maintenance (Function 51, 6100-6400)	(12) 3,437,353
Food (Function 35, 6341 and 6499)	(13) 589,458
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	881,299

SubTotal:

8,098,265

Net Allowed Direct Cost

\$ 27,491,564

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 68,051,370
Historical Cost of Building over 50 years old	(16) \$ 138,300
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ 57,258
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 5,468,703
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 728,566
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ 239,960

(8) NOTE A: \$555,708 in Function 53 expenditures are included in this report on administrative costs.

\$79,086 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 436,059	\$ 443,059	\$ 365,406	\$ (77,653)
5800	State Program Revenues	10,228	10,228	11,414	1,186
5900	Federal Program Revenues	1,183,605	1,183,605	1,284,375	100,770
5020	Total Revenues	1,629,892	1,636,892	1,661,195	24,303
EXPENDITURES:					
0035	Food Services	1,702,628	1,709,628	1,733,760	(24,132)
6030	Total Expenditures	1,702,628	1,709,628	1,733,760	(24,132)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(72,736)	(72,736)	(72,565)	171
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	72,565	72,565
7080	Total Other Financing Sources (Uses)	-	-	72,565	72,565
1200	Net Change in Fund Balances	(72,736)	(72,736)	-	72,736
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ (72,736)	\$ (72,736)	\$ -	\$ 72,736

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,625,736	\$ 1,625,736	\$ 852,072	\$ (773,664)
5800	State Program Revenues	1,319,676	1,319,676	1,642,290	322,614
5020	Total Revenues	2,945,412	2,945,412	2,494,362	(451,050)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,524,216	1,524,216	1,524,216	-
0072	Interest on Long Term Debt	1,275,400	1,275,400	1,275,399	1
0073	Bond Issuance Cost and Fees	2,000	2,000	800	1,200
6030	Total Expenditures	2,801,616	2,801,616	2,800,415	1,201
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	143,796	143,796	(306,053)	(449,849)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	85,000	85,000
7080	Total Other Financing Sources (Uses)	-	-	85,000	85,000
1200	Net Change in Fund Balances	143,796	143,796	(221,053)	(364,849)
0100	Fund Balance - September 1 (Beginning)	548,652	548,652	548,652	-
3000	Fund Balance - August 31 (Ending)	\$ 692,448	\$ 692,448	\$ 327,599	\$ (364,849)

FEDERAL AWARDS SECTION

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

Board of Trustees  
Kaufman Independent School District  
Kaufman, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman Independent School District (the "District") as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

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

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

*Hankins, Eastup, Deaton, Tonn & Seay*

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

January 9, 2012

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

Board of Trustees  
Kaufman Independent School District  
Kaufman, Texas

Compliance

We have audited Kaufman Independent School District's (the "District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control Over Compliance

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



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

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

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

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

*Hankins, Eastup, Deaton, Tonn & Seay*

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

January 9, 2012

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2011

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
2. No internal control findings required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. No internal control findings required to be reported in this schedule were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unqualified.
6. Did the audit disclose findings which are required to be reported under Sec. 510 (a): No
7. Major programs include:

ESEA, Title I, Part A Cluster:

84.010A	ESEA, Title I, Part A – Improving Basic Programs
84.389A	ESEA, Title I, Part A – ARRA – Improving Basic Programs

Special Education Cluster:

84.027	IDEA-Part B, Formula
84.391A	IDEA-Part B, Formula-ARRA
84.392A	IDEA-Part B, Preschool-ARRA

84.394A	Title XIV, State Fiscal Stabilization Fund-ARRA
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8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

Finding 2011-1 - Expenditures in excess of appropriations

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

Condition Found: During the year ended August 31, 2011, expenditures exceeded appropriations in one functional category in the Food Service Fund.

Questioned Costs: None

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED AUGUST 31, 2011

III. Other Findings – continued

Effect: The District did not comply with TEA requirements.

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2011

**PRIOR YEAR FINDING/NONCOMPLIANCE**

**Finding:** Expenditures exceeded appropriations in five functional categories in the General Fund for the year ended August 31, 2010.

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

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2011

**CORRECTIVE ACTION PLAN**

Contact for Corrective Action Plan:

Brian Carter  
Director, Finance and Business

Finding: 2011-1 – Expenditures in excess of appropriations

The District will more closely monitor actual expenses and amend the budget on a timely basis as required during the 2011-2012 fiscal year. In addition, careful attention will be given to the final budget amendment in August 2012 to ensure all expenditures are provided for in the final amended budget. This corrective action plan will be implemented immediately.

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2011

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Region 10 Service Center</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11610101057950	\$ 557,934
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101057950	28,966
Total CFDA Number 84.010A			586,900
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389	10551001057950	148,185
Total Title I, Part A Cluster			735,085
ESEA Title IV, Pt. A - Safe and Drug-Free Schools	84.186A	11691001057950	3,931
Title III, Part A - English Language Acquisition	84.365A	11671001057950	44,751
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	11694501057950	121,794
Total Passed Through Region 10 Service Center			\$ 905,561
<u>Passed Through State Department of Education</u>			
*IDEA - Part B, Formula	84.027	116600011299036600	\$ 666,902
*IDEA - Part B, Formula	84.027	126600011299036600	29,508
Total CFDA Number 84.027			696,410
*IDEA, Part B, Formula - ARRA	84.391	10554001129903	323,540
*IDEA, Part B, Preschool - ARRA	84.392	10555001129903	6,944
Total Special Education Cluster (IDEA)			1,026,894
Career and Technical - Basic Grant	84.048	11420006129903	41,553
Career and Technical - Basic Grant	84.048	12420006129903	679
Total CFDA Number 84.048			42,232
*Title II D Enhancing Ed Through Technology - ARRA	84.386	10553001129903	6,283
Summer School LEP	84.369A	69551002	2,149
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11557001129903	1,931,795
Total Passed Through State Department of Education			\$ 3,009,353
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 3,914,914</b>
 <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Direct Programs</u>			
Head Start	93.600	06CH7004/12	\$ 354,714
Head Start - COLA	93.600	06SE7004/01	138
Head Start - Expansion Grant	93.600	06SH7004/02	201,835
Total CFDA Number 93.600			556,687
Total Direct Programs			\$ 556,687
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 556,687</b>

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2011

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401101	\$ 302,640
*National School Lunch Program - Cash Assistance	10.555	71301101	901,555
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301101	80,180
Total CFDA Number 10.555			<u>981,735</u>
Total Child Nutrition Cluster			<u>1,284,375</u>
Total Passed Through the State Department of Agriculture			<u>\$ 1,284,375</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>\$ 1,284,375</u>
 <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			 <u><u>\$ 5,755,976</u></u>

\*Clustered Programs

KAUFMAN INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2011

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

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

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

3. The District participates in numerous state and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2011, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.



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