

KERRVILLE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2013

KERRVILLE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2013

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditor's Report	3
Management's Discussion and Analysis	7
<u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	14
B-1 Statement of Activities	15
Governmental Fund Financial Statements:	
C-1 Balance Sheet	16
C-2 Reconciliation for C-1	17
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	18
C-4 Reconciliation for C-3	19
Proprietary Fund Financial Statements:	
D-1 Statement of Net Position	20
D-2 Statement of Revenues, Expenses, and Changes in Fund Net Position	21
D-3 Statement of Cash Flows	22
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	23
Notes to the Financial Statements	25
<u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund	42
<u>Combining and Other Schedules</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	44
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	48
<u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes	54
J-2 Schedule of Expenditures for Computation of Indirect Cost	56
J-3 Budgetary Comparison Schedule - Child Nutrition Fund	57
J-4 Budgetary Comparison Schedule - Debt Service Fund	58
<u>Reports on Compliance, Internal Control, and Federal Awards</u>	
Report on Internal Control Over Financial Reporting and Compliance Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	62
Schedule of Findings and Questioned Costs	65
Schedule of Status of Prior Findings	66
Corrective Action Plan	67
K-1 Schedule of Expenditures of Federal Awards	68
Notes to Schedule of Expenditures of Federal Awards	71

CERTIFICATE OF BOARD

Kerrville Independent School District
Name of School District

Kerr
County

133903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved disapproved for the year ended August 31, 2013 at a meeting of the Board of Trustees of such school district on the 27th of January, 2014.

Signature of Board Secretary

Signature of Board President

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

THIS PAGE LEFT BLANK INTENTIONALLY

PRESSLER, THOMPSON AND COMPANY

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
ONE SCHREINER CENTER
819 WATER STREET, SUITE 320
KERRVILLE, TEXAS 78028

Ernst H. Druebert, Jr., C.P.A.
Jerry N. Oliver, C.P.A.
Douglas H. Sundberg, C.P.A.
Timothy R. Porter, C.P.A.

P.O. Box 290590
Telephone (830) 257-7241
Fax (830) 896-4041
Website: www.ptcocpa.com

**Unmodified Opinion on Basic Financial Statements Accompanied by Required
Supplementary Information and Other Information—State or Local Governmental
Entity
Independent Auditor's Report**

Kerrville Independent School District
1009 Barnet Street
Kerrville, Texas 78028

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kerrville Independent School District as of and for the year ended August 31, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 12 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

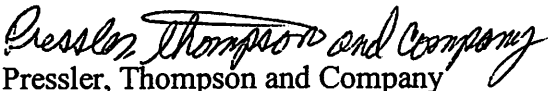
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kerrville Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2014 on our consideration of Kerrville Independent School 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* in considering Kerrville Independent School District's internal control over financial reporting and compliance.


Pressler, Thompson and Company
January 22, 2014

THIS PAGE LEFT BLANK INTENTIONALLY

Management's Discussion and Analysis

KERRVILLE INDEPENDENT SCHOOL DISTRICT

In this section of the Annual Financial and Compliance Report, we, the managers of Kerrville Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2013. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The District's net assets increased by \$475,673 as a result of this year's operations.
- During the year, the District had tax and other revenues for governmental programs of \$45,452,379 and operating expenses of \$44,976,706. This is a decrease of \$1,499,229 in revenues and a decrease of \$65,957 in expenses compared to last year.
- The General Fund ended the year with a fund balance of \$6,012,709 which is a decrease of \$712,077.

USING THIS ANNUAL REPORT

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 (Exhibits A-1 and B-1). 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 (Exhibits C-1 and C-3) 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. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. 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 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. These are not required by TEA. 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 is contained in Exhibit A-1 and B-1. 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 the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is 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) provides 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 the District reports its governmental activities. The basic services included here are 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.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements (Exhibit C-1 and C-3) 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). The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

• **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.

- Proprietary funds—The District reports the activities for which it charges users (other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. The Transportation Fund, an internal service fund, is the District's only proprietary fund.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets in Exhibit E-1. 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 these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental and business-type activities.

Net assets of the District's governmental activities increased from \$40,751,893 to \$41,227,566. 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 \$7,525,992 at August 31, 2013.

Table I
Kerrville Independent School District
NET ASSETS

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 16,913,902	\$12,566,041
Capital Assets	<u>54,114,568</u>	<u>55,410,623</u>
Total Assets	<u>71,028,470</u>	<u>67,976,664</u>
Long-Term Liabilities	27,674,973	23,850,000
Other Liabilities	<u>2,125,931</u>	<u>3,374,771</u>
Total Liabilities	<u>29,800,904</u>	<u>27,224,771</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	26,439,595	31,658,072
Restricted	7,261,979	1,374,747
Unrestricted	<u>7,525,992</u>	<u>7,719,074</u>
Total Net Position	<u>\$41,227,566</u>	<u>\$40,751,893</u>

Table II
Kerrville Independent School District
CHANGES IN NET POSITION

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program Revenues:		
Charges for Services	\$1,122,372	\$ 1,128,888
Operating Grants and Contributions	8,229,962	8,579,062
General Revenues:		
Maintenance and Operations Taxes	23,544,888	23,454,739
Debt Service Taxes	3,182,226	3,157,265
Grants, Contributions not restricted to a specific Function	9,451,170	10,761,644
Investment Earnings	85,747	17,350
Miscellaneous	<u>(163,986)</u>	<u>(147,340)</u>
Total Revenue	<u>45,452,379</u>	<u>46,951,608</u>
Expenses:		
Instruction, curriculum and media services	25,683,231	25,445,574
Instructional/school leadership	3,043,916	3,091,447
Guidance, social work, health, transportation	3,551,737	3,678,664
Food Services	2,064,976	2,092,091
Cocurricular activities	1,582,473	1,442,048
General administration	1,700,076	1,659,669
Plant Maintenance and Security	4,230,322	4,737,978
Data Processing	823,166	682,609
Community Services	559,366	606,454
Debt Service	1,737,443	1,440,146
Capital Outlay	<u>0</u>	<u>34,069</u>
Total Expenses	<u>44,976,706</u>	<u>44,910,749</u>
Increase in Net Position	475,673	2,040,859
Net Position at 9/1/12	<u>40,751,893</u>	<u>38,711,034</u>
Net Position at 8/31/13	<u>\$41,227,566</u>	<u>\$ 40,751,893</u>

The cost of all governmental activities this year was \$44,976,706 compared to \$44,910,749 last year. However, as shown in the Statement of Activities on Exhibit B-1, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$26,727,114 because some of the costs were paid by those who directly benefited from the programs of \$1,122,372 or by other governments and organizations that subsidized certain programs with grants and contributions of \$8,229,962.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$14,274,688 which is \$6,175,155 above last year's total of \$8,099,533. Included in this year's total change in fund balance is a decrease of \$712,077 in the District's General Fund, an increase of \$6,976,659 in the Capital Projects Fund, a decrease of \$92,169 in the Debt Service fund and an increase of \$2,742 in the Food Service Fund.

Over the course of the year, the Board of Trustees revised the District's budget as needed. The principal amendments were to allocate funds to the capital projects account (\$1,000,000), telephone/technology (\$450,000), and HPMS roof (\$160,018).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013 the District had \$87,556,993 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 \$534,193 over the previous year.

Debt

The District's long-term liabilities are presented in Notes F and H to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2014 budget and tax rates. The major factors are the changes in student population, state funding and local economic concerns including tax base changes and employee compensation needs. These indicators were taken into account when adopting the General Fund budget for 2014 which included a tax rate of \$1.18 per \$100 valuation, the same rate adopted for the fiscal year 2013. Amounts available for appropriation and expenditures in the 2014 General Fund budget are estimated to be \$34,491,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances 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 Kerrville Independent School District, 1009 Barnett Street, Kerrville, Texas.

BASIC FINANCIAL STATEMENTS

KERRVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2013

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,708,394
1120 Current Investments	13,058,702
1210 Property Taxes - Current	676,634
1220 Property Taxes Receivable (Delinquent)	924,862
1230 Allowance for Uncollectible Taxes	(619,461)
1240 Due from Other Governments	950,890
1290 Other Receivables, net	7,321
1300 Inventories	124,534
1410 Prepayments	82,026
Capital Assets:	
1510 Land	2,344,403
1520 Buildings, Net	50,796,546
1530 Furniture and Equipment, Net	750,145
1580 Construction in Progress	223,474
1000 Total Assets	<u>71,028,470</u>
LIABILITIES	
2110 Accounts Payable	385,539
2140 Interest Payable	45,457
2150 Payroll Deductions & Withholdings	31,060
2160 Accrued Wages Payable	886,770
2180 Due to Other Governments	375,438
2190 Due to Student Groups	303,202
2200 Accrued Expenses	425
2300 Unearned Revenue	98,040
Noncurrent Liabilities	
2501 Due Within One Year	2,370,000
2502 Due in More Than One Year	25,304,973
2000 Total Liabilities	<u>29,800,904</u>
NET POSITION	
3200 Net Investment in Capital Assets	26,439,595
3820 Restricted for Federal and State Programs	2,742
3850 Restricted for Debt Service	1,282,578
3860 Restricted for Capital Projects	5,976,659
3900 Unrestricted	7,525,992
3000 Total Net Position	<u><u>\$ 41,227,566</u></u>

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

**KERRVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013**

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 25,054,688	\$ 51,819	\$ 4,420,674	\$ (20,582,195)
12 Instructional Resources and Media Services	433,464	-	44,023	(389,441)
13 Curriculum and Staff Development	195,079	-	57,512	(137,567)
21 Instructional Leadership	572,225	-	35,638	(536,587)
23 School Leadership	2,471,691	-	188,172	(2,283,519)
31 Guidance, Counseling and Evaluation Services	1,674,789	-	707,647	(967,142)
32 Social Work Services	79,896	-	43,476	(36,420)
33 Health Services	433,539	-	70,900	(362,639)
34 Student (Pupil) Transportation	1,363,513	-	43,009	(1,320,504)
35 Food Services	2,064,976	511,814	1,992,665	439,503
36 Extracurricular Activities	1,582,473	157,792	232,840	(1,191,841)
41 General Administration	1,700,076	43,860	47,953	(1,608,263)
51 Facilities Maintenance and Operations	4,087,243	35,904	109,217	(3,942,122)
52 Security and Monitoring Services	143,079	-	7,865	(135,214)
53 Data Processing Services	823,166	-	185,151	(638,015)
61 Community Services	559,366	318,061	43,220	(198,085)
72 Debt Service - Interest on Long Term Debt	1,033,153	3,122	-	(1,030,031)
73 Debt Service - Bond Issuance Cost and Fees	704,290	-	-	(704,290)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 44,976,706	\$ 1,122,372	\$ 8,229,962	(35,624,372)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	23,544,888
DT	Property Taxes, Levied for Debt Service	3,182,226
GC	Grants and Contributions not Restricted	9,451,170
IE	Investment Earnings	85,747
MI	Miscellaneous Local and Intermediate Revenue	(163,986)
TR	Total General Revenues	36,100,045
CN	Change in Net Position	475,673
NB	Net Position - Beginning	40,751,893
NE	Net Position--Ending	\$ 41,227,566

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

KERRVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 401,775	\$ 925,516	\$ 381,100	\$ 1,708,391
1120 Investments - Current	5,594,813	6,200,133	1,263,756	13,058,702
1210 Property Taxes - Current	596,355	-	80,279	676,634
1220 Property Taxes - Delinquent	796,004	-	128,858	924,862
1230 Allowance for Uncollectible Taxes (Credit)	(530,106)	-	(89,355)	(619,461)
1240 Receivables from Other Governments	823,073	-	127,817	950,890
1260 Due from Other Funds	531,998	-	13,551	545,549
1290 Other Receivables	5,431	-	1,890	7,321
1300 Inventories	45,248	-	79,286	124,534
1410 Prepayments	82,026	-	-	82,026
1000 Total Assets	<u>\$ 8,346,617</u>	<u>\$ 7,125,649</u>	<u>\$ 1,987,182</u>	<u>\$ 17,459,448</u>
LIABILITIES				
2110 Accounts Payable	\$ 188,374	\$ 148,890	\$ 46,222	\$ 383,486
2150 Payroll Deductions and Withholdings Payable	31,060	-	-	31,060
2160 Accrued Wages Payable	780,841	-	105,929	886,770
2170 Due to Other Funds	13,551	100	110,652	124,303
2180 Due to Other Governments	366,753	-	8,685	375,438
2190 Due to Student Groups	-	-	303,202	303,202
2200 Accrued Expenditures	-	-	425	425
2300 Unearned Revenues	953,329	-	126,747	1,080,076
2000 Total Liabilities	<u>2,333,908</u>	<u>148,990</u>	<u>701,862</u>	<u>3,184,760</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	45,248	-	-	45,248
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	1,282,578	1,282,578
Committed Fund Balance:				
3545 Other Committed Fund Balance	1,114,818	-	-	1,114,818
3600 Unassigned Fund Balance	4,852,643	6,976,659	2,742	11,832,044
3000 Total Fund Balances	<u>6,012,709</u>	<u>6,976,659</u>	<u>1,285,320</u>	<u>14,274,688</u>
4000 Total Liabilities and Fund Balances	<u>\$ 8,346,617</u>	<u>\$ 7,125,649</u>	<u>\$ 1,987,182</u>	<u>\$ 17,459,448</u>

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

KERRVILLE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2013

Total Fund Balances - Governmental Funds	\$ 14,274,688
1 The District uses internal service funds to charge the costs of certain activities to appropriate functions in other funds. The District's only internal fund is the transportation fund. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	694,354
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$84,017,428 and the accumulated depreciation was \$29,492,816. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The long term debt was \$23,850,000 at the beginning of the year. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	30,674,612
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2013 capital outlays and debt principal payments is to increase net position.	3,099,193
4 The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,635,591)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net position.	(5,876,690)
19 Net Position of Governmental Activities	\$ 41,227,566

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

KERRVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 24,484,784	\$ 133	\$ 4,194,567	\$ 28,679,484
5800 State Program Revenues	10,436,319	-	792,298	11,228,617
5900 Federal Program Revenues	612,417	-	4,944,112	5,556,529
5020 Total Revenues	<u>35,533,520</u>	<u>133</u>	<u>9,930,977</u>	<u>45,464,630</u>
EXPENDITURES:				
Current:				
0011 Instruction	20,530,202	-	3,361,398	23,891,600
0012 Instructional Resources and Media Services	345,730	-	25,382	371,112
0013 Curriculum and Instructional Staff Development	131,982	-	56,666	188,648
0021 Instructional Leadership	556,322	-	15,903	572,225
0023 School Leadership	2,366,827	-	74,593	2,441,420
0031 Guidance, Counseling and Evaluation Services	1,002,457	-	658,332	1,660,789
0032 Social Work Services	36,985	-	42,911	79,896
0033 Health Services	384,312	-	49,227	433,539
0034 Student (Pupil) Transportation	1,332,666	-	-	1,332,666
0035 Food Services	-	-	1,965,143	1,965,143
0036 Extracurricular Activities	1,309,269	-	183,002	1,492,271
0041 General Administration	1,686,790	-	-	1,686,790
0051 Facilities Maintenance and Operations	4,100,918	-	-	4,100,918
0052 Security and Monitoring Services	135,252	-	7,827	143,079
0053 Data Processing Services	652,099	-	163,850	815,949
0061 Community Services	482,201	-	25,419	507,620
Debt Service:				
0071 Principal on Long Term Debt	-	-	2,365,000	2,365,000
0072 Interest on Long Term Debt	-	-	1,039,970	1,039,970
0073 Bond Issuance Cost and Fees	-	-	331,041	331,041
Capital Outlay:				
0081 Facilities Acquisition and Construction	191,585	223,474	-	415,059
6030 Total Expenditures	<u>35,245,597</u>	<u>223,474</u>	<u>10,365,664</u>	<u>45,834,735</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>287,923</u>	<u>(223,341)</u>	<u>(434,687)</u>	<u>(370,105)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	20,295,000	20,295,000
7915 Transfers In	145,055	7,200,000	-	7,345,055
7916 Premium or Discount on Issuance of Bonds	-	-	1,765,109	1,765,109
8911 Transfers Out (Use)	(1,145,055)	-	-	(1,145,055)
8949 Other (Uses)	-	-	(21,714,848)	(21,714,848)
7080 Total Other Financing Sources (Uses)	<u>(1,000,000)</u>	<u>7,200,000</u>	<u>345,261</u>	<u>6,545,261</u>
1200 Net Change in Fund Balances	(712,077)	6,976,659	(89,426)	6,175,156
0100 Fund Balance - September 1 (Beginning)	<u>6,724,786</u>	<u>-</u>	<u>1,374,746</u>	<u>8,099,532</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 6,012,709</u>	<u>\$ 6,976,659</u>	<u>\$ 1,285,320</u>	<u>\$ 14,274,688</u>

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

KERRVILLE 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, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ 6,175,156
The District uses internal service funds to charge the costs of certain activities to appropriate functions in other funds. The District's only internal service fund is the transportation fund. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to (decrease) net position.	(39,141)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2013 capital outlays and debt principal payments is to increase net position.	3,099,193
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,635,591)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net position.	(7,123,944)
Change in Net Position of Governmental Activities	<u>\$ 475,673</u>

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

KERRVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2013

	Governmental Activities -
	Internal Service Fund
ASSETS	
Noncurrent Assets:	
Capital Assets:	
Buildings and Improvements	\$ 223,746
Depreciation on Buildings	(67,861)
Furniture and Equipment	2,781,626
Depreciation on Furniture and Equipment	(2,246,157)
Total Noncurrent Assets	691,354
Total Assets	691,354
LIABILITIES	
Current Liabilities:	
Accounts Payable	2,053
Due to Other Funds	421,245
Total Liabilities	423,298
NET POSITION	
Net Investment in Capital Assets	307,197
Unrestricted Net Position	(39,141)
Total Net Position	\$ 268,056

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

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

	Governmental Activities -
	Internal Service Fund
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 1,697,774
State Program Revenues	54,908
Total Operating Revenues	<u>1,752,682</u>
OPERATING EXPENSES:	
Payroll Costs	1,151,806
Professional and Contracted Services	45,549
Supplies and Materials	357,468
Other Operating Costs	42,343
Depreciation Expense	194,657
Total Operating Expenses	<u>1,791,823</u>
Operating Income (Loss)	(39,141)
Total Net Position - September 1 (Beginning)	<u>307,197</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 268,056</u></u>

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

KERRVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 1,697,774
Cash Payments to Employees for Services	(1,096,898)
Cash Payments for Other Operating Expenses	(456,955)
Net Cash Provided by Operating Activities	<u>143,921</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase(decrease) in Short-term Loans	<u>(143,921)</u>
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	<u><u>\$ -</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income (Loss):	\$ (39,141)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	194,657
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	<u>(11,595)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 143,921</u></u>

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

KERRVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2013

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 232,047
Total Assets	<u>\$ 232,047</u>
LIABILITIES	
Accounts Payable	\$ 1,439
Due to Student Groups	230,608
Total Liabilities	<u>\$ 232,047</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

KERRVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kerrville Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Kerrville Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available GASB 2300,106a(5) and 1600.108, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Permanent Funds** – The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

4. **Enterprise Funds** – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no non-major enterprise funds.
5. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is:

Transportation Fund

Fiduciary Funds:

6. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District has no Private Purpose Trust Funds.
7. **Pension (and Other Employee Benefit) Trust Funds** – These funds are used to account for local pension and other employee benefit funds that are provided by the District in lieu of or in addition to the Teacher Retirement System of Texas. The District has no Pension Trust Funds.
8. **Investment Trust Fund** - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the district. The District has no Investment Trust Funds.
9. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is:

Student Activity Fund

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and revenue when received. When requisitioned, inventory expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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.

4. 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.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20
Infrastructure	50
Vehicles	5
Office Equipment	5
Computer Equipment	5

6. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

7. **Risk Management**

Workers Compensation Fund

During the year ended August 31, 2013, Kerrville Independent School District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2012, the Fund carries a discounted reserve of \$68,883,628 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2012, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Property Program

During the year ended August 31, 2013, Kerrville Independent School District participated in the TASB Risk Management Fund's (the Fund's) Property Program with coverage in:

Crime
Equipment Breakdown
Property

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2013, the Fund anticipated Kerrville Independent School District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Unemployment Compensation Pool

During the year ended August 31, 2013 Kerrville Independent School District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation Pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The Fund's audited financial statements as of August 31, 2012, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Liability Program

During the year ended August 31, 2013, Kerrville Independent School District participated in the TASB Risk Management Fund's (the Fund) Liability Program with coverage in:

- Auto Liability
- General Liability
- Sexual Misconduct Endorsement
- SP Legal Liability

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Liability Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2013, the Fund anticipated Kerrville Independent School District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

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

Future Turf Replacement	\$ 80,000
Future Track Resurfacing	60,000
Future Bank Uniforms	70,000
IDEA B Residential Set Aside	215,000
Future Additional August Days	274,000
IMA Funds	<u>415,818</u>
Total Committed Funds	<u>\$1,114,818</u>

9. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
10. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J3 and J4.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in any foreign investments.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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 a governmental entity 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 entity 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, and (10) common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Kerrville Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2013, Kerrville Independent School District had the following investments (dollar amounts are in thousands).

<u>Investment Type</u>	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More Than 10
Investment Pools	<u>\$13,058,702</u>	<u>\$13,058,702</u>			
Total	<u>\$13,058,702</u>	<u>\$13,058,702</u>			

Additional policies and contractual provisions governing deposits and investments for Kerrville Independent School District are specified below:

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires any internally created pool fund group to have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase without specific authorization of the board of trustees.

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2013, consisted of the following amounts:

Due to General Fund from:

Special Revenue Funds	\$ 110,653
Capital Projects Fund	100
Internal Service Fund	<u>421,245</u>
Total Due to General Fund From Other Funds	<u>\$531,998</u>

Due to Debt Service fund:

General Fund	<u>\$ 13,551</u>
Total Due to Debt Service Fund	<u>\$ 13,551</u>

E. CAPITAL ASSET ACTIVITY

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

	Primary Government			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	\$ 2,344,403	\$ 0	\$ 0	\$ 2,344,403
Buildings and Improvements	77,763,606	247,540	0	78,011,146
Furniture and Equipment	3,909,419	63,179	0	3,972,598
Construction In Progress	0	223,474	0	223,474
Totals at Historic Cost	<u>84,017,428</u>	<u>534,193</u>	<u>0</u>	<u>84,551,621</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(25,850,976)	(1,519,509)	0	(27,370,485)
Furniture and Equipment	(3,641,840)	(116,082)	0	(3,757,922)
Total Accumulated Depreciation	<u>(29,492,816)</u>	<u>(1,635,591)</u>	<u>0</u>	<u>(31,128,407)</u>
Governmental Activities Capital Assets, Net	<u>\$ 54,524,612</u>	<u>(\$1,101,398)</u>	<u>\$ 0</u>	<u>\$ 53,423,214</u>
Business-type Activities:				
Buildings and Improvements	\$ 223,746	\$ 0	\$ 0	\$ 223,746
Furniture and Equipment	<u>2,781,626</u>	<u>0</u>	<u>0</u>	<u>2,781,626</u>
Totals at Historic Cost	<u>3,005,372</u>	<u>0</u>	<u>0</u>	<u>3,005,372</u>
Less Accumulated Depreciation				
Buildings and Improvements	(63,386)	(4,475)	0	(67,861)
Furniture and Equipment	(2,055,975)	(190,182)	0	(2,246,157)
Total Accumulated Depreciation	<u>(2,119,361)</u>	<u>(194,657)</u>	<u>0</u>	<u>(2,314,018)</u>
Business-type Activities Capital Assets, Net	<u>\$ 886,011</u>	<u>(\$ 194,657)</u>	<u>\$ 0</u>	<u>\$ 691,354</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,161,590
Instructional Resources and Media Services	62,352
Curriculum Development and Instructional Staff Development	6,431
School Leadership	30,271
Guidance, Counseling and Evaluation Services	14,000
Food Services	99,833
Cocurricular/Extracurricular Activities	83,406
General Administration	13,286
Plant Maintenance and Operations	42,280
Data Processing Services	70,396
Community Services	51,746

In addition, depreciation on capital assets held by the District's Internal Service Fund is charged to the various functions based on their usage of the assets

194,657

Total Depreciation Expense

\$1,830,248

F. BONDS AND LONG-TERM NOTES PAYABLE

Bonded indebtedness of the District is reflected in the governmental activities. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2013 is as follows:

<u>DESCRIPTION</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Interest Current Year</u>	<u>Payable Amounts Outstanding 9/1/12</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 8/31/13</u>
Unlimited Tax Refunding Bonds Series 2004	2.0% 5.0%	\$28,405,050	\$ 830,750	\$ 23,850,000	\$ 0	\$16,660,000	\$ 7,190,000
Unlimited Tax Refunding Bonds Series 2013	2.0% 3.50%	14,325,000	190,385	0	14,325,000	175,000	14,150,000
Unlimited tax Sch Bldg Bonds Series 2013	2.0% 4.0%	5,970,000	18,834	0	5,970,000	0	5,970,000
TOTAL			<u>\$1,039,969</u>	<u>\$ 23,850,000</u>	<u>\$ 20,295,000</u>	<u>\$16,835,000</u>	<u>\$27,310,000</u>
Accrued Interest							<u>45,457</u>
Total Debt & Accrued Interest							<u>\$27,355,457</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2013.

G. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2013, as follows:

<u>Year Ending August 31</u>	
2014	\$ 169,654
2015	162,658
2016	87,149
2017	444
2018	<u>296</u>
Total Minimum Rentals	<u>\$ 420,201</u>
Rental Expenditures in Fiscal Year 2013	<u>\$ 183,317</u>

H. DEBT SERVICE REQUIREMENTS - BONDS AND CAPITAL LEASES

Debt service requirements for bonds are as follows:

Year Ended <u>August 31</u>	<u>General Obligations</u>		Total <u>Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2014	\$2,370,000	\$1,036,990	\$3,406,990
2015	2,465,000	930,632	3,395,632
2016	2,575,000	809,482	3,384,482
2017	2,690,000	682,532	3,372,532
2018	2,760,000	602,232	3,362,232
2019-2023	9,595,000	1,717,982	11,312,982
2024-2028	2,195,000	798,927	2,993,927
2029-2033	<u>2,660,000</u>	<u>323,224</u>	<u>2,983,224</u>
Total	<u>\$27,310,000</u>	<u>\$6,902,001</u>	<u>\$34,212,001</u>

I. DEFINED BENEFIT PENSION PLAN

Plan Description. Kerrville Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 8701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2011, 2012 and 2013 a state contribution rate of 6.4% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of Kerrville Independent School District's employees for the years ended August 31, 2011, 2012 and 2013 were \$1,443,462, \$1,284,401, and \$1,394,355, respectively. Kerrville Independent School District paid additional state contributions for the years ended August 31, 2011, 2012, and 2013 in the amount of \$298,251, \$242,543, and \$177,133, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

J. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Tax Revenue	\$ 892,672	\$ 0	\$ 119,782	\$ 1,012,454
Athletic Receipts	27,307	0	0	27,307
Tuition	33,350	0	0	33,350
Other	<u>0</u>	<u>6,965</u>	<u>0</u>	<u>6,965</u>
Total Deferred Revenue	<u>\$ 953,329</u>	<u>\$ 6,965</u>	<u>\$ 119,782</u>	<u>\$1,080,076</u>

K. DUE FROM STATE AGENCIES

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 and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2013, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies except for Head Start which is received directly from the Department of Health and Human Services.

<u>FUND</u>	<u>STATE ENTITLEMENTS</u>	<u>FEDERAL GRANTS</u>	<u>TOTAL</u>
General	\$ 823,073	\$ 0	\$ 823,073
Special Revenue	<u>0</u>	<u>127,817</u>	<u>127,817</u>
Total	<u>\$ 823,073</u>	<u>\$ 127,817</u>	<u>\$ 950,890</u>

L. REVENUE 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 Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$23,552,864	\$ 0	\$ 3,186,120	\$ 0	\$26,738,984
Penalties, Interest and Other Tax- related Income	304,697	0	40,434	0	345,131
Investment Income	13,586	0	72,028	133	85,747
Food Sales	0	512,265	0	0	512,265
Tuitions	369,880	0	0	0	369,880
Co-curricular Student Activities	157,792	383,720	0	0	541,512
Other	<u>85,965</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>85,965</u>
Total	<u>\$24,484,784</u>	<u>\$ 895,985</u>	<u>\$ 3,298,582</u>	<u>\$ 133</u>	<u>\$28,679,484</u>

M. RELATED ORGANIZATIONS

The Kerrville Public School Foundation (the "Foundation"), a not-for-profit entity which was organized to provide scholarship funds, is a "related organization" of the District as defined by *Governmental Accounting Standards Board Statement No. 14*.

N. Retiree Health Plan

Plan Description. The Kerrville 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). TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The 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 under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

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 .5% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. 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 year ended August 31, 2013, 2012 and 2011 the state contributions to TRS-Care were \$123,412, \$254,659 and \$262,148, respectively, the active member contributions were \$179,426, \$185,649 and \$191,701, respectively, which equaled the required contributions each year. Under the Medicare Part D program TRS Care receives retiree drug subsidy payments from the federal government. For the years ended August 31, 2013, 2012 and 2011, TRS Care received \$71,615, \$74,799 and \$68,707, respectively.

O. FUND EQUITY

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Governmental Fund Balances - Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those resources can be spent. Fund balances are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned - all other spendable amounts.

Net Position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

KERRVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 24,593,000	\$ 24,793,350	\$ 24,484,784	\$ (308,566)
5800	State Program Revenues	10,222,000	10,436,650	10,436,319	(331)
5900	Federal Program Revenues	580,000	580,000	612,417	32,417
5020	Total Revenues	35,395,000	35,810,000	35,533,520	(276,480)
EXPENDITURES:					
Current:					
0011	Instruction	20,920,004	21,017,358	20,530,202	487,156
0012	Instructional Resources and Media Services	351,511	365,200	345,730	19,470
0013	Curriculum and Instructional Staff Development	149,875	166,161	131,982	34,179
0021	Instructional Leadership	603,162	606,308	556,322	49,986
0023	School Leadership	2,390,944	2,414,078	2,366,827	47,251
0031	Guidance, Counseling and Evaluation Services	1,134,240	1,080,482	1,002,457	78,025
0032	Social Work Services	39,946	49,530	36,985	12,545
0033	Health Services	389,829	403,952	384,312	19,640
0034	Student (Pupil) Transportation	1,320,200	1,345,200	1,332,666	12,534
0036	Extracurricular Activities	1,357,389	1,399,253	1,309,269	89,984
0041	General Administration	1,742,796	1,820,661	1,686,790	133,871
0051	Facilities Maintenance and Operations	4,321,744	4,345,350	4,100,918	244,432
0052	Security and Monitoring Services	189,095	186,395	135,252	51,143
0053	Data Processing Services	616,841	1,039,069	652,099	386,970
0061	Community Services	237,424	488,493	482,201	6,292
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	192,528	191,585	943
6030	Total Expenditures	35,765,000	36,920,018	35,245,597	1,674,421
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(370,000)	(1,110,018)	287,923	1,397,941
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	130,000	145,055	15,055
8911	Transfers Out (Use)	(130,000)	(1,130,000)	(1,145,055)	(15,055)
7080	Total Other Financing Sources (Uses)	(130,000)	(1,000,000)	(1,000,000)	-
1200	Net Change in Fund Balances	(500,000)	(2,110,018)	(712,077)	1,397,941
0100	Fund Balance - September 1 (Beginning)	6,724,786	6,724,786	6,724,786	-
3000	Fund Balance - August 31 (Ending)	\$ 6,224,786	\$ 4,614,768	\$ 6,012,709	\$ 1,397,941

COMBINING AND OTHER STATEMENTS

KERRVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes		205	211	224	225
		Head Start	ESEA I, A Improving Basic Program	IDEA - Part B Formula	IDEA - Part B Preschool
ASSETS					
1110	Cash and Cash Equivalents	\$ 13,066	\$ 38,697	\$ -	\$ 200
1120	Investments - Current	-	-	-	-
1210	Property Taxes - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	6,595	10,299	55,978	1,156
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 19,661</u>	<u>\$ 48,996</u>	<u>\$ 55,978</u>	<u>\$ 1,356</u>
LIABILITIES					
2110	Accounts Payable	\$ 87	\$ 1,301	\$ -	\$ -
2160	Accrued Wages Payable	19,574	47,695	31,216	1,356
2170	Due to Other Funds	-	-	24,762	-
2180	Due to Other Governments	-	-	-	-
2190	Due to Student Groups	-	-	-	-
2200	Accrued Expenditures	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>19,661</u>	<u>48,996</u>	<u>55,978</u>	<u>1,356</u>
FUND BALANCES					
Restricted Fund Balance:					
3480	Retirement of Long-Term Debt	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 19,661</u>	<u>\$ 48,996</u>	<u>\$ 55,978</u>	<u>\$ 1,356</u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	288 Air Force Junior ROTC	289 Other Federal Special Revenue Funds
\$ -	\$ -	\$ -	\$ 4,374	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
37,458	-	372	1,714	-	-	9,145	3,000
-	-	-	-	-	-	-	-
1,890	-	-	-	-	-	-	-
79,286	-	-	-	-	-	-	-
<u>\$ 118,634</u>	<u>\$ -</u>	<u>\$ 372</u>	<u>\$ 6,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,145</u>	<u>\$ 3,000</u>
\$ 35,144	\$ -	\$ 365	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	6,088	-	-	-	-
80,323	-	7	-	-	-	460	3,000
-	-	-	-	-	-	8,685	-
-	-	-	-	-	-	-	-
425	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>115,892</u>	<u>-</u>	<u>372</u>	<u>6,088</u>	<u>-</u>	<u>-</u>	<u>9,145</u>	<u>3,000</u>
-	-	-	-	-	-	-	-
2,742	-	-	-	-	-	-	-
<u>2,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 118,634</u>	<u>\$ -</u>	<u>\$ 372</u>	<u>\$ 6,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,145</u>	<u>\$ 3,000</u>

KERRVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes		385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	404 Student Success Initiative
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1120	Investments - Current	-	-	-	-
1210	Property Taxes - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	2,100	-	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 2,100</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	2,100	-	-
2180	Due to Other Governments	-	-	-	-
2190	Due to Student Groups	-	-	-	-
2200	Accrued Expenditures	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>2,100</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3480	Retirement of Long-Term Debt	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 2,100</u>	<u>\$ -</u>	<u>\$ -</u>

410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 H E B Excellence Award	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 312,527	\$ 4,528	\$ 2,437	\$ 375,829	\$ 5,271	\$ 381,100
-	-	-	-	-	-	1,263,756	1,263,756
-	-	-	-	-	-	80,279	80,279
-	-	-	-	-	-	128,858	128,858
-	-	-	-	-	-	(89,355)	(89,355)
-	-	-	-	-	127,817	-	127,817
-	-	-	-	-	-	13,551	13,551
-	-	-	-	-	1,890	-	1,890
-	-	-	-	-	79,286	-	79,286
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,527</u>	<u>\$ 4,528</u>	<u>\$ 2,437</u>	<u>\$ 584,822</u>	<u>\$ 1,402,360</u>	<u>\$ 1,987,182</u>
\$ -	\$ -	\$ 9,325	\$ -	\$ -	\$ 46,222	\$ -	\$ 46,222
-	-	-	-	-	105,929	-	105,929
-	-	-	-	-	110,652	-	110,652
-	-	-	-	-	8,685	-	8,685
-	-	303,202	-	-	303,202	-	303,202
-	-	-	-	-	425	-	425
-	-	-	4,528	2,437	6,965	119,782	126,747
<u>-</u>	<u>-</u>	<u>312,527</u>	<u>4,528</u>	<u>2,437</u>	<u>582,080</u>	<u>119,782</u>	<u>701,862</u>
-	-	-	-	-	-	1,282,578	1,282,578
-	-	-	-	-	2,742	-	2,742
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,742</u>	<u>1,282,578</u>	<u>1,285,320</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,527</u>	<u>\$ 4,528</u>	<u>\$ 2,437</u>	<u>\$ 584,822</u>	<u>\$ 1,402,360</u>	<u>\$ 1,987,182</u>

KERRVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	677,325	1,377,696	916,974	30,884
5020 Total Revenues	677,325	1,377,696	916,974	30,884
EXPENDITURES:				
Current:				
0011 Instruction	475,307	1,086,804	559,556	30,475
0012 Instructional Resources and Media Services	-	1,199	-	-
0013 Curriculum and Instructional Staff Development	-	12,060	9,129	409
0021 Instructional Leadership	10,724	2,954	-	-
0023 School Leadership	74,593	-	-	-
0031 Guidance, Counseling and Evaluation Services	26,640	260,064	348,289	-
0032 Social Work Services	42,911	-	-	-
0033 Health Services	47,150	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	14,615	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	677,325	1,377,696	916,974	30,884
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	-	-
8949 Other (Uses)	-	-	-	-
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	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	288 Air Force Junior ROTC	289 Other Federal Special Revenue Funds
\$ 512,265	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
36,779	-	-	-	-	-	-	-
1,408,804	10,037	63,883	232,777	30,959	123,672	65,755	5,346
<u>1,957,848</u>	<u>10,037</u>	<u>63,883</u>	<u>232,777</u>	<u>30,959</u>	<u>123,672</u>	<u>65,755</u>	<u>5,346</u>
-	-	48,719	219,542	21,078	107,765	65,755	5,346
-	-	-	-	-	-	-	-
-	-	13,498	3,609	9,881	8,080	-	-
-	-	1,666	559	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	363	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,955,106	10,037	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	7,827	-	-
-	-	-	-	-	-	-	-
-	-	-	8,704	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,955,106</u>	<u>10,037</u>	<u>63,883</u>	<u>232,777</u>	<u>30,959</u>	<u>123,672</u>	<u>65,755</u>	<u>5,346</u>
<u>2,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,742	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 2,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

KERRVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	404 Student Success Initiative
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	6,173	2,100	328	14,731
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>6,173</u>	<u>2,100</u>	<u>328</u>	<u>14,731</u>
EXPENDITURES:				
Current:				
0011 Instruction	6,173	-	328	14,731
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	2,100	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>6,173</u>	<u>2,100</u>	<u>328</u>	<u>14,731</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	-	-
8949 Other (Uses)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 H E B Excellence Award	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 383,248	\$ 472	\$ -	\$ 895,985	\$ 3,298,582	\$ 4,194,567
732,164	23	-	-	-	792,298	-	792,298
-	-	-	-	-	4,944,112	-	4,944,112
732,164	23	383,248	472	-	6,632,395	3,298,582	9,930,977
568,314	23	151,482	-	-	3,361,398	-	3,361,398
-	-	24,183	-	-	25,382	-	25,382
-	-	-	-	-	56,666	-	56,666
-	-	-	-	-	15,903	-	15,903
-	-	-	-	-	74,593	-	74,593
-	-	22,976	-	-	658,332	-	658,332
-	-	-	-	-	42,911	-	42,911
-	-	1,605	472	-	49,227	-	49,227
-	-	-	-	-	1,965,143	-	1,965,143
-	-	183,002	-	-	183,002	-	183,002
-	-	-	-	-	7,827	-	7,827
163,850	-	-	-	-	163,850	-	163,850
-	-	-	-	-	25,419	-	25,419
-	-	-	-	-	-	2,365,000	2,365,000
-	-	-	-	-	-	1,039,970	1,039,970
-	-	-	-	-	-	331,041	331,041
732,164	23	383,248	472	-	6,629,653	3,736,011	10,365,664
-	-	-	-	-	2,742	(437,429)	(434,687)
-	-	-	-	-	-	20,295,000	20,295,000
-	-	-	-	-	-	1,765,109	1,765,109
-	-	-	-	-	-	(21,714,848)	(21,714,848)
-	-	-	-	-	-	345,261	345,261
-	-	-	-	-	2,742	(92,168)	(89,426)
-	-	-	-	-	-	1,374,746	1,374,746
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,742	\$ 1,282,578	\$ 1,285,320

THIS PAGE LEFT BLANK INTENTIONALLY

T.E.A. REQUIRED SCHEDULES

KERRVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ 1,354,598,786
2005	1.458000	0.285000	1,455,930,692
2006	1.480000	0.203000	1,634,035,569
2007	1.490000	0.180000	1,768,820,617
2008	1.320000	0.180000	1,927,945,402
2009	0.990000	0.160000	2,103,529,871
2010	1.030000	0.150000	2,165,339,180
2011	1.030000	0.150000	2,206,310,416
2012	1.040000	0.140000	2,258,294,298
2013 (School year under audit)	1.040000	0.140000	2,281,057,100
1000 TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 211,909	\$ -	\$ 11,648	\$ 2,193	\$ 562	\$ 198,630
27,195	-	4,296	589	-	22,310
43,118	-	3,994	482	(239)	38,403
58,455	-	7,497	1,022	1,053	50,989
53,462	-	5,691	920	(1,401)	45,450
101,116	-	22,904	3,335	(1,756)	73,121
137,868	-	40,815	5,944	(3,078)	88,031
361,246	-	99,434	14,481	(116,966)	130,365
615,582	-	284,943	38,358	(14,718)	277,563
-	26,916,473	23,071,643	3,118,795	(49,401)	676,634
<u>\$ 1,609,951</u>	<u>\$ 26,916,473</u>	<u>\$ 23,552,865</u>	<u>\$ 3,186,119</u>	<u>\$ (185,944)</u>	<u>\$ 1,601,496</u>

KERRVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2013

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	\$ -	\$ 98,483	\$ 264,937	\$ 657,805	\$ -	\$ -	\$ 1,021,225
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	5,496	-	-	41,097	-	-	46,593
6212	Audit Services	-	-	-	30,750	-	-	30,750
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	339,840	-	-	-	-	339,840
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	5,529	-	-	10,458	-	-	15,987
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	11,422	-	-	11,422
6240	Contr. Maint. and Repair	-	9,412	1,750	71,068	-	-	82,230
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	2,008	6,907	15,692	-	-	24,607
6290	Miscellaneous Contr.	-	-	1,750	29,137	-	-	30,887
6320	Textbooks and Reading	553	185	313	430	-	-	1,481
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	11,568	5,688	33,395	-	-	50,651
6410	Travel, Subsistence, Stipends	3,108	1,065	7,120	16,318	-	-	27,611
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	5,360	-	-	-	-	-	5,360
6490	Miscellaneous Operating	13,863	473	21,312	25,485	-	-	61,133
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	640	640
6000	TOTAL	\$ 33,909	\$ 463,034	\$ 309,777	\$ 943,057	\$ -	\$ 640	\$ 1,750,417

Total expenditures/expenses for General and Special Revenue Funds:

(9) \$ 41,875,249

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 413,143
Total Debt & Lease(6500)	(11) -
Plant Maintenance (Function 51, 6100-6400)	(12) 4,093,207
Food (Function 35, 6341 and 6499)	(13) 708,193
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	943,057

SubTotal:

6,157,599

Net Allowed Direct Cost

\$ 35,717,650

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 78,234,892
Historical Cost of Building over 50 years old	(16) \$ 3,419,820
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 6,574,743
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 1,890,291
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: \$63,628 in Function 53 expenditures are included in this report on administrative costs.

No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

KERRVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 660,000	\$ 660,000	\$ 512,265	\$ (147,735)
5800	State Program Revenues	15,000	15,000	36,779	21,779
5900	Federal Program Revenues	1,500,000	1,500,000	1,408,804	(91,196)
5020	Total Revenues	2,175,000	2,175,000	1,957,848	(217,152)
EXPENDITURES:					
0035	Food Services	2,175,000	2,175,000	1,955,106	219,894
6030	Total Expenditures	2,175,000	2,175,000	1,955,106	219,894
1200	Net Change in Fund Balances	-	-	2,742	2,742
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 2,742	\$ 2,742

KERRVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 3,387,000	\$ 3,387,000	\$ 3,298,582	\$ (88,418)
5020	Total Revenues	3,387,000	3,387,000	3,298,582	(88,418)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	2,190,000	2,190,000	2,365,000	(175,000)
0072	Interest on Long Term Debt	1,192,500	1,192,500	1,039,970	152,530
0073	Bond Issuance Cost and Fees	4,500	4,500	331,041	(326,541)
6030	Total Expenditures	3,387,000	3,387,000	3,736,011	(349,011)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(437,429)	(437,429)
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	-	20,295,000	20,295,000
7916	Premium or Discount on Issuance of Bonds	-	-	1,765,109	1,765,109
8949	Other (Uses)	-	-	(21,714,848)	(21,714,848)
7080	Total Other Financing Sources (Uses)	-	-	345,261	345,261
1200	Net Change in Fund Balances	-	-	(92,168)	(92,168)
0100	Fund Balance - September 1 (Beginning)	1,374,746	1,374,746	1,374,746	-
3000	Fund Balance - August 31 (Ending)	\$ 1,374,746	\$ 1,374,746	\$ 1,282,578	\$ (92,168)

**REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS**

PRESSLER, THOMPSON AND COMPANY

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
ONE SCHREINER CENTER
819 WATER STREET, SUITE 320
KERRVILLE, TEXAS 78028

Ernst H. Druebert, Jr., C.P.A.
Jerry N. Oliver, C.P.A.
Douglas H. Sundberg, C.P.A.
Timothy R. Porter, C.P.A.

P.O. Box 290590
Telephone (830) 257-7241
Fax (830) 896-4041
Website: www.ptccopa.com

**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***

Independent Auditor's Report

Kerrville Independent School District
1009 Barnet Street
Kerrville, Texas 78028

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kerrville Independent School District, as of and for the year ended August 31, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 22, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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


Pressler, Thompson and Company

PRESSLER, THOMPSON AND COMPANY

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
ONE SCHREINER CENTER
819 WATER STREET, SUITE 320
KERRVILLE, TEXAS 78028

Ernst H. Druebert, Jr., C.P.A.
Jerry N. Oliver, C.P.A.
Douglas H. Sundberg, C.P.A.
Timothy R. Porter, C.P.A.

P.O. Box 290590
Telephone (830) 257-7241
Fax (830) 896-4041
Website: www.ptcocpa.com

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

Kerrville Independent School District
1009 Barnet Street
Kerrville, Texas 78028

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kerrville Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kerrville Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of Kerrville Independent School District as of and for the year ended August 31, 2013, and have issued our report thereon dated January 22, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.


Pressler, Thompson and Company

**KERRVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of the Auditor's Results:

1. The type of report issued on the financial statements of the Kerrville Independent School District was an unqualified opinion.
2. There were no significant deficiencies in internal control.
3. There were not any noncompliance issues that were material to the financial statements..
4. There were no significant deficiencies in internal control over any major programs.
5. The type of report the auditor issued on compliance for major programs. unqualified opinion.
6. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under Section _____.510(a). These include: NONE NOTED
7. An identification of major programs: Head Start (93.600), ESEA, Title II, Part A, Teacher/Principal Training (84.367A), IDEA, Part B, Formula (84.027), IDEA, Part B, Preschool (84.173)
8. The dollar threshold used to distinguish between Type A and Type B programs. \$300,000
9. The auditee qualified as a low risk auditee.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

NONE NOTED

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above.

NONE NOTED

KERRVILLE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2013

THERE WERE NO FINDINGS IN THE PRIOR YEAR.

KERRVILLE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013

(Prepared by the District's Administration)

THERE WERE NO REPORTABLE FINDINGS IN THE CURRENT YEAR

KERRVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
Air Force Junior ROTC	FD288	TX-20063	\$ 65,755
Total Direct Programs			\$ 65,755
TOTAL U.S. DEPARTMENT OF DEFENSE			\$ 65,755
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13 - 610101133903	\$ 1,301,276
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14 - 610101133903	76,419
Total CFDA Number 84.010A			1,377,695
Total Title I, Part A Cluster			1,377,695
*IDEA - Part B, Formula	84.027	13 - 6600011339036600	857,284
*IDEA - Part B, Formula	84.027	14 - 6600011339036600	59,690
Total CFDA Number 84.027			916,974
*IDEA - Part B, Preschool	84.173	13 - 6610011339036610	29,529
*IDEA - Part B, Preschool	84.173	14 - 6610011339036610	1,356
Total CFDA Number 84.173			30,885
Total Special Education Cluster (IDEA)			947,859
Career and Technical - Basic Grant	84.048	13 - 420006133903	53,465
Career and Technical - Basic Grant	84.048	14 - 420006133903	10,418
Total CFDA Number 84.048			63,883
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	13 - 696001133903	123,672
Title III, Part A - English Language Acquisition	84.365A	13 - 671001133903	30,959
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13 - 694501133903	226,045
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14 - 694501133903	6,732
Total CFDA Number 84.367A			232,777
Summer School Program LEP	84.369A	69550902	5,346
Total Passed Through State Department of Education			\$ 2,782,191
TOTAL DEPARTMENT OF EDUCATION			\$ 2,782,191
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 22,813
Total Passed Through Texas Dept of Human Services			\$ 22,813
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH0448	\$ 677,325
Total Passed Through State Department of Education			\$ 677,325
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 700,138

KERRVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 281,948
*National School Lunch Program - Cash Assistance	10.555		1,006,173
*National School Lunch Prog. - Non-Cash Assistance	10.555		120,683
Total CFDA Number 10.555			<u>1,126,856</u>
*Summer Feeding Program - Cash Assistance	10.559		<u>10,037</u>
Total Child Nutrition Cluster			<u>1,418,841</u>
Total Passed Through the State Department of Agriculture			<u>\$ 1,418,841</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u><u>\$ 1,418,841</u></u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 4,966,925</u></u>

*Clustered Programs

THIS PAGE LEFT BLANK INTENTIONALLY

KERRVILLE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2013

- For all Federal programs, 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.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds 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. 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 General 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.

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.
- CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering Kerrville Independent School District fiscal year beginning September 1 2012, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.