

Keller Independent School District

Keller, Texas



Comprehensive Annual Financial Report

For the Fiscal Year Ended August 31, 2014

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Comprehensive Annual Financial Report

For the Fiscal Year Ended August 31, 2014

Prepared by the Finance Department

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Kristin Williams, C.P.A. Director of Finance

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INTRODUCTORY SECTION

**KELLER INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD**

Keller Independent
School District
Name of Local Education Agency

Tarrant
County

220-907
County-District-Number No.

We, the undersigned, certify that the attached annual financial report of the above named school district were reviewed and

approved disapproved
7 0

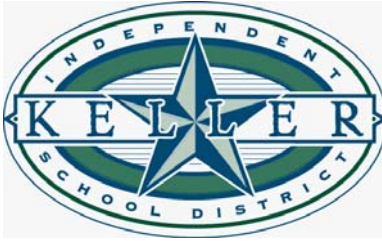
for the year ended August 31, 2014 at a meeting of the Board of Trustees of such school district on the 15th day of January, 2015.


Signature of Board Secretary


Signature of Board President

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

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OFFICE OF THE SUPERINTENDENT

KELLER INDEPENDENT SCHOOL DISTRICT

350 KELLER PARKWAY

KELLER, TEXAS 76248

PHONE: 817-744-1000

FAX: 817-744-1261

January 15, 2015

To the Board of Trustees and Taxpayers of the Keller Independent School District:

The Texas Education Code requires that all school districts file a set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles in the United States of America (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to this requirement, we hereby issue the Comprehensive Annual Financial Report of the Keller Independent School District (the District) (KISD) (Keller ISD) for the fiscal year ended August 31, 2014.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. In order to provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed to protect the District's assets from loss, theft or misuse. Additionally, the internal control framework is designed to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements of the District have been audited by Weaver and Tidwell, L.L.P, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended August 31, 2014, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The District includes all funds of its governmental operations that are controlled by or dependent upon the District as determined on a basis of financial accountability. Financial accountability includes appointment of the organization's governing body, imposition of will, and fiscal dependency. 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". The accompanying financial statements include only those funds of the District, as there are no other organizations for which it has financial accountability.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act as amended in 1996 by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements for the administration of federal awards. The results of the District's single audit for the fiscal year ended August 31, 2014, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

These reports are available in the Federal Awards Section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

KISD management is directly responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of "reasonable assurance" recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived from its implementation; and (2) the valuation of cost and benefit requires estimates and judgments by management. KISD management believes that the internal controls adequately meet these objectives.

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees. Every school district in Texas is required by law to prepare and file a budget with the Texas Education Agency. Activities of the general, child nutrition (special revenue) and debt service funds are included in the District's budget. Budgets for Special Revenue funds (other than the Child Nutrition Fund) and Capital Projects Fund are prepared on a project basis, based on grant regulations or applicable bond ordinances. Budgetary control (the level at which expenditures cannot legally exceed appropriations) is maintained at the functional category level within each fund. These functional categories are defined by the Texas Education Agency and identify the purpose of transactions. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances outstanding at year-end are generally re-appropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Governing Body

The Board of Trustees consists of seven members who serve, without compensation, a three year term in office. On a rotating basis, two or three places are filled during annual elections held the second Saturday of May. Vacancies may be filled by appointment until the next election. Candidates must be qualified voters of the District.

Regular meetings are usually scheduled on the second Thursday of each month and are held at the Keller ISD Education Center. Special meetings and work sessions are scheduled as needed and announced in compliance with public notice requirements.

The Board has final control over local school matters limited only by the state legislature, by the courts, and by the will of the people as expressed in school Board elections. Board decisions are based on a majority vote of those present.

In general, the Board adopts policies, sets direction for curriculum, employs the Superintendent, and oversees the operations of the District and its schools. Besides general Board business, Trustees are charged with numerous statutory regulations including calling trustee and other school elections and canvassing the results, organizing the Board and electing its officers. The Board is also responsible for setting the tax rate, setting salary schedules, and acting as a board of appeals in personnel and student matters, confirming recommendations for textbook adoptions and adopting and amending the annual budget.

The Board solicits and evaluates community input and support concerning actual policies.

Economic Conditions and Outlook

The financial statements are best understood when it is considered within the perspective of the environment in which the District operates.

The Keller Independent School District, strategically situated in the northeast section of Tarrant County, lies within one of the fastest growing areas in Texas. Keller's 51 square miles lies 17 miles due north of downtown Fort Worth. As Keller ISD approaches build out, enrollment growth is slowing. Until the 2011-2012 year, enrollment was increasing in excess of 1,000 students per year. The enrollment increase in 2011-12 was only 231 students, but the increase for 2013-14 was only 73 students. A new Charter School opened within KISD boundaries in the fall of 2014, which is expected to impact student enrollment even further. Nevertheless, Keller ISD is expected to remain the largest district in Northeast Tarrant County through build out and the fourth largest district in Tarrant County as a whole. The District enrollment is expected to increase by approximately 1,700 students during the next five years, and to exceed 37,000 by the fall of 2023.

Area Development

The residential growth of the District has been on pace with the that of the Fort Worth/Dallas Metroplex, and has been aided by the District's close proximity to both the Dallas/Fort Worth International Airport and Fort Worth's Alliance Airport. Though most of the District's growth has been in residential housing, many businesses are opening to support the growing population. Many of the residents of the new housing developments are employed by the Alliance Industrial Park businesses surrounding and utilizing the Fort Worth's Alliance Airport.

Alliance Town Center

Part of the 18,000 acre master-planned Alliance Texas development, the Alliance Town Center was built to support the needs of the fast growing area in northeast Tarrant County. Phase I included 600,000 SF of retail, cinema, bookstore and offices centered on a public square. Developed by Trademark Property Company and Hillwood, Alliance Town Center now includes the HCA medical campus, Monterra Village, and over 40 companies including banks, restaurants, and retail stores. Phase II was completed in the summer of 2014, adding 87,500 square feet. Covering 900 acres, Alliance Town Center is poised to become one of the largest retail anchored mixed-use developments in Texas.

Housing

Major housing developments that contribute to the fast growth of the District are slowing but are still at a greater pace than national housing start data. Keller ISD is currently ranked sixth in the DFW Metroplex, with 852 annual closings, and fifth in annual housing starts with 944. Keller ISD new home starts could reach 1000 units in calendar year 2014 if the current pace is maintained. Foreclosures in the District have declined 71% since December 31, 2011. Approximately 1,072 vacant developed lots and 1,148 lots for future development remain in the District's top ten developments, with a total of 3,322 VDL and future lots throughout the entire District. At this time, the West Fork Ranch development leads with 228 vacant developed lots and 764 lots for future development. In addition to existing developments, two large single family developments are planned for the near future, although start times are currently undetermined. Pine Meadows will be located in the Heritage Elementary zone with 186 total lots and Steadman Farms, with 350 lots will be located in the Woodland Springs Elementary zone.

Contributing to the growth of the area are multi-family units that could contribute approximately 15,000 units in the future to KISD. No more than 3,200 units, however, were scheduled to be completed in any quarter through 2014. Of these multi-family units some will be upscale lifestyle apartments that will have minimal effect on the District's student population but will increase taxable property values. The Mansions at Timberland (in the Caprock Elementary zone) consists of 294 units and was ready to rent in the second quarter of 2014. Waterford Glen opened in fall 2014 with 187 units and serves Keller-Harvel Elementary. The apartment vacancy rate in Keller ISD is currently under 6%, which has led to a record high average monthly rent of \$861, a 3.4% increase over the previous year.

Economic Conditions and Employment

Texas remains a top state in job growth from June 2013 to 2014, with a growth rate of 3.3%, 1.5 percentage points higher than the national average. The state's unemployment rate has been at or below the national rate for seven consecutive years, according to the State Comptroller's office. At the end of 2014 fiscal year, the unemployment rate in Keller was 4.5%, opposed to 5.3% for Tarrant County, 5.5% for Texas and 6.3% for the U.S. as a whole. The Dallas-Fort Worth metroplex is expected to remain a leader in job and population growth for the foreseeable future, due to its diverse economy.

EDUCATION

KELLER INDEPENDENT SCHOOL DISTRICT

KISD has grown from an enrollment of 14,753 students in 1998-1999 to a peak enrollment of 33,440 in 2013-2014, an increase of 127% in the last fifteen years. However, most of the enrollment increases occurred prior to the 2010-11 fiscal year. Between the 2012 and 2014 fiscal years, enrollment growth was only 1.28%. The district projects enrollment at 33,790 for the 2014-15 school year, an increase of 1.05% from the prior year.

The Texas Education Agency and Southern Association of Colleges and Schools provide the District's K-12 education accreditation. The District employs 3,657 teachers and support personnel to serve the District's 39 campuses. KISD serves as the District's fourth largest employer behind AMR Corporation (American Airlines), Bell Helicopter and Fidelity Investments. Students from Keller, Fort Worth, Watauga, Southlake, Colleyville, Hurst, North Richland Hills, Westlake, and Haltom City attend classes at twenty-two elementary schools (PK-4), five intermediate schools (5-6), one intermediate/middle school (5-8), five middle schools (7-8), four high schools (9-12), one Early Learning Center and one alternative school. Besides the 39 regular schools, the District utilizes 23 portable buildings, which provide approximately 40 additional classrooms.

The oldest campus in KISD is Keller Middle School (formerly Keller High School) which was built in 1962. Of the District's 39 campuses, one intermediate and two elementary campuses were added in the 1970's. One high school, one middle school and two elementary schools were built in the 1980's. During the 1990's, one high school, one intermediate and five elementary schools were added. The time frame between 2000 and 2009 were the busiest for KISD in terms of construction as one high school, three middle schools, three intermediates and twelve elementary campuses were constructed. Since 2010, a fourth high school, a hybrid middle/intermediate campus, one elementary campus and an early learning center have been opened. Upgrades and wing additions have expanded all campuses constructed five or more years ago. In addition, KISD has an administration building (1949), a Business Operations facility and Bus Barn (1974), and alternative campus (1968) and a Natatorium (2003).

Keller ISD delivers educational services by following an aligned curriculum. All courses and programs are facilitated through an electronic curriculum that aligns with state standards. Course offerings for PK-12 include the four basic areas of English (reading and writing), math, science and social studies, along with a full range of offerings in the visual and performing arts, foreign languages, Pre-Advanced Placement (AP) courses, and a multitude of other challenging opportunities. High school students can complete coursework through the Texas State Virtual School Network and through dual credit courses where students receive both high school and college credit.

Special programs that ensure success for all students include Special Education, Dyslexia, 504, Advanced Academics, Homebound, English as a Second Language, Bilingual programs for Spanish and Vietnamese students, and Career and Technical Education (CTE).

Student services incorporate health-related support programs, guidance and library/media services, bullying prevention programs, credit recovery, drop-out services and early interventions in support of academic and behavioral success. KISD also provides parent education with tailored sessions for dyslexic, ESL and bilingual parents. A parent drug education program is required for parents of students in University Interscholastic League (UIL) programs, athletics and fine arts. Also provided by KISD are voluntary student drug testing programs, and cyber-safety and digital citizenship lessons for students.

Through its Career and Technology Education program, KISD provides opportunities for students to explore career possibilities and master skills that are in high demand in business and industry, such as arts and communication, health and medicine, science, engineering and technology, and social, personal and public services. Technology education students in middle school can gain skills in aerodynamics, CAD/construction, desktop publishing, electronics and controls, engineering structures, robotics and more. Middle school students have the opportunity to enroll in the Gateway to Technology class. This cutting-edge engineering program addresses the interest and energy of middle school students, while incorporating national standards in mathematics, science and technology.

Students who are enrolled in Health Science Technology Education on the high school campuses start as student interns, rotating through virtually every department at Baylor Regional Medical Center at Grapevine Hospital. As

second year students they advance to clinics and doctor offices in our community. Another innovative program is Ready, Set, Teach. It is offered on the high school campuses to students interested in the teaching profession. Students work in elementary and middle schools to learn effective teaching methods.

These are just a few of the many classes offered by Keller ISD which afford students a head start in life after high school. As a result of collegiate partnerships, Tech Prep degree plans are in place to provide students with opportunities to receive degrees in various technical fields while still in high school. Other students may earn college credit for courses taken in high school.

In 2013 the 83rd Texas Legislatures established the new Foundation High School Program as the default high school graduation program for all students entering high school beginning in 2014-2015. The State Board of Education in January 2014 adopted rules related to the new Foundation High School Program. The new Foundation High School Program is a new, more flexible graduation program that allows students to pursue their interests and will be in place for all students who enter high school, beginning in the 2014-2015 school year. This graduation plan contains up to four parts:

- A 22-credit foundation program which is the core of the new Texas high school diploma. These core subject areas include English, Math, Science, Social Studies, LOTE, Fine Arts, Physical Education as well as electives.
- Five endorsement options that allow students to focus on a related series of courses. These endorsement areas and the career fields to which they relate are STEM (Science, Technology, Engineering and advanced Math), Public Services (Health Science and occupations, education, law enforcement, culinary arts or hospitality), Business and Industry (Information technology, database management, marketing, accounting, finance, graphic design, construction, welding, automotive technology, and agriculture), Arts and Humanities (Political science, literature, world languages, cultural studies, history, and fine arts), and Multidisciplinary Studies providing students the opportunity to take a variety of courses from each of the other four endorsement areas.
- A higher performance category called Distinguished Level of Achievement
- Performance Acknowledgments that note outstanding achievement

Keller ISD has implemented a modified “Pay for Ride” transportation system. All regular education students in the district who live 2 miles or more from their campus are provided free transportation to their school. Regular education students living under two mile from their campus are eligible to apply for busing for a fee of \$75 per semester. These riders are accommodated on a space available basis. Bilingual or Pre-K students attending these programs at a campus other than their home campus receive free transportation between these campuses. Free transportation is also provided for all Special Education students. Students who are assigned to special education transportation are transported from Admission, Review and Dismissal specified pickup points without regard for minimum distance from school.

MAJOR INITIATIVES

FOCUS & DIRECTION

KELLER ISD – Intentionally Exceptional!

OUR VISION

KISD – an exceptional district in which to learn, work and live.

MISSION STATEMENT

The community of Keller ISD will educate our students to achieve their highest standards of performance by engaging them in exceptional opportunities.

VALUES

- ★ We hold ourselves accountable for providing exceptional educational opportunities.
- ★ We inspire educational excellence through collaborative relationships.
- ★ We provide approachable responsive customer service.
- ★ We cultivate life-long learning for all.
- ★ We embrace diversity.
- ★ We embrace change and innovation.
- ★ We make data-driven decisions.
- ★ We have a positive attitude toward the future.

DISTRICT STRATEGIC GOALS:

Goal 1.1:

Prepare students to pursue their choices in post-graduation opportunities.

Goal 1.2:

Enable students to develop skills to collaborate, think critically and creatively, and effectively communicate thoughts and ideas.

Goal 2.1:

Assure timely, effective, and consistent two-way communication.

Goal 2.2:

Establish and nurture collaborative partnerships with students, families, and community members that unify our learning community.

Goal 3.1:

Ensure organizational efficiency and alignment.

Goal 3.2:

Use continuous improvement framework to drive sustained organizational success.

Goal 4.1:

Employ, train and retain a diverse, well-qualified, innovative staff.

Goal 4.2:

Foster a positive, engaging work environment that supports collaboration, community and personal wellness.

Goal 5.1:

Provide equitable distribution of financial resources throughout the district.

Goal 5.2:

Ensure sound fiscal practice and financial transparency.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Capital Projects On November 4, 2008, voters approved a bond program to finance facility needs through 2013. On April 28, 2009, the district issued \$142,299,951 of unlimited tax school building bonds. KISD opened a fourth high school in August of 2009 and a hybrid intermediate/middle school and Early Learning Center in August 2010. Ridgeview Elementary School was opened in August, 2011.

During fiscal year 2014, Keller ISD and the Citizens Bond Advisory Committee crafted a bond proposal that would not increase residents' tax rates while allowing the District to address continuing growth and improve existing infrastructure. The conceptual overview of the project included conversion of South Keller Intermediate School into a new Career and Technology Education Facility, provide additions and renovations to Indian Springs Middle, Bear Creek Intermediate, Keller High, Hillwood Middle and Parkwood Hill Intermediate Schools. Also included in the program were security additions and upgrades, one New Early Learning Center, one new elementary school, one new grade 5-8 campus and district wide technology infrastructure and upgrades. The \$169.5 million bond package was approved by voters on November 4, 2014.

Keller ISD continues to retire existing debt at a steady pace. On March 11, 2014 the District issued \$49,295,068 in unlimited tax refunding bonds, with interest rates between 4.00% and 5.00% to advance refund \$37,150,000 of series 2005 Bonds with original maturities between 2016 and 2024 and interest rates between 4.00% and 5.00% and to advance refund 8,695,000 of series 2005A Bonds with original maturities between 2016 and 2024 with interest rates between 4.00% and 5.00%. The refunding was undertaken to reduce the District's total debt service payments over the next 20 years by approximately \$3,934,863 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$3,362,150.

District personnel will continue to work with the community through the Citizens' Bond Oversight Committee to review the facility needs of the district in future years. This Board-appointed committee makes recommendations to the Board of Trustees for needs that will be addressed through additional debt issuance, while minimizing the financial impact on the taxpayer. As new construction slows and significantly fewer bonds are issued, the district's annual debt requirements will decrease as well. This would eventually lead to decreases in the debt service portion of the tax rate.

Performance Improvement System Keller ISD operates within a continuous improvement framework in all areas. District employees are trained on the concepts, ideas and practices of continuous improvement on a regular, ongoing basis. Ongoing systems to embed continuous improvement practices into the daily work of employees include the refinement of the appraisal system, the interactive learning plan for administrators at monthly meetings and the expansion of a trained cadre of teachers to share the models on campuses.

Accountability In 2013 the Texas Legislature enacted House Bill 5, which called for End of Course assessment of students in Algebra I, Biology, English I, English II, and United States history. The bill removed previously required end of course assessments in World Geography, Chemistry, Geometry, World History, Physics and Algebra II from the required testing.

The Texas Education Agency has developed a new accountability system based on the STAAR tests as well as other indicators. Keller ISD Met Standard for the 2014 school year.

The grade 3 through 8 STAAR test results and grade 9-11 End of Course examination results compared to the state test results are as follows:

		State	KISD
Grade 3	Reading	76%	88%
	Math	70%	80%
Grade 4	Reading	74%	85%
	Math	70%	80%
	Writing	73%	80%
Grade 5	Reading	76%	87%
	Math	79%	86%
	Science	73%	80%
Grade 6	Reading	77%	91%
	Math	79%	92%
Grade 7	Reading	75%	90%
	Math	67%	83%
	Writing	70%	83%
Grade 8	Reading	70%	94%
	Math	79%	88%
	Science	71%	83%
	Social Studies	62%	81%

	Biology	Algebra I	US History	English I	English II
State	91%	81%	92%	62%	66%
Keller ISD	98%	95%	98%	85%	86%

Keller ISD SAT and ACT scores outpace the state.

2014 SAT SCORES

	Critical Reading	Writing	Math
District	519	496	534
State	476	461	495

The District's SAT scores for 2014 were between 35-43 points higher than state scores for all subjects tested.

2014 ACT SCORES

	English	Math	Reading	Science	Composite
District	22.3	23.2	23.3	23.0	23.1
State	19.8	21.4	21.1	21.0	20.9

The District's composite ACT score was 23.1 as compared to a state average of 20.9.

District Student and Staff Accomplishments:

Keller ISD Finance Awards

Keller ISD earned 4.5 Stars for its financial efficiency on the 2014 Financial Allocation Study of Texas (FAST). Prior to that, the district had earned Five Stars, the highest rating, for its financial efficiency on the FAST for four consecutive years. KISD was one of just 11 districts in Texas to do so, the only K-12 district in Tarrant County on the 2013 list, and the only district in the county to earn Five Stars each of the past four years.

Keller ISD earned the Texas Comptroller's GOLD Leadership Circle Award for financial transparency and reporting for three consecutive years.

Keller ISD received both The Certificate of Achievement for Excellence in Financial Reporting by GFOA and the Certificate of Excellence in Financial Reporting Award from ASBO for its Comprehensive Annual Financial Report (CAFR) for fiscal year ending August 31, 2013. These awards are the highest form of recognition in governmental accounting and financial reporting, both of which the district has received for seven consecutive years.

TASBO Award of Merit for Purchasing and Operations

Keller ISD's Purchasing Department has earned the Award of Merit with Recognized Status from the Texas Association of School Business Officials (TASBO) for the fifth consecutive year. TASBO's Purchasing Award of Merit is presented to school districts that are committed to professional standards in the acquisition of goods and services.

Keller ISD Top Fundraising District for American Diabetes Association

The American Diabetes Association named Keller ISD Director of Health Services Cindy Parsons the North Texas Administrator of the Year for the School Walk for Diabetes. Keller ISD raised over \$73,000 at last year's Walk, making it one of the top fundraising districts in the nation. In addition, Keller High School Nurse Debbie Hooker received the Volunteer of the Year Award, while Debbie Gregor, also a nurse at KHS, received the 2014 Luskey Lifetime Achievement Award.

KISD Wins \$25,000 Lifestyle Improvement Challenge

Baylor Regional Medical Center at Grapevine has named Keller ISD as the winner of its Lifestyle Improvement Challenge, a competition between Northeast Tarrant and Southern Denton County school districts.

The goal of the competition was to improve the health of students by creating sustainable programs to promote wellness and disease prevention, developing healthy lifestyles directly impacting future health care needs, and empowering the youth of our communities to take more control over their own health.

As winners of the Challenge, Baylor will give KISD \$25,000 to use toward future wellness initiatives. During the 2013-14 school year the KISD Health Services Department led the District's campaign for the prize and incorporated a health and wellness focus into several events. These events included the R.O.C.K Challenge, the Dallas LOVE Project, the Keller ISD mini triathlon, the Keller ISD Community and Employee Health and Wellness Fair, and the School Walk for Diabetes.

KISD Featured *Bragging Rights*

Keller ISD's ROCK Anti-Bullying Program was selected to be featured in the 2014 special issue of the Texas School Business magazine. Only 12 of nearly 100 submissions were selected for this annual publication.

5 Students Named 2015 National Merit Semifinalists

Officials of the National Merit Scholarship Corporation (NMSC) announced the names of approximately 16,000 Semifinalists in the 60th annual National Merit Scholarship Program, which included five Keller ISD students – two from Keller High School; and one each from Central, Fossil Ridge and Timber Creek high schools. These academically talented high school seniors have an opportunity to continue in the competition for some 7,600 National Merit Scholarships worth more than \$33 million that will be offered next spring. To be considered for a Merit Scholarship award, Semifinalists must fulfill several requirements to advance to the Finalist level of the competition.

ACT Reports KISD Student Scores above State Averages

The ACT recently provided Keller ISD with a report that documented that District student ACT scores have surpassed state averages for the past five years. In 2014, Keller ISD students averaged a composite score of 23.1 on the ACT, that three-tenths higher than the previous year and 2.2 points higher than the average ACT test-taker in Texas. The District also increased the overall number of test-takers, and scores in respective testing categories were also all up from the previous year.

John Philip Sousa Sudler Cup Recognition

David Puckett, Indian Springs Middle School and South Keller Intermediate School Band Director, was named the 2013 John Philip Sousa Foundation's Sudler Cup recipient. This national award's purpose is to recognize middle school programs that have demonstrated significant high standards of excellence over a span of several years.

In December 2014, the Indian Springs Middle School Band was chosen to perform at the 68th Annual Midwest Clinic in Chicago. They were one of only two middle schools chosen, and this is the first time a Keller ISD band program was selected for this honor.

High School Yearbook Honors

Members of both the Central High School and Timber Creek High School yearbook staffs were awarded Gold Medal distinctions by the Columbia Scholastic Press Association (CSPA) for their work on *Bolt* and *The Creek*, placing both yearbooks among the top in the nation.

The Creek also earned "All Columbian Honors" by CSPA for exceptionally high scores in various categories; as well as a First Class rating with Marks of Distinction in Design and Photography by the National Scholastic Press Association.

KISD Administrator/Teacher Recognitions

Keller ISD Athletics Director Bob DeJonge was honored as the recipient of the National Interscholastic Athletic Administrators Association Distinguished Service Award. In addition, he was named President of the Texas High School Athletic Directors Association (THSADA), one of the largest athletic administrator organizations in the nation, for the 2014-15 school year.

Friendship Elementary School Principal David Rische won the Instructional Leadership Principal Award from Tarleton State University's Effective Schools Project. Nominated by their peers, school board members, parents and supervisors, the candidates are evaluated based on effective instruction, professional development, commitment to quality educational experiences and positive community relations.

South Keller Intermediate Principal Trish McKeel was named District 11 TEPSAN of the Year for the Texas Elementary Principals and Supervisors Association. Members from the 20 TEPSA Districts across the state annually recognize a colleague for their outstanding service to the association.

Indian Springs Middle School Principal Sandy Troudt was selected to represent the Texas Association of Secondary School Principals (TASSP) as the 'Outstanding Middle School Principal of the Year' for Region 11. TASSP recognizes outstanding principals and assistant principals from the twenty regional education service centers in the state.

The National School Boards Association's (NSBA) Technology Leadership Network (TLN) announced its "20 to Watch" honorees for 2013-2014 with KISD Instructional Resource Trainer Elaine Plybon among those recognized. These distinctive education leaders from across the country are being recognized for their ability to inspire colleagues to incorporate innovative technology solutions that contribute to high-quality learning environments and more efficient school district operations.

Hillwood Middle School History Teacher Pat Ritchie received The Mary Jon and J. P. Bryan Leadership in Education Award, a state award from the Texas State Historical Association. This award is given annually to recognize and honor an outstanding teacher in Texas.

KISD state achievements in Academics, Fine Arts, and Athletics for 2013-14

- As a district, KISD high school seniors received nearly \$49 million in scholarship offers.
- Keller High School competed as a finalist in the UIL State One-Act Play Contest in 2014. The group was one of eight Conference 5A schools winning four levels to advance to the State Contest.
- Six KISD students - four from Timber Creek and two from Fossil Ridge – were awarded the coveted Gold Seal Award, the highest award given to an artist and the equivalent to a state championship during the 2014 State VASE Meet.
- Keller ISD had 20 high school students selected as Texas All-State Musicians by the Texas Music Educators Association. Eleven students earned a place in the Texas All-State Choir - four students each from Timber Creek and Keller High, and three students from Central. In addition, nine students earned a place in the Texas All-State Band - three students from Timber Creek and two students each from Keller, Fossil Ridge and Central.
- 2014-15: The Keller High School Marching Band competed in the State Marching Band Championships in San Antonio in November. They advanced to the finals and finished 10th overall. KHS was the first Keller ISD band to perform in the state finals in 15 years.
- Athletics:
 - Central High saw seven teams reach the post-season, including a district championship for the girls wrestling team, and 28 athletes were recognized at the state level.
 - Fossil Ridge High saw eight teams reach the post-season and seven athletes were recognized at the state level.
 - Keller High saw 14 teams reach the post-season, with district championships in boys wrestling and boys' basketball, and 35 athletes were recognized at the state level.
 - Timber Creek High saw nine teams reach the post-season, including a district championship for girls track and field, and 18 athletes were recognized at the state level.
 - 2014-15: Cross country runners from Timber Creek High School and Keller High School competed in the Conference 6A State Meet in Round Rock in November. Timber Creek had a team of seven advance to state, finishing 6th overall. Keller High had two runners qualify individually for state, one of which placed in the top 20.

Keller ISD has been a proud participant in Special Olympics since 1991, offering sports during the fall, winter and spring seasons for its athletes. This year, Keller ISD had 50 outstanding athletes – 20 in Basketball and 30 in Track and Field – advance to the State Special Olympics hosted by the University of Texas at Arlington.

Career and Technology

A number of Keller ISD students advanced to the national level at various CTE Competitions. Among Future Business Leaders of America, TCHS had three students who went to nationals, while CHS had 6 national qualifiers. There were five national qualifiers for Family Career Community Leaders of America: three from Central and one each from Fossil Ridge and Keller. Six students qualified for nationals in HOSA, the health occupations student organization - two from Central and four from Fossil Ridge. In Business Professionals of America, Keller High had four national qualifiers. Keller High had six students qualify for the national competition in DECA, the marketing student organization. And finally, Fossil Ridge had one national qualifier in Skills USA.

KHS Choir Performed at 2014 TMEA Convention

Keller High School's Varsity Treble Choir was selected to be the Performing Choir at the 2014 Texas Music Educator Association's (TMEA) annual Convention in February 2014. This is a highly sought after honor reserved for the best choirs in Texas. It is the first time a Keller ISD choir has been selected as a TMEA Performing Choir.

KISD Earns Digital Learning Awards Top 100

Keller Independent School District earned a Digital Learning Award for its use of pioneering digital resources to promote engaging and personalized classrooms. Keller ISD ranked #6 in the Top 100 Overall School Districts in the large-size district division. Presented by Knovation, the Digital Learning Awards recognizes the top 100 school districts implementing digital resources based on their usage of netTrekker, which delivers learning-ready content to teachers and students.

Indoor Air Quality National Model of Sustained Excellence Award

KISD was awarded the Indoor Air Quality *Tools for Schools* National Model of Sustained Excellence Award by the Environmental Protection Agency. This award is presented to U.S. school districts that demonstrate ongoing exceptional commitment and achievement in maintaining healthy educational facilities while institutionalizing comprehensive IAQ management practices. Recipients of this award must have been a past National Excellence Award recipient and show how they have sustained their IAQ practices, established IAQ management goals, and tracked short-term and long-term progress on IAQ management.

LEED Silver Level Certification by the U.S. Green Building Council

Timberview Middle School was awarded with the Leadership in Energy and Environmental Design (LEED) Silver Level Certification by the U.S. Green Building Council. This honor recognizes the design and construction of innovative facilities that are highly efficient, sustainable, and built with environmentally-conscious building practices. Timberview Middle School is Keller ISD's first LEED-Certified facility.

Campuses Earn HealthierUS School Challenge Bronze Level Award

Keller ISD Child Nutrition Services at the District's elementary and intermediate campuses all earned the HealthierUS School Challenge (HUSSC) Bronze Level award. HUSSC is a voluntary certification initiative established in 2004 to recognize schools participating in the National School Lunch Program that have created healthier school environments through promotion of nutrition and physical activity.

TASA Selects 39 Administrators for Future-Ready Superintendents Leadership Institute

The Texas Association of School Administrators (TASA) selected 39 superintendents, including new Keller ISD Superintendent Dr. Randy Reid, to participate in the Future-Ready Superintendents Leadership Institute. TASA's Future-Ready Superintendents Leadership Institute was created so superintendents can help develop and initiate innovative, systemic changes, both locally and statewide, that support the mission of the original Public Education Visioning Institute and the Texas High Performance Schools Consortium. The 39 Future-Ready superintendents and senior-level district administrators, in the early stages of their careers, were selected from 57 applicants.

OTHER INFORMATION

The Texas Education Code requires an annual audit of all public schools. This audit must be on an organization-wide basis and included all fund types and account groups that are accounting responsibility of the District. The audit is performed by a certified public accountant selected by the District's Board of Trustees. The auditor's opinion has been performed by a certified public accountant selected by the District's Board of trustees. The auditor's opinion has been included in the report.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the finance department. We would like to express our sincere appreciation to all other District administrative staff which assisted and contributed to the preparation of this report. We would also like to express appreciation to the Board of Trustees for their interest and support in the financial operations of the District. Finally, we would like to thank the residents of the District for their support of our public schools, and the teachers and principals who provide the excellent standard of educational services for which the District has become known.


Respectfully submitted,



Randy Reid, ED.D
Superintendent



R. Mark Youngs, RTSBA
Chief Financial Officer



Kristin Williams, C.P.A.
Director of Finance

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**The Government Finance Officers Association
of the United States and Canada**

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Department
Keller Independent School District, Texas



The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Date August 26, 2014

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Keller Independent School District

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended August 31, 2013*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



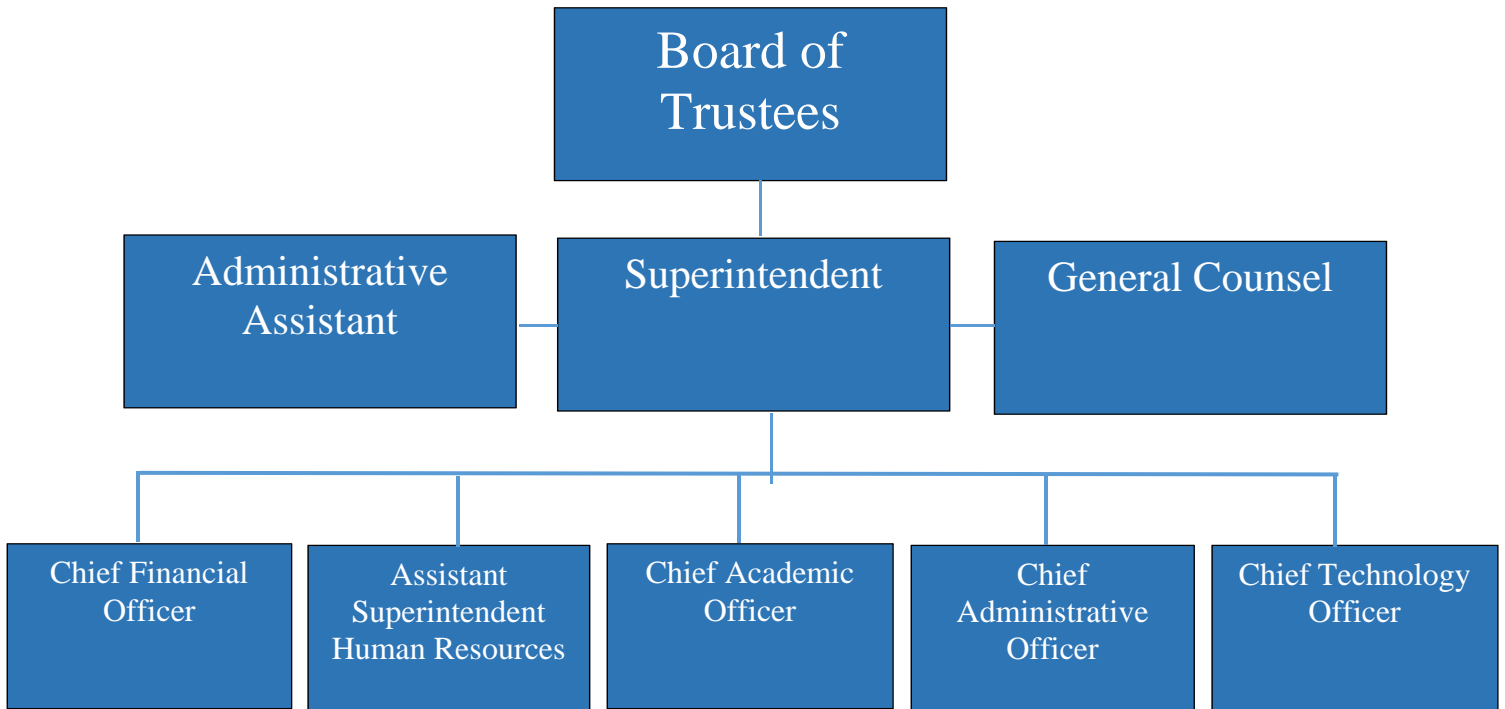
A handwritten signature in black ink, reading "Terrie S. Simmons".

Terrie S. Simmons, RSBA, CSBO
President

A handwritten signature in black ink, reading "John D. Musso".

John D. Musso, CAE, RSBA
Executive Director

Keller Independent School District 2013-2014 Organizational Chart



KELLER INDEPENDENT SCHOOL DISTRICT
School Board and Administrators

Board of Trustees

Jim Stitt.....President
Craig Allen.....Vice President
Ruthie KeyesSecretary
Cindy Lotton.....Member
Brad Schofield.....Member
Karina Davis.....Member
Jo Lynn Hausmann.....Member

Administration

Dr. Randy Reid.....Superintendent of Schools
Amanda Bigbee.....General Counsel
R. Mark Youngs.....Chief Financial Officer
Charles Carroll.....Chief Academic Officer
Penny Benz.....Assistant Superintendent, Human Resources
Cecil McDaniel.....Chief Administrative Officer
Joe Griffin.....Chief Technology Officer

Principals

David Hinson.....Central High School
David Hadley.....Fossil Ridge High School
Dr. Michael Nasra.....Keller High School
Todd Tunnell.....Timber Creek High School
Kenneth Anderson.....Keller Learning Center
Todd Lacey.....Fossil Hill Middle School
Kathleen EckertHillwood Middle School
Sandy Troudt.....Indian Springs Middle School
Sandra Chapa.....Keller Middle School
Carrie Jackson.....Timberview Middle School
Kimberly Buckhalton.....Trinity Springs Middle School
Stacie Meadows.....Bear Creek Intermediate
Di Nardo Bazile.....Chisholm Trail Intermediate
Bradley Tyler.....Parkwood Hill Intermediate
Patricia McKeel.....South Keller Intermediate
Susan Mackey.....Trinity Meadows Intermediate
Tony Johnson.....Basswood Elementary
Lisa Young.....Bette Perot Elementary
Stacy Blevins.....Bluebonnet Elementary
Angie Nayfa.....Caprock Elementary
Anne Seaberry.....Eagle Ridge Elementary
Laura Lockhart.....Florence Elementary
Heather Varon.....Freedom Elementary
David Rische.....Friendship Elementary
Dawn Bailey.....Heritage Elementary

Melanie Graham.....	Hidden Lakes Elementary
Mark Basham.....	Independence Elementary
Kristen Erickson.....	Keller-Harvel Elementary
Janet Travis.....	Liberty Elementary
Steve Hurst.....	Lone Star Elementary
Dr. Jackie Green-August.....	North Riverside Elementary
Leslee Shepherd.....	Park Glen Elementary
Doreen Krebs.....	Parkview Elementary
Rebecca Wilder.....	Ridgeview Elementary
Anna Renfro.....	Shady Grove Elementary
Amy Erb.....	Whitley Road Elementary
Cheryl Hudson.....	Willis Lane Elementary
Linda Lammers.....	Woodland Springs Elementary
Christy Johnson.....	Keller Early Learning Center

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Keller Independent School District
Keller, Texas

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 Keller Independent School District (the District) as of and for the year ended August 31, 2014, 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 the District, as of August 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 1 and 17 to the Basic Financial Statements, the District implemented Governmental Accounting Standards Board (GASB) No. 65 Items Previously Reported as Assets and Liabilities. Beginning net position has been restated to reflect the change in accounting principle resulting from the statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 14 and 52 - 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Board of Trustees
Keller Independent School District

Page 3

Governments, and Non-Profit Organizations, and is also not a required part of the financial statements.

The combining statements, the required TEA schedules on pages 65 - 68 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 statements, the required TEA schedules on pages 65 – 68 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

Fort Worth, Texas
January 15, 2015

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Keller Independent School District

Management's Discussion and Analysis

Year Ended August 31, 2014

This section is the Keller Independent School District (District) management discussion and analysis of the annual financial report for the period ending August 31, 2014. It should be read in conjunction with the transmittal letter and the District's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District had approximately \$316 million in expenses related to governmental activities; of which \$40.6 million of these expenses were offset by program-specific charges for services or grants and contributions. General revenues of \$279 million partially offset the costs of these programs, resulting in a \$3.2 million increase in net position. Expenses for governmental activities increased by approximately \$15 million, or 5.0%, from the previous year. This increase in expenses was due to a variety of factors. All district employees received a pay increase of approximately 3%, at a cost of approximately \$5.6 million. The remaining increased expenses occurred in the General Fund and were due to additional staff, costs to open a health care clinic, and increases in maintenance contracts and utilities.
- General revenues accounted for \$278,905,704, or 87.3% of all fiscal year 2014 revenues. Program-specific revenues in the form of charges for services and grants and contributions accounted for \$40,595,927 or 12.7% of total fiscal year 2014 revenues. The 2014 charges for services and grants and contributions represent a \$3,278,608 or 8.8% increase from 2013. The increase in revenues was due primarily to a slight increase in state funding and an \$8.5 million increase in property taxes across both the General and Debt Service Funds.
- At August 31, 2014, the District's assets exceeded its liabilities by \$21,260,282 (Total Net Position). Unrestricted Net Position totaled \$39,809,055.
- At the close of the fiscal year the combined governmental fund balance was \$117,683,901, a decrease of (\$16,571,972) from the prior year. This decrease occurred mainly in the Capital Projects Fund, due mostly to the construction of additional classrooms at Timber Creek High School and major roofing repairs at Keller Middle School and Central High School. The General Fund unassigned fund balance decreased by (\$8,730,064), due to proportionate increases in the Assigned & Committed fund balances. Assignments of fund balance total \$5.611 million and include athletic turf (\$1,320,000), student transportation (\$1,025,000), the athletic long term plan (\$1,320,000) and the fine arts long term plan (\$1,044,000). In addition, fund balance equal to 20% of the 2015 General Fund expenditure budget has been committed, as per Board policy.
- The District's total long term liabilities decreased by (\$9,320,927), or (1.25%), from the previous fiscal year. The key factors in this decrease were debt maturities and a bond refunding that occurred during fiscal year 2014.
- General Fund expenditures increased by \$18.4 million or 8.5% from the prior year. The 2013-2014 General Fund budget was adopted to include a deficit of (\$11,279,808). The Keller ISD Board of Trustees intended that a portion of the general fund's significant reserves be used to provide pay increases for all district employees at an approximate cost of \$5.6 million. Reserves were also dedicated in the budget to offset a portion of employees' health insurance premiums, to fund additional staff and for the start-up costs of a health clinic for district employees.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) the *notes to the financial statements*. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements- The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows, deferred inflows and liabilities with the remaining reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenue and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows for future fiscal periods.

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

The government-wide financial statements can be found on pages 15-16 of this report.

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

All of the funds of the District can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental fund- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 17-22 of this report.

Proprietary fund- Proprietary funds offer *short* and *long-term* financial information about the activities the government operates *like businesses*. There are two types of proprietary funds – *enterprise funds* and *internal service funds*. The *enterprise funds* report the same functions presented as *business-type activities* in the *government-wide financial statements*. The district has no enterprise funds. *Internal service funds* are an accounting tool used to accumulate and allocate costs internally among various functions. The District uses *internal service funds* to report activities for its self-funded insurance programs (Workers Compensation and Health Insurance).

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Fiduciary fund- Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The basic fiduciary fund financial statement can be found on page 26 of this report.

Notes to the Financial Statements- The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-51 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also includes certain *required supplementary information* that further explains and supports the financial statements. Required supplementary information can be found on pages 52-53 of this report.

The combining statements referred to earlier in connection with Federal, State and Local governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 54-64.

The Texas Education Agency (TEA) requires that certain reports are included in this report and those statements and schedules can be found on pages 65-68.

Government-wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of Keller ISD, assets and deferred outflow of resources exceeded liabilities by \$21,260,282.

**Table A-1
Net Position**

Governmental Activities			
	2013	2014	Percent Change 2013 to 2014
Current and other assets	\$169,223,121	\$135,364,881	(20.01%)
Capital assets (net)	627,697,479	623,098,663	(0.73%)
Total assets	\$796,920,600	\$758,463,544	(4.83%)
Deferred Outflow of Resources	\$ -	\$20,132,847	100.00%
Current liabilities	\$24,821,714	\$20,807,142	(16.17%)
Long-term liabilities	746,849,894	736,528,967	(1.38%)
Total liabilities	\$771,671,608	\$757,336,109	(1.86%)
Net Position:			
Net investment in			
capital asset	(\$31,475,706)	(\$25,308,063)	(19.59%)
Restricted for Food Service	4,690,227	3,543,347	(27.72%)
Restricted for Debt Service	2,498,757	2,815,943	12.69%
Restricted for Employee			
Health Claims	400,000	400,000	0.00%
Unrestricted Net Position	41,920,606	39,809,055	(18.67%)
2014 Prior Period Adjustment	(7,215,108)		(100.00)
Total Net Position, as restated	\$18,033,884	\$21,260,282	(15.80%)

Investment in capital assets (e.g., land, buildings, furniture, and equipment) less any related debt used to acquire those assets that is still outstanding is \$(25,308,063). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The increase in Total Net Position is due primarily to the reduction of long-term debt through annual principal payments and a bond refunding that occurred during the year. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities

Governmental activities increased the District's net assets by \$3,226,398. The total cost of all *governmental activities* this year was \$316,275,233. The amount that our taxpayers paid for these activities was \$183,119,552 or 57.90%.

Table A-2
Changes in District's Net Position

	Governmental Activities		
Revenues:			Percent Change
Program Revenues:	2013	2014	2013 to 2014
Charges for services	\$16,841,696	\$18,439,963	9.49%
Operating grants & contributions	20,475,623	22,155,964	8.21%
General Revenues:			
Property taxes	174,616,270	183,119,552	4.87%
State grants	83,578,692	94,396,991	12.94%
Investment earnings	503,704	205,056	(59.29%)
Other	16,555,404	1,184,105	(92.85%)
Total Governmental Revenues	\$312,571,389	\$319,501,631	2.22%
Expenses:			
Instruction	158,093,657	169,674,602	7.33%
Instructional resources & media services	3,669,131	3,976,459	8.38%
Curriculum & instructional staff development	2,899,611	4,289,446	47.93%
Instructional leadership	2,465,543	2,945,318	19.46%
School leadership	15,324,170	17,083,843	11.48%
Guidance, counseling & evaluation services	10,963,668	12,199,237	11.27%
Health and social work services	3,510,236	3,543,211	5.20%
Student (pupil) transportation	5,687,815	6,807,163	19.68%
Food services	12,452,594	13,247,466	6.38%
Co-curricular/extra-curricular activities	8,838,689	10,013,525	13.29%
General administration	6,178,573	5,772,175	(6.58%)
Plant maintenance and operations	20,029,457	21,774,504	8.71%
Security and monitoring services	1,591,648	2,053,138	28.99%
Data processing services	4,960,996	5,203,488	4.89%
Community services	1,023,234	1,012,650	(1.03%)
Debt Service - interest on long-term debt/fees	38,588,692	29,753,356	(22.31%)
Shared services agreement	3,059,151	3,425,122	11.96%
Payments to tax increment fund	1,973,187	2,055,966	4.20%
Non-operating expenses	-	1,068,490	100.00%
Total Governmental Expenses	301,310,052	316,275,233	4.97%
Increase (Decrease) in Net Position	11,261,337	3,226,398	(71.35%)
Beginning Net Position	13,987,655	25,248,992	80.51%
Prior period adjustment	-	(7,215,108)	(100.00%)
Beginning Net Position, as restated	13,987,655	18,033,884	28.93%
Ending Net Position	25,248,992	21,260,282	(15.80%)
2014 prior period adjustment	(7,215,108)	-	100.00%
Ending Net Position, as restated	18,033,884	21,260,282	17.90%

In accordance with Governmental Accounting Standards Board No. 65, *Items Previously Reported as Assets and Liabilities*, assets or liabilities that no longer meet the definition of an asset, deferred outflow, liability or deferred inflow should be reported as current outflow or inflow of resources. In accordance with GASB 65, the District has retroactively implemented the changes which resulted in a restatement of beginning net position as of August 31, 2014. The effect of the restatement is a decrease in beginning net position of \$7,215,108.

Property tax revenues are the single largest source of general income for the District. Property values increased almost 6% in 2014 from the previous year. Construction of new homes in the District's 51 square miles is now beginning to moderate after several years of rampant growth. The following graphs depict the District's sources of revenue for the years 2014 and 2013 as a percentage of total revenues.

Table A-3

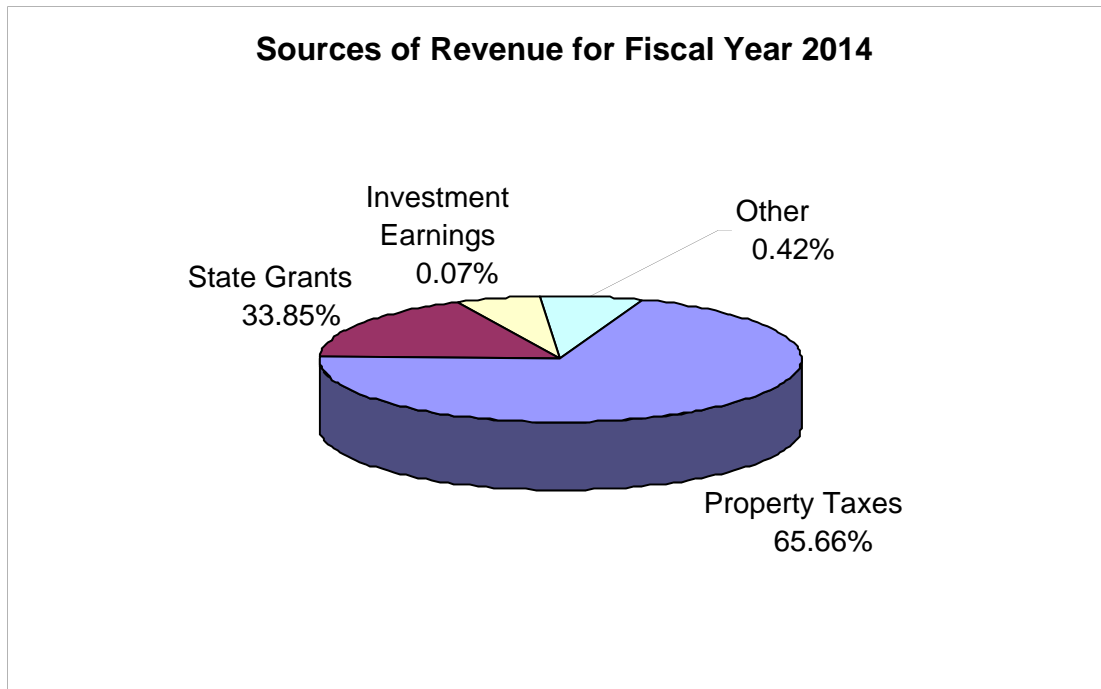


Table A-4

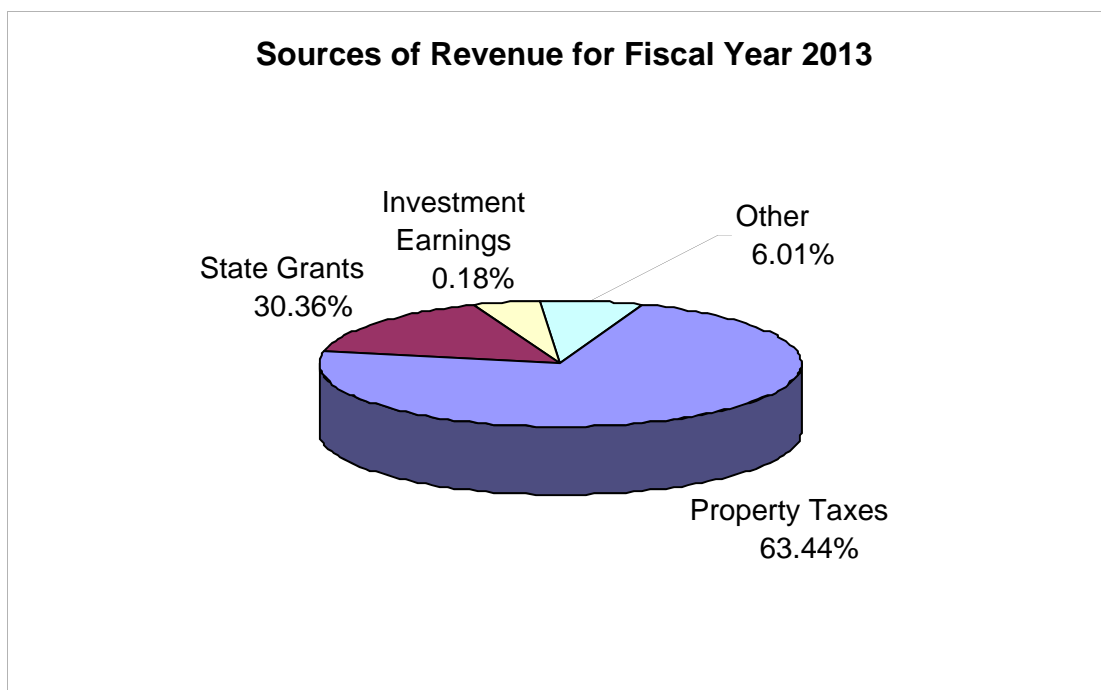


Table A-5 represents the cost of the District's largest programs as well as each program's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. The cost of all *governmental* activities this year was \$316,275,233.

**Table A-5
Costs of Services**

Major Function	Total Cost of Services			Net Cost of Services		
	2013	2014	Percent Change 2013 to 2014	2013	2014	Percent Change 2013 to 2014
Instruction, Curriculum, and Media Services	\$164,662,399	\$177,940,507	8.06%	\$149,617,664	\$160,148,844	7.04%
Instructional and School Leadership	17,789,712	20,029,161	12.59%	16,878,154	18,943,904	12.24%
Student Support Services, Food Service, and Extra/ Co-Curricular Activities	41,453,002	45,960,088	10.87%	23,186,093	27,133,626	17.03%
General Administration	6,178,573	5,772,175	(6.58%)	5,784,905	5,477,342	(5.32%)
Plant Maintenance, Security and Data Processing	26,582,101	29,031,130	9.21%	24,602,233	27,080,338	10.07%
Community Services	1,023,234	1,012,650	(1.03%)	812,277	805,195	(0.87%)
Debt Service	38,588,693	29,753,356	(22.31%)	38,204,041	29,804,451	(21.99%)
Shared Services Agreement	3,059,151	3,425,122	11.96%	2,934,179	3,260,166	11.11%
Non-operating expenses	1,973,187	3,124,456	58.35%	1,973,187	3,025,440	53.33%
Total Expenses	\$301,310,052	\$316,275,233	4.97%	\$263,992,733	\$275,679,306	4.43%

Total net expenses increased 4.43% in 2014 from the previous year. The addition of instructional leadership positions in 2014 accounted for the 12.24% increase in Instructional and School Leadership net expenses. The cost to purchase a video scoreboard for the athletic field, improvements to tracks and athletic fields, and the purchase of tractors to transport band equipment contributed to the 17% increase in Student Support Services.

Debt Service net expenses declined by 21.99% due to the payment of debt and the refunding of a bond issue in 2014. The Shared Services Agreement function reflects a net increase of 11.11%, caused by utility rate increases and a higher number of students attending a regional day school for the deaf. The non-operating expenses consist mainly of a payment for the District's Tax Increment Zone. Since the district is reimbursed for this payment, the net effect to the district is zero. However, in 2014 the District also began classifying its tax appraisal costs in the non-operating function as well, accounting for the 53.33% increase that year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental funds- The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved, undesignated fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$117,683,901, a decrease from the previous year of (\$16,571,972). This decrease occurred mostly in the Capital Projects Fund and was due to the costs of building additional classrooms for Timber Creek High School and major roof repairs at various campuses. The General Fund balance decreased by (\$1.9) million, or (2.4%) from the previous year. Although the 2013-14 general fund budget included a planned reduction of the fund balance of approximately (\$11) million, higher than anticipated property tax revenue and conservative spending moderated the planned deficit.

The fund balance of the Federally Funded Grant Fund decreased in 2014 by (\$1,146,880), or (24.5%). The reduction occurred mainly in the Child Nutrition fund, and again, was a planned reduction of excess reserves. Construction of a kitchen at New Directions Learning Center and the replacement of large kitchen equipment at various campuses allowed for this planned reduction in fund balance.

The fund balances of the Debt Service Fund, and Local Governmental funds both increased slightly - \$659,633 and \$213,020 respectively while State Funded grants decreased by \$84,066.

The General Fund balance has an unassigned fund balance of \$18,869,538. The remainder of fund balance in the general fund and in all other funds is unavailable for new spending, and has been restricted, committed or assigned as per GASB 54. Non-spendable fund balance in the General Fund consists of inventory (\$185,127) and prepaid items (\$1,850,362). Non-spendable fund balance in all other funds consists of prepaid items - (\$3,562) in the Debt Service fund, (\$11,000) in the Capital Projects fund and (\$44,607) in the Local Governmental funds. Fund balance is restricted to pay debt service (\$4,062,753), and for food service (\$3,543,347). Commitments of fund balance include (\$29,722,941) for the capital acquisition program, (\$3,683,013) for the campus activity fund, and (\$49,904,046) in the general fund for budgetary contingencies as per Board policy. Fund balance is assigned for repurchase of bus equipment (\$1,025,000), for athletic field turf (\$1,320,000), and for the fine arts and athletic long term plans (\$3,266,000).

The General Fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$18,869,538, while the total fund balance was \$76,420,073. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 8.0% of the total General Fund expenditures, while total fund balance represents 32.41% of that same amount. It is important to note that in addition to the unassigned amount of fund balance, Board policy requires that an amount equal to 17-20% of the subsequent year's budget expenditures be committed within fund balance for budgetary contingencies. This amount at August 31, 2014 was \$49,904,046, and may be used at the discretion of the Board of Trustees.

During the current fiscal year, the fund balance of the District's General Fund decreased by (\$1,900,349), compared to a decrease in the prior year of (\$4,659,527). The District adopted deficit budgets for both 2013 and 2014 in the amount of (\$12,116,219) and (\$11,279,808) respectively. With a healthy General Fund balance and an improved economic outlook, the Board of Trustees approved a deficit budget to restore some of the budget reductions made in prior years due to the recession, fund new initiatives, and provide a 3% of mid-point pay increase for all district employees. The following factors contributed to the less than expected use of the General Fund balance in 2014:

- The District received \$5.3 million more than expected in property tax revenue in the General Fund. The additional revenue was realized because of a significant increase in the September certified property values, which occurred after the budget had been adopted. \$400,000 in unexpected revenue was received by the District from participation in the Student Health and Related Services (SHARS) program.
- Savings were realized within the general fund expenditures due to mostly to position vacancies and managed spending on the part of district administrators.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. In accordance with Board Policy CE (Local), the district submits amendments during the course of the budget year to the Board of Trustees for approval. These amendments are presented when a functional category or revenue object is increased.

In addition, at the end of every fiscal year, school districts across the state also make their year-end amended budgets to ensure all functional categories will have favorable balances. If unfavorable functional balances (outside the acceptable variance) are reported in the audit at the close of the fiscal year, the result is a letter issued by the Texas Education Agency stipulating the legal requirements for budgeting. The District did not exceed functional budget in any category in the General Fund in the 2013-14 fiscal year.

1. *Variances of original expenditure budget compared to amended budget.* The amended expenditure budget increased \$10,492,764 from the original budget. Major budget amendments contributing to this increase include: (1) \$7.8 million for TRS on Behalf, (2) \$374,000 for prior year encumbrances, (3) \$250,000 for a competition expenses at the state or national level, (4) \$500,000 for transportation costs to add 17 additional hazardous routes, and (5) \$1,417,500 for athletic and fine arts improvements and equipment as approved by the Board in their long-term plans.
2. *Variances of amended budget to actual expenditures.* Significant variations of amended budget to actual expenditures occurred in only two functions in 2013-14. In the Curriculum/Staff Development function (13), expenditures were only 89% of the amended budget. This was mainly due to some key positions that were not filled or were filled for only part of the year. Security/Safety (function 52) expenditures ended the year only 84.5% of the amendment budget for that function. Security equipment maintenance costs were significantly less than in previous years, some security services were obtained at a more advantageous rate than in the past, and some planned capital equipment purchases could not be obtained within the fiscal year and were deferred until 2013-14. All of these circumstances contributed to significant savings within this function.

Variances in all other functions were minimal.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014 the District had invested approximately \$623 million in a broad range of capital assets, including land, equipment, and buildings. (See Table A-6) This amount represents a net decrease of (\$4.6) million or (0.73%) percent from the prior year, as was mostly due to depreciation.

Table A-6
District's Capital Assets

	Governmental Activities		Percent Change 2013 to 2014
	2013	2014	
Land	\$ 36,934,440	\$ 37,066,937	0.36%
Buildings & improvements	738,717,184	748,056,705	1.26%
Furniture & equipment	21,378,184	24,313,549	13.73%
Construction in progress	7,949,570	9,236,878	16.19%
Total Assets	804,979,378	818,674,069	1.70%
Less: accumulated depreciation	(177,281,899)	(195,575,406)	10.32%
Net Capital Assets	\$ 627,697,479	\$ 623,098,663	(0.73%)

More detailed information about the District's capital assets is presented in Note 5 in the Notes to the Financial Statements.

Long-Term Debt

At the end of August 31, 2014 the District had total bonded debt outstanding of \$657,363,397, a decrease of (\$24,129,768), or a (3.54%) decrease from the previous year. The District also had accreted interest of \$37,514,241, a decrease of (\$4,404,470), or a (10.51%) decrease from the previous year.

Table A-7
District's Long-Term Debt

	Governmental Activities		Percent Change 2013 to 2014
	2013	2014	
Bonds and Notes Payable			
General Obligations Bonds	\$ 681,493,165	\$ 657,363,397	(3.54%)
Premium on bonds	40,146,943	40,910,117	1.90%
Accreted interest	41,918,711	37,514,241	(10.51%)
Total Bonds and Notes Payable	763,558,819	735,787,755	(3.64%)
Other Liabilities			
Compensated Absences	710,727	741,212	4.29%
Deferred loss on bond refunding	(18,419,652)	-	(100.00%)
Total Other Liabilities	(17,708,925)	741,212	(104.19%)
Total long-term debt	\$ 745,849,894	\$ 736,528,967	(1.25%)

The District implemented Government Accounting Standards Board No. 65, *Items Previously Reported as Assets and Liabilities*, in 2014. Accordingly, deferred losses on refundings are now classified as deferred outflow of resources on the government-wide statements.

More detailed information about the District's debt is presented in Note 4 in the Notes to the Financial Statements.

Bond Ratings

The bonds have a primary rating of “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”) and “AAA” by Standard & Poor’s Ratings Services, (“S&P”) by virtue of the guarantee of the Permanent School Fund of the State of Texas (“PSF Guarantee”). The underlying or secondary ratings for the District are “Aa2” by Moody’s and “AA” by S&P.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General Fund revenues are budgeted to increase from 2013-2014 actual revenue by approximately \$1.3 million, or 0.06%. Property taxes are expected to remain fairly constant, and the district expects to receive only slightly more state revenue within the general fund. The District also expects to receive close to \$1 million in additional federal revenue within the general fund, specifically revenue derived from the Student Health and Related Services (SHARS) program. This program reimburses the district for certain costs of educating Medicaid-eligible special education students. The district recently implemented this program and expects this source of revenue to increase significantly over the next few years.

The total General Fund expenditure budget for 2014-15 is \$249,520,228. This is an increase of \$13.8 million or 5.84% more than actual 2013-14 expenditures. As always, the majority of a school district’s expenditures are for personnel costs, 81.77%.

After reducing the General Fund budget by \$12 million in 2011-12 in response to state education budget cuts in the billions, the District has slowly been reinstating some necessary programs and adding new initiatives for the last few years. The 2014-15 budget focuses on providing the resources to comply with the requirements of House Bill 5, hiring and retaining qualified staff, and addressing the cost of health care. The 2014-15 budget includes a 3% of midpoint pay increase for all staff, and includes new items deemed necessary to support educational goals for the 2014-15 year, including:

Additional positions needed based on staffing formula	\$ 2,196,875
Additional positions needed for Dual Credit/CTE/HB5 programs	900,000
Change High School schedule to 8 period day	2,500,000
Year 1 costs of KISD Health Clinic	566,177
Lease and utility costs of Health Clinic	57,600
Assist with Health Insurance Costs	600,000
Special Education positions that can no longer be funded with federal funds due to sequestration	1,800,000
Replacement of 7 year old technology devices	850,000
Mandated increase by Texas Retirement System	2,200,000
	\$ 11,670,652

The recognized sign of fiscal health for a school district is an appropriate unassigned fund balance for the General Fund (operating fund). The District's current goal is to maintain the fund balance of the General Fund at 17-20% of operating expenses. The value of having an appropriate fund balance level can be expressed as follows:

1. Contingency fund for unexpected costs
2. Cash flow for operational resources at the beginning of the year prior to the tax collection season
3. Viewed as a sign of fiscal stability and health by bond rating agencies.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate 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 Finance Department at 350 Keller Parkway, Keller, Texas 76248, or visit the Keller ISD website at www.kellerisd.net.

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BASIC FINANCIAL STATEMENTS

**KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014**

<u>Data Control Codes</u>		<u>Governmental Activities</u>
ASSETS		
1110	Cash and cash equivalents	\$ 80,329,595
1110	Restricted cash	400,000
1220	Property taxes receivable (delinquent)	2,833,980
1230	Allowance for uncollectible taxes	(708,495)
1240	Due from other governments	4,282,449
1290	Other receivables	2,293,331
1300	Inventories, at cost	185,127
1410	Prepaid items	2,119,412
	Capital Assets	
1510	Land	37,066,937
1520	Buildings, net	567,218,984
1530	Furniture and equipment, net	9,575,864
1580	Construction in progress	9,236,878
1910	Long-term investments	<u>43,629,482</u>
	Total assets	758,463,544
DEFERRED OUTFLOW OF RESOURCES		
1700	Deferred loss on refunding	<u>20,132,847</u>
	Total assets deferred outflow of resources	20,132,847
LIABILITIES		
2110	Accounts and claims payable	12,615,838
2140	Interest payable	1,832,467
2150	Payroll deductions and withholdings payable	205,834
2160	Accrued wages payable	940,464
2180	Due to other governments	3,938
2210	Accrued expenses	1,211,182
2300	Unearned revenues	3,997,419
	Noncurrent liabilities	
2501	Due within one year	21,358,315
2502	Due in more than one year	<u>715,170,652</u>
	Total liabilities	757,336,109
NET POSITION		
3200	Net investment in capital assets	(25,308,063)
3840	Restricted for food service	3,543,347
3850	Restricted for debt service	2,815,943
3490	Restricted for employee health claims	400,000
3900	Unrestricted net position	<u>39,809,055</u>
	Total net position	<u>\$ 21,260,282</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014**

Data Control Codes		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants & Contributions	Governmental Activities
Primary Government					
GOVERNMENTAL ACTIVITIES					
0011	Instruction	\$ 169,674,602	\$ 6,214,788	\$ 9,988,184	\$ (153,471,630)
0012	Instructional resources and media services	3,976,459	129,162	404,832	(3,442,465)
0013	Curriculum and instructional staff development	4,289,446	139,535	915,162	(3,234,749)
0021	Instructional leadership	2,945,318	100,677	171,179	(2,673,462)
0023	School leadership	17,083,843	599,345	214,056	(16,270,442)
0031	Guidance, counseling, and evaluation services	12,199,237	525,376	2,956,204	(8,717,657)
0032	Social services	149,486	5,869	1,268	(142,349)
0033	Health services	3,543,211	107,422	27,254	(3,408,535)
0034	Student (pupil) services	6,807,163	269,584	58,253	(6,479,326)
0035	Food services	13,247,466	7,276,413	5,154,365	(816,688)
0036	Cocurricular/extracurricular activities	10,013,525	985,275	1,459,179	(7,569,071)
0041	General administration	5,772,175	199,923	94,910	(5,477,342)
0051	Plant maintenance and operations	21,774,504	1,376,577	191,141	(20,206,786)
0052	Security and monitoring services	2,053,138	74,694	86,047	(1,892,397)
0053	Data processing services	5,203,488	182,898	39,435	(4,981,155)
0061	Community services	1,012,650	35,358	172,097	(805,195)
0072	Debt service - interest on long term debt	29,753,356	-	175,493	(29,577,863)
0073	Debt service - fees	226,588	-	-	(226,588)
0093	Shared services agreement	3,425,122	135,645	29,311	(3,260,166)
0097	Payments to tax increment fund	2,055,966	-	-	(2,055,966)
0099	Other governmental charges	1,068,490	81,422	17,594	(969,474)
	[TP] TOTAL PRIMARY GOVERNMENT	<u>\$ 316,275,233</u>	<u>\$ 18,439,963</u>	<u>\$ 22,155,964</u>	<u>\$ (275,679,306)</u>

<u>Data Control Codes</u>		General Revenues	
		Taxes	
MT		Property taxes, levied for general purposes	123,722,646
DT		Property taxes, levied for debt service	59,396,906
SF		State grants, unrestricted	94,396,991
IE		Investment earnings	205,056
MI		Miscellaneous local and intermediate	1,184,105
TR		Total general revenues	<u>278,905,704</u>
CN		Change in net position	3,226,398
NB		Net position, beginning	25,248,992
PA		Prior period adjustment (Note 17)	<u>(7,215,108)</u>
NB		Net position, beginning , as restated	18,033,884
NE		Net position, ending	<u>\$ 21,260,282</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014**

<u>Data Control Codes</u>	<u>10 General Fund</u>	<u>20 Federally Funded Grant Fund</u>
ASSETS		
1110 Cash and temporary investments	\$ 31,826,834	\$ 4,002,749
1220 Property taxes - delinquent	2,042,316	-
1230 Allowance for uncollectible taxes	(498,926)	-
1240 Due from other governments	57,468	1,305,406
1260 Due from other funds	2,142,949	-
1290 Other receivables	2,025,865	198,421
1300 Inventories, at cost	185,127	-
1410 Prepaid items	1,850,362	153,349
1910 Long-term investments	43,629,482	-
1000 Total assets	<u>\$ 83,261,477</u>	<u>\$ 5,659,925</u>
LIABILITIES		
Liabilities		
2110 Accounts payable	3,657,077	464,496
2150 Payroll deduction and withholdings payable	205,834	-
2160 Accrued wages payable	744,993	195,471
2170 Due to other funds	118,165	1,146,178
2180 Due to other governments	-	-
2210 Accrued expenditures	13,288	687
2300 Unearned revenue	983,228	309,746
2000 Total liabilities	<u>5,722,585</u>	<u>2,116,578</u>
DEFERRED INFLOWS OF RESOURCES		
2600 Deferred property taxes	<u>1,118,819</u>	<u>-</u>
FUND BALANCES		
Nonspendable		
3410 Investments in inventory	185,127	-
3430 Prepaid items	1,850,362	-
Restricted for		
3480 Retirement of long term debt	-	-
3450 Food service	-	3,543,347
3450 Grant funds	-	-
Committed for		
3510 Capital acquisition program	-	-
3545 Campus activity fund	-	-
3545 Other purposes	49,904,046	-
Assigned for		
3590 Other purposes	5,611,000	-
Unassigned		
3600 Reported in General Fund	<u>18,869,538</u>	<u>-</u>
3000 Total fund balances	<u>76,420,073</u>	<u>3,543,347</u>
4000 Total liabilities, deferred inflows, and fund balances	<u>\$ 83,261,477</u>	<u>\$ 5,659,925</u>

Exhibit C-1

50 Debt Service Fund	60 Capital Projects Fund	30-42 State Funded Grant Funds	46-48 Local Funds	Total Governmental Funds
\$ 6,457,759	\$ 31,906,018	\$ 540,789	\$ 4,074,442	\$ 78,808,591
791,664	-	-	-	2,833,980
(209,569)	-	-	-	(708,495)
-	-	2,919,575	-	4,282,449
88,282	-	-	-	2,231,231
-	-	-	69,045	2,293,331
-	-	-	-	185,127
3,562	11,000	-	44,607	2,062,880
-	-	-	-	43,629,482
\$ 7,131,698	\$ 31,917,018	\$ 3,460,364	\$ 4,188,094	\$ 135,618,576
-	2,183,077	3,417,695	212,110	9,934,455
-	-	-	-	205,834
-	-	-	-	940,464
-	-	-	-	1,264,343
-	-	-	3,938	3,938
-	-	-	4,490	18,465
2,614,445	-	-	90,000	3,997,419
2,614,445	2,183,077	3,417,695	310,538	16,364,918
450,938	-	-	-	1,569,757
-	-	-	-	185,127
3,562	11,000	-	44,607	1,909,531
4,062,753	-	-	-	4,062,753
-	-	-	-	3,543,347
-	-	42,669	149,936	192,605
-	29,722,941	-	-	29,722,941
-	-	-	3,683,013	3,683,013
-	-	-	-	49,904,046
-	-	-	-	5,611,000
-	-	-	-	18,869,538
4,066,315	29,733,941	42,669	3,877,556	117,683,901
\$ 7,131,698	\$ 31,917,018	\$ 3,460,364	\$ 4,188,094	\$ 135,618,576

**KELLER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2014**

Total fund balances - governmental funds	\$ 117,683,901
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. 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.	(1,863,452)
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	818,674,069
Accumulated depreciation has not been recorded in the fund financial statements.	(195,575,406)
Bonds payable have not been included in the fund financial statements.	(657,363,397)
Accreted interest on capital appreciation bonds is not capitalized in the fund financial statements.	(37,514,241)
Premiums on the issuance of bonds are not capitalized in the fund financial statements.	(40,910,117)
Deferred loss on bond refunding has not been reflected in the fund financial statements.	20,132,847
Property tax and other revenue are reported as unearned revenue in the fund financial statements but is recognized as revenue in the government-wide financial statements.	1,569,757
Accrued liabilities for compensated absences and a legal settlement have not been reflected in the fund financial statements.	(1,741,212)
Interest is accrued on outstanding debt in the government-wide financial statements whereas in the fund financial statements interest expenditures are reported when due.	<u>(1,832,467)</u>
Net position of governmental activities	<u><u>\$ 21,260,282</u></u>

**KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2014**

Data Control Codes		10 General Fund	20 Federally Funded Grant Fund
REVENUES			
5700	Total local and intermediate sources	\$ 126,533,645	\$ 7,281,195
5800	State program revenues	105,325,844	571,090
5900	Federal program revenues	1,980,757	11,158,282
5020	Total revenues	<u>233,840,246</u>	<u>19,010,567</u>
EXPENDITURES			
Current			
0011	Instruction	147,117,681	2,654,885
0012	Instructional resources and media services	3,240,690	-
0013	Curriculum and instructional staff development	2,746,903	460,503
0021	Instructional leadership	2,290,194	154,347
0023	School leadership	15,100,413	18,214
0031	Guidance, counseling and evaluation services	8,456,356	2,946,787
0032	Social work services	148,189	-
0033	Health services	2,712,241	-
0034	Student (pupil) transportation	6,807,163	-
0035	Food services	3,196	12,895,997
0036	Cocurricular/extracurricular activities	8,435,536	-
0041	General administration	5,044,001	-
0051	Facilities maintenance and operations	19,946,311	-
0052	Security and monitoring services	1,835,280	-
0053	Data processing services	4,608,219	-
0061	Community services	596,203	125,639
Debt Service			
0071	Debt Service - Principal on long term debt	-	-
0072	Debt Service - Interest on long term debt	-	-
0073	Debt Service - Bond issuance cost and fees	-	-
Capital Outlay			
0081	Facilities acquisition and construction	102,441	901,075
Intergovernmental			
0093	Shared services agreement	3,425,122	-
0097	Payments to tax increment fund	2,055,966	-
0099	Other governmental charges	1,068,490	-
6030	Total expenditures	<u>235,740,595</u>	<u>20,157,447</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(1,900,349)</u>	<u>(1,146,880)</u>
Other Financing Sources (Uses)			
7911	Issuance of bonds	-	-
7916	Premium or discount on issuance of bonds	-	-
8949	Payment to refunded bond escrow agent	-	-
	Total other financing sources (uses)	<u>-</u>	<u>-</u>
1200	Net change in fund balance	(1,900,349)	(1,146,880)
0100	Fund balance - September 1 (beginning)	78,320,422	4,690,227
3000	Fund balance - August 31 (ending)	<u>\$ 76,420,073</u>	<u>\$ 3,543,347</u>

50 Debt Service Fund	60 Capital Project Fund	30-42 State Funded Grant Funds	46-48 Local Funds	Total Governmental Funds
\$ 59,557,384	\$ 120,768	\$ -	\$ 4,754,507	\$ 198,247,499
175,493	4,431	4,056,447	1,202	110,134,507
-	-	-	-	13,139,039
<u>59,732,877</u>	<u>125,199</u>	<u>4,056,447</u>	<u>4,755,709</u>	<u>321,521,045</u>
-	661,506	3,738,810	2,439,267	156,612,149
-	-	-	378,447	3,619,137
-	-	401,703	45,221	3,654,330
-	-	-	1,993	2,446,534
-	-	-	67,420	15,186,047
-	-	-	27,887	11,431,030
-	-	-	-	148,189
-	27,529	-	4,058	2,743,828
-	-	-	-	6,807,163
-	-	-	494	12,899,687
-	-	-	1,391,949	9,827,485
-	19,465	-	49,855	5,113,321
-	1,062,948	-	20,522	21,029,781
-	804,288	-	70,190	2,709,758
-	283,433	-	-	4,891,652
-	-	-	45,386	767,228
23,934,768	-	-	-	23,934,768
35,136,159	-	-	-	35,136,159
226,588	-	-	-	226,588
-	11,579,360	-	-	12,582,876
-	-	-	-	3,425,122
-	-	-	-	2,055,966
-	-	-	-	1,068,490
<u>59,297,515</u>	<u>14,438,529</u>	<u>4,140,513</u>	<u>4,542,689</u>	<u>338,317,288</u>
<u>435,362</u>	<u>(14,313,330)</u>	<u>(84,066)</u>	<u>213,020</u>	<u>(16,796,243)</u>
45,650,000	-	-	-	45,650,000
3,645,068	-	-	-	3,645,068
(49,070,797)	-	-	-	(49,070,797)
<u>224,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,271</u>
659,633	(14,313,330)	(84,066)	213,020	(16,571,972)
3,406,682	44,047,271	126,735	3,664,536	134,255,873
<u>\$ 4,066,315</u>	<u>\$ 29,733,941</u>	<u>\$ 42,669</u>	<u>\$ 3,877,556</u>	<u>\$ 117,683,901</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014**

Total net change in fund balances - governmental funds	\$ (16,571,972)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and catering, to appropriate functions in other funds. The net income of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	(2,646,215)
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2013 capital outlays is to increase net position.	13,722,002
Depreciation is not recognized as an expenditure 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.	(18,316,012)
Loss on disposal of assets is not recognized in the governmental funds since no current financial resources are used. The net effect of this is to decrease net position.	(4,806)
Current year long term debt principal payments are expenditures in the fund financial statements, whereas they are reported as reductions of bonds payable in the government-wide financial statements. The effect of current year principal paid on bonds payable increased net position.	23,934,768
The current year issuance of bonds are shown as another resource in the fund financial statements but are shown as an increase in long term debt in the government-wide financial statements.	(45,650,000)
Current year payments to bond refunding escrow agent are shown as other uses in the fund financial statements but are shown as reductions in long term debt and as a deferred loss on bond refunding in the government-wide financial statements.	45,845,000
Current year accretion on capital appreciation bonds is not recorded in the fund financial statements, but is shown as an increase in the accreted interest on the government-wide financial statements.	4,404,470
Premiums associated with bonds payable are reported as revenue on the fund financial statements when bonds are issued. Amounts are reported net of amortization on the government-wide financial statements.	(3,645,068)
The current year amortization of the premium on bonds payable is not recorded in the fund financial statements, but is shown as a reduction of the premium in the government-wide financial statements.	2,881,894
Current year amortization of the deferred loss on the issuance of refunding bonds is not reflected in the fund financial statements, but is shown as a reduction of the loss in the government-wide financial statements.	(1,512,602)
Property taxes and other revenues are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed net of an allowance for uncollectible accounts in the government-wide statements.	(2,019,414)
Compensated absences are recognized when the related obligation matures and is expected to be liquidated with expendable available financial resources. Therefore additions to the accrual for compensated absences are not reported in the fund financial statements. The net effect of the current year increase in compensated absences was to decrease net position.	(30,485)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(390,959)
Current year deferred loss on refunding associated with bonds payable is reported net of amortization on the government wide financial statements	3,225,797
Change in Net Position of Governmental Activities	<u>\$ 3,226,398</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2014**

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current assets	
Cash and temporary investments	\$ 1,521,004
Due from other funds	30,649
Prepaid items	56,532
Cash - restricted	400,000
Total assets	2,008,185
LIABILITIES	
Current liabilities	
Accounts and claims payable	2,681,383
Due to other funds	997,537
Accrued expenses	192,717
Total liabilities	3,871,637
NET POSITION	
Restricted for employee health claims	400,000
Unrestricted net position	(2,263,452)
Total net position	\$ (1,863,452)

KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2014

	Governmental Activities - Internal Service Funds
Operating Revenues	
Local and intermediate sources	\$ 17,808,930
Total operating revenues	17,808,930
Operating Expenses	
Payroll costs	399,497
Professional and contracted services	2,826,502
Claim settlement costs	17,234,007
Other operating costs	294
Total operating expenses	20,460,300
Operating loss	(2,651,370)
Nonoperating Revenues	
State on-behalf revenue	4,019
Earnings from temporary deposits and investments	1,136
Total nonoperating revenues	5,155
Change in net position	(2,646,215)
Total net position - September 1 (beginning)	782,763
Total net position - August 31 (ending)	\$ (1,863,452)

**KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2014**

	Governmental Activities - Internal Service Funds
Cash flows from operating activities	
Cash received from user charges	\$ 17,801,311
Cash payments to employees for services	(395,478)
Cash payments for insurance claims	(17,532,397)
Cash payments for other operating expenses	(294)
	(126,858)
Net cash used in operating activities	
Cash flows from investing activities	
Interest and dividends on investments	1,136
Net cash provided by investing activities	1,136
Net change in cash and cash equivalents	
	(125,722)
Cash and cash equivalents at beginning of the year	
	1,646,726
Cash and cash equivalents at end of the year	
	\$ 1,521,004
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (2,651,370)
Adjustments to reconcile operating loss to net cash used in operating activities	
State on-behalf revenue	4,019
Change in assets and liabilities	
Increase in due from other funds	(7,619)
Increase in accounts receivable	1,677,080
Increase in prepaid items	(52,032)
Increase in accounts payable	(18,977)
Increase in due to other funds	997,091
Decrease in accrued expenditures	(75,050)
	(126,858)
Net cash used in operating activities	
	\$ (126,858)

**KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES ·
FIDUCIARY FUNDS
AUGUST 31, 2014**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	402,809
Accounts receivable	530
Prepaid items	<u>2,080</u>
Total assets	<u><u>\$ 405,419</u></u>
LIABILITIES	
Accounts payable	14,955
Due to other governments	203
Due to student groups	<u>390,261</u>
Total liabilities	<u><u>\$ 405,419</u></u>

KELLER INDEPENDENT SCHOOL DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The Keller 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) that is elected by registered voters of the District. The District prepares its basic financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide (FASRG)* and the requirements of contracts and grants of agencies from which it receives funds. The following is a summary of the more significant accounting policies of the District.

A. Reporting Entity

The Board of Trustees is elected by the public and 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 GASB in its *Statement No. 14, The Financial Reporting Entity*, as amended by GASB Statements No. 14, 39 and 61. There are no component units included within the reporting entity and the District is not included in any other governmental reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's non-fiduciary activities with most of the interfund activities removed. Net position is segregated into net investments in capital assets, restricted net position, and unrestricted net position. Governmental activities include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues.

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

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net position 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 Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements as prescribed by GASB Statement No. 34.

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

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 emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Any remaining governmental funds are aggregated and reported as non-major funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

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

Measurement focus is the accounting convention which determines when revenues and expenditures are recognized in the accounts and reported in the financial statements.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

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 (with the exception of Agency Funds which are custodial in nature thus do not have a measurement focus). 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).

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, 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. The District considers all revenues available if they are collectible within 60 days after year end.

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. 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 unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amounts.

Proprietary Funds and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting, except for Agency Funds, which are custodial in nature and therefore do not have a measurement focus. 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.

D. Fund Accounting

The District's accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Fund Accounting – Continued

The District reports the following major governmental funds:

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. Major program revenues include local property taxes, state funding under the Foundation School Program, and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects.

Federally Funded Grant Funds – All funds that receive Federal financial assistance are accounted for in this fund. Some State financial assistance is included in this major fund as well. Sometimes unused balances must be returned to the grantor at the close of specified project periods. Also included in this fund is the Child Nutrition Fund, which is partially funded by state and local revenue.

Debt Service Funds – The debt service fund is utilized to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs arising from general obligation bonds.

Capital Projects Funds – The capital project fund is utilized to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived from proceeds of General Obligation Bonds and interest earned on such monies and local sources designated for such purposes.

State Funded Grant Funds – All funds that receive assistance from the state are accounted for in this fund. Sometimes unused balances must be returned to the grantor at the close of specified project periods.

Local Funds – Include funds that receive from local grants or other locally generated sources. Sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

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 Funds is a Worker's Compensation and Health Insurance fund.

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Fund Accounting – Continued

Fiduciary Funds:

Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are Student Activity funds and Employee Activity funds.

E. Budgets and Budgetary Accounting

The District facilitates budgeting and budgetary control by preparing annual budgets for the General Fund, Child Nutrition Program Fund and Debt Service Fund and appropriately amending the budgets as circumstances dictate; the annual budgets as amended are an integral part of the accounting system, providing appropriate budgetary control over revenues, expenditures and transfers through comparison of actual data and encumbrances to budgetary data.

The Superintendent of Schools is designated as the budget officer of the District and is responsible for preparing, or causing to be prepared, a budget for the next succeeding fiscal year.

The budget is required to be prepared no later than August 20 at a meeting of the Board of Trustees called for the purpose of adopting such budget after ten days public notice of the meeting has been given.

The Board of Trustees may approve amendments to the budget, which are required when a change is made to any one of the functional expenditure categories or revenue object accounts defined by the TEA. Such amendments must be reflected in the official minutes of the Board, and may not, by law, occur after August 31. Therefore, the legal level of budgetary control is at the function level within each budgeted fund. Management may transfer appropriations between objects, sub-objects, organizations, programs, and projects without approval from the Board of Trustees, as long as appropriations are not increased at the function level.

TEA requires the budgets to be filed with the TEA through regular submissions to the Public Education Information Management System (PEIMS). The budget should not be

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Budgets and Budgetary Accounting – Continued

exceeded in any functional expenditure category under TEA requirements. The final amended versions of these budgets are used in this report.

Unused appropriations lapse at the end of each fiscal year; however, the District increases the subsequent year appropriations by an amount equal to outstanding encumbrances.

Budgets for the General, Child Nutrition and Debt Service Funds are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

F. Cash and Cash Equivalents

The District's cash is comprised of demand accounts and imprest funds. All daily receipts are deposited to the demand accounts until the funds are invested under the terms of the District's depository contract. The District considers cash equivalents to be all highly liquid investments with initial maturities of ninety days or less from the date of purchase.

G. Investments

In accordance with GASB Statement No. 31, the District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

H. Inventory

Inventories on the balance sheet consist of material and supplies and are recorded at first-in, first-out (FIFO) cost. Inventories are recorded as expenditures when consumed. In the governmental funds, a non-spendable fund balance indicates that these funds are unavailable as current expendable financial resources.

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Compensated Absences

Any District employee who is professionally certified and has at least five years of service to the District is paid for all local sick days upon termination of employment with the District. Local sick leave days are earned at a rate of five days per year. The leave days shall accrue with no limit. A resigning employee shall receive \$35 per day, if he or she completes their contract. A retiring employee shall receive \$35 per day at the time of retirement provided he or she qualifies for retirement benefits from the Teacher Retirement System of Texas.

The accrual for accumulated unpaid sick leave benefits has been recorded in the government-wide financial statements.

J. Account Code Reporting

In accordance with the Texas Education Code, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure prescribed by the TEA in the Resource Guide. Mandatory codes are recorded in the order provided in that section.

K. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula becomes available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate as of August 31, 2014 will change.

L. Unearned revenue

Amounts reported as unearned revenue include funds received in advance of grant expenditures and amounts not yet earned on entitlements and allotments received from the State through the Foundation School Program.

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

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

The District expects to receive all significant receivables within one year of August 31, 2014.

N. Capital Assets

Capital assets, which include land, buildings and furniture and equipment, are reported 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 and 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	5-25
Vehicles	5-10
Office equipment	3-20
Computer equipment	5

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The deferred gain or loss on refunding will be recognized as a deferred outflow of resources or a deferred inflow of resources and amortized to interest expense over the life of the bond. Bond issuance costs are expensed in the current period.

In the fund financial statements, governmental fund types recognized bond premiums and discounts 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.

P. Interfund Transactions

During the course of normal operations, it is necessary for the District to enter into transactions among its various funds. These transactions consist of one or more of the following types:

- Reimbursements to a fund, which are generally reflected through the allocation of pooled cash accounts, for expenditures or expenses, reimbursement of revenue or reclassification of revenue initially made from it that are properly applicable to another fund. All interfund receivable/payable balances at August 31, 2014 were the result of these types of reimbursements and are expected to be repaid within one year.
- Transfers of equity balances from one fund to another.
- Transfers in and out, as appropriate, which are shown as other financing sources or uses in the fund financial statements.

Q. Restricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

R. Prepaid Items

Prepaid items indicate payments made by the District in the current year to provide services occurring in the subsequent fiscal year. The consumption approach provides for the initial reporting of the item as an asset while recognition of the expenditure when that the item is actually used or "consumed".

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

S. Deferred Outflows and Deferred Outflows of Resources

The GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for periods beginning after December 15, 2012. The statement reclassifies certain items that were previously reported as assets and liabilities, as deferred outflows or inflows of resources, and recognizes these items as outflows or inflows of resources. This Statement applies to all state and local governmental entities. The District has retroactively implemented this change.

The statement of net position includes a separate section, in addition to assets, for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period(s) and therefore will not be recognized as an expense/expenditure until that time. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as revenue until that time.

If a balance previously reported as an asset or liability does not meet the definition of an asset, deferred outflow, liability, or deferred inflow, then it must actually be reported as a current inflow or outflow of resources (revenue, expense, or expenditure).

NOTE 2. BONDED DEBT PAYABLE

Bonded debt payable as of August 31, 2014 is as follows:

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 9/1/2013	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 8/31/2014
Refunding and School Building Bonds Series 1993 & 1993A Final maturity 2014	3.50-6.25	31,065,000	117,654	-	-	117,654	-
Unlimited Tax School Building and Refunding Bonds Series 1996A Final maturity 2021	3.60-5.90	59,539,931	13,163,257	-	-	1,129,314	12,033,943
Unlimited Tax School Building and Refunding Bonds Series 1997A Final maturity 2027	3.85-6.00	29,698,013	4,019,995	-	-	-	4,019,995
Unlimited Tax School Building and Refunding Bonds Series 1999 Final maturity 2031	4.00-4.90	30,190,000	85,002	-	-	45,000	40,002
Unlimited Tax Refunding Bonds Series 2005 Final maturity 2030	4.75-5.00	98,339,961	89,685,000	-	37,150,000	8,205,000	44,330,000
Unlimited Tax Building and Refunding Bonds Series 2005A Final maturity 2025	4.00-5.00	117,165,000	21,965,000	-	8,695,000	330,000	12,940,000

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. BONDED DEBT PAYABLE – CONTINUED

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 9/1/2013	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 8/31/2014
Unlimited Tax School Refunding Bonds Series 2006 Final maturity 2029	4.00-5.00	89,844,973	87,739,973	-	-	320,000	87,419,973
Unlimited Tax School Refunding Bonds Series 2006A Final maturity 2029	4.00-4.60	64,749,980	63,931,092	-	-	2,700	63,928,392
Unlimited Tax School Refunding Bonds Series 2007 Final maturity 2028	4.00-5.00	136,470,000	133,470,000	-	-	1,425,000	132,045,000
Unlimited Tax School Building Bonds Series 2009 Final maturity 2035	4.39-5.00	142,299,951	131,309,951	-	-	9,240,000	122,069,951
Unlimited Tax Refunding Bonds Series 2009 Final maturity 2023	3.00-4.625	11,199,999	8,845,000	-	-	1,970,000	6,875,000
Unlimited Tax Refunding Bonds Series 2009A Final maturity 2031	3.50-4.50	22,419,992	22,361,243	-	-	5,100	22,356,143
Unlimited Tax Refunding Bonds Series 2010 Final maturity 2030	2.00-4.125	8,389,999	7,700,000	-	-	230,000	7,470,000
Unlimited Tax Refunding Bonds Series 2011 Final maturity 2028	2.00-4.00	9,370,000	8,970,000	-	-	615,000	8,355,000
Unlimited Tax Refunding Bonds Series 2012 Final maturity 2031	3.50	-	2,710,000	-	-	-	2,710,000
Unlimited Tax Refunding Bonds Series 2012A Final maturity 2036	2.00-3.00	-	4,339,998	-	-	-	4,339,998
Unlimited Tax Refunding Bonds Series 2013 Final maturity 2025	1.50-5.00	-	81,080,000	-	-	-	81,080,000
Unlimited Tax Refunding Bonds Series 2014 Final maturity 2024	2.46	-	-	45,650,000	-	300,000	45,350,000
Total bonded debt payable		<u>\$ 850,742,799</u>	<u>\$ 681,493,165</u>	<u>\$ 45,650,000</u>	<u>\$ 45,845,000</u>	<u>\$ 23,934,768</u>	<u>\$ 657,363,397</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. BONDED DEBT PAYABLE – CONTINUED

The debt service requirements on the above bonds are as follows:

<u>Due Fiscal Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 15,100,068	\$ 40,048,086	\$ 55,148,154
2016	12,222,087	40,828,248	53,050,335
2017	15,787,170	38,347,870	54,135,040
2018	20,544,816	34,760,226	55,305,042
2019	18,337,529	38,040,604	56,378,133
2020-2024	156,171,727	135,639,396	291,811,123
2025-2029	230,110,000	78,307,619	308,417,619
2030-2034	173,745,000	22,731,098	196,476,098
2035	15,345,000	421,987	15,766,987
	<u>\$ 657,363,397</u>	<u>\$ 429,125,134</u>	<u>\$ 1,086,488,531</u>

Bonded debt payable is collateralized by revenue from the District's tax collections.

On March 11, 2014 the District issued \$49,295,068 in unlimited tax refunding bonds, with interest rates between 4.00% and 5.00% to advance refund \$37,150,000 of series 2005 Bonds with original maturities between 2016 and 2024 and interest rates between 4.75% and 5.00% and to advance refund \$8,695,000 of series 2005A Bonds with original maturities between 2016 and 2024 with interest rates between 4.00% and 5.00%. The refunding was undertaken to reduce the District's total debt service payments over the next 20 years by approximately \$3,934,863 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$3,362,150.

NOTE 3. ACCUMULATED UNPAID SICK LEAVE BENEFITS

Professional certified employees who have completed five years of continuous service in the District and who leave the system shall be paid for each day of unused accumulated sick leave. A summary of changes in the accumulated sick leave follows:

Balance, September 1, 2013	\$ 710,727
New entrants and salary increments	51,240
Payments to participants	<u>(20,755)</u>
Balance, August 31, 2014	<u>\$ 741,212</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 681,493,165	\$ 45,650,000	\$ 69,779,768	\$ 657,363,397	\$ 15,100,068
Accreted interest	41,918,711	3,391,109	7,795,579	37,514,241	3,351,929
Premium on bonds	40,146,943	3,645,068	2,881,894	40,910,117	2,881,894
Compensated absences	710,727	51,240	20,755	741,212	24,424
Total governmental activities long-term liabilities	<u>\$ 764,269,546</u>	<u>\$ 52,737,417</u>	<u>\$ 80,477,996</u>	<u>\$ 736,528,967</u>	<u>\$ 21,358,315</u>

The General Fund has been used to liquidate the liability for compensated absences.

NOTE 5. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2014 was as follows:

Primary Government:

	Balance 9/1/2013	Additions	Transfers	Deletions	Balance 8/31/2014
Capital assets, not being depreciated					
Land	\$ 36,934,440	\$ 132,497	\$ -	\$ -	\$ 37,066,937
Construction in progress	7,949,570	7,459,281	(6,171,973)	-	9,236,878
Total capital assets, not being depreciated	44,884,010	7,591,778	(6,171,973)	-	46,303,815
Capital assets, being depreciated					
Buildings and improvements	738,717,184	3,167,548	6,171,973	-	748,056,705
Furniture and equipment	21,378,184	2,962,676	-	(27,311)	24,313,549
Total capital assets, being depreciated	760,095,368	6,130,224	6,171,973	(27,311)	772,370,254
Less accumulated depreciation on					
Buildings and improvements	165,085,616	15,752,105	-	-	180,837,721
Furniture and equipment	12,196,283	2,563,907	-	(22,505)	14,737,685
Accumulated depreciation	177,281,899	18,316,012	-	(22,505)	195,575,406
Total capital assets, being depreciated, net	<u>582,813,469</u>	<u>(12,185,788)</u>	<u>6,171,973</u>	<u>(4,806)</u>	<u>576,794,848</u>
Governmental activities capital assets, net	<u>\$ 627,697,479</u>	<u>\$ (4,594,010)</u>	<u>\$ -</u>	<u>\$ (4,806)</u>	<u>\$ 623,098,663</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5. CAPITAL ASSET ACTIVITY – CONTINUED

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

Instruction	\$ 12,795,000
Instructional resources and media services	211,538
Curriculum and staff development	35,643
Instructional leadership	39,980
School leadership	1,335,711
Guidance, counseling and evaluation services	670,603
Social services	927
Health services	215,508
Food services	186,644
Co-curricular/extracurricular activities	615,770
General administration	97,349
Plant maintenance and operations	996,443
Security and monitoring services	273,354
Data processing services	620,479
Community services	<u>221,063</u>
 Total depreciation expense	 <u><u>\$ 18,316,012</u></u>

NOTE 6. DEPOSITS AND INVESTMENTS

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

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

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	10 years	none	none
U.S. Agency obligations	10 years	none	none
State of Texas securities	10 years	none	none
Collateralized mortgage obligations	10 years	none	none
Certificates of deposit	none	none	none
Repurchase agreements	90 days	none	none
Securities lending program	1 year	none	none
Banker's acceptance	270 days	none	none
Commercial paper	270 days	none	none
No-load mutual funds	2 years	15%	none
Guaranteed investment contracts	5 years	none	none
Public funds investment pool	n/a	none	none

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Cash and investments as of August 31, 2014 are classified in the accompanying financial statements as follows:

Primary government	\$ 124,359,077
Fiduciary funds	<u>402,809</u>
	<u><u>\$ 124,761,886</u></u>

Cash and investments as of August 31, 2014 consist of the following:

Deposits with financial institutions	\$ (1,728,347)
Investments	<u>126,490,233</u>
	<u><u>\$ 124,761,886</u></u>

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District has no formal policy related to interest rate risk.

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED

As of August 31, 2014, the District had the following investments, classified as cash and investments and restricted cash in the financial statements:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of August 31, 2014</u>
TexPool	\$ 2,638,581	53 days	AAA	AAAm
TexSTAR	3,627,229	52 days	AAA	AAAm
LOGIC	68,514,138	56 days	AAA	AAAm
FHLB	11,751,430	64 days	AAA	AAA
FNMA	4,006,760	156 days	AAA	AAA
FHLMC	4,007,720	110 days	AAA	AAA
Federal agency notes	<u>31,944,375</u>	77 days	AAA	AAA
	<u>\$ 126,490,233</u>			

As of August 31, 2014 the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented above is the minimum rating required by (where applicable) the Public Funds Investment Act, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED

fair value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

On the date of the highest cash balance, the District's deposits with financial institutions were fully covered by federal depository insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of the highest deposit:

- A. Depository: Bank of America
- B. Security pledged as of the date of the highest combined balance on deposit was \$1,877,720.
- C. Largest cash, savings and time deposit combined account balance amounted to \$1,882,800 and occurred during the month of June 2014.
- D. Total amount of FDIC coverage at the time of largest combined balance was \$250,000.

Investment in State Investment Pools

The District is a voluntary participant in various investment pools. These pools included the following: TexPool, TexSTAR and LOGIC.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. TexSTAR is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. Together these organizations bring to the TexSTAR program the power partnership of two leaders in financial services with a proven track record in local government investment pool management. The fair value of the position in TexSTAR is the same as the value of TexSTAR shares.

LOGIC is governed by a 6-member board and is an AAA rated investment program tailored to the investment needs of local governments within the state of Texas. LOGIC assists governments across Texas make the most of taxpayer dollars. Local officials can improve the return on their invested balances by pooling their money with other entities to achieve economies of scale in a conservative fund in full compliance with the PFIA. The fair value of the position in LOGIC is the same as the value of LOGIC shares.

KELLER INDEPENDENT SCHOOL DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. RETIREMENT PLAN

Plan Description. The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. 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 78701-2698, 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 a state contribution rate of 6.8% for fiscal year 2014, 6.4% for fiscal years 2013 and 6.0% for fiscal year 2012. The member contribution rate was 6.4% for fiscal years 2013, 2012 and 2011. In certain instances, the reporting district is required to make all or a portion of the state's 6.8% 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 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 the District's employees and reflected in the District's financial statements as both revenue and expenditures for the years ended August 31, 2012, 2013 and 2014 were \$5,778,008, \$7,490,187, and \$8,554,335 respectively. The District paid additional state contributions for the years ended August 31, 2012, 2013 and 2014 in the amount of \$2,485,324, \$2,144,872, and \$2,604,532 respectively, on a portion of the employees' salaries that exceeded the statutory minimum. Employees contributed \$10,858,001, \$10,010,307, and \$9,438,917 for the years ended August 31, 2012, 2013 and 2014, respectively.

Retiree Health Plan

Plan Description. Keller Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees 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. This report may be obtained by visiting the TRS website at www.trs.state.tx.us, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 800-223-8778.

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 7. RETIREMENT PLAN – CONTINUED

Retiree Health Plan – Continued

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions respectively. The state of Texas and active public school employee contribution rates were 1.0% and 0.65% of the public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal year 2013. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2012, 2013 and 2014 the State's contributions to TRS-Care were \$565,367, \$(107,833), and \$709,517, respectively, the active member contributions were \$958,628, \$1,016,670, and \$1,102,675, respectively and the District's contributions were \$811,154, \$889,889, and \$933,031, respectively which equaled the required contributions for those years.

Prescription Drug Coverage. The Medicare Prescription Drug, Improvement, and Modernization act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2012, 2013 and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$390,107, \$425,002, and \$469,702, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

Effective January 1994, the District discontinued its participation in the Texas Association of School Boards (TASB) workers' compensation risk pool and established a self-insurance plan for workers' compensation benefits for employees. The District's retention of risk is \$500,000 per occurrence with an aggregate stop-loss limit of \$2,000,000. Claims incurred by employees of the District are handled by a third party administrator who is responsible for estimating losses to be incurred by the District and ultimately paid to the claimant.

Effective December 2002, the District established a self-funded health insurance plan. The District and employees share the cost of employee coverage. Employees, at their option, can authorize payroll withholdings to pay contributions or premiums for dependents. The plan is authorized by Article 3.51-2, Texas Insurance Code and is documented by a contractual agreement. The District's retention of risk is \$165,000 per employee with an aggregate stop-loss limit of approximately \$1,000,000 as of January 1, 2015. The District's aggregate attachment point is \$23,964,776 for the 2015 calendar year.

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. RISK MANAGEMENT – CONTINUED

Settled claims have not exceeded the aggregate coverage in any of the past three fiscal years. Insurance coverage has not been reduced for the year from the prior year. Accrued claims payable of \$2,671,035 as of August 31, 2014, includes provisions for claims reported but not paid and claims incurred but not reported. The provision for reported claims is determined by estimating the amount that will ultimately be paid each claimant and is calculated and provided by the District's third party administrator. The District estimates the provision for claims incurred but not yet reported. Accrued claims payable have not been discounted to their present value as the District expects such claims to be paid within the following fiscal year. The District believes that any discount of the claims payable would not be material to the overall financial statements.

Changes in the fund's claims liability amount for the year ended August 31, 2014 and 2013 are as follows:

	2014	2013
Liability, beginning of year	\$ 2,678,172	\$ 2,168,219
Current year claims and changes in estimates	17,413,910	14,378,668
Claim payments	(17,421,047)	(13,868,715)
Liability, end of year	\$ 2,671,035	\$ 2,678,172

NOTE 9. LITIGATION

The District is a party to various legal actions, one of which is believed by the administration and its legal counsel to have a material effect on the financial condition of the District and therefore, has been accrued as a noncurrent liability in the government wide financial statements in the amount of \$1,000,000. No other provisions for losses have been recorded in the accompanying basic financial statements for any other contingencies.

NOTE 10. COMMITMENTS

In a prior year, the District entered into an agreement with Durham School Services, LP for the outsourcing of student transportation, whereby the District sold its existing fleet of school buses to Stock Transportation for a price of \$1,021,000 and Durham agreed to lease the District's transportation facilities for \$1 per annum for the term of the agreement.

The initial agreement was renewed for a period of five years beginning August 1, 2004 and ending July 31, 2009, with the option to renew for two additional years. That option was exercised for the year 2009-2010 and on August 1, 2010 a new agreement was entered into for the period of August 1, 2010 through July 31, 2014. A third agreement was effective August 1, 2014 for a period of 5 years, with the option to renew for five additional years.

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 10. COMMITMENTS – CONTINUED

As of August 31, 2014, the District has entered into long-term construction projects with an aggregate unexpended balance of \$1,338,190.

The District has also entered into operating leases for office equipment and for management technology services. The expenditures under these leases for the year ended August 31, 2014 totaled \$3,308,341.

A schedule of future minimum lease payments that have remaining lease terms in excess of one year is as follows:

Year Ending August 31,	
2015	\$ 3,246,440
2016	3,188,377
2017	2,522,562
2018	1,771,620
2019	1,771,620
2020 and thereafter	<u>738,175</u>
 Total	 <u><u>\$ 13,238,794</u></u>

NOTE 11. 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. Amounts due from federal and state governments as of August 31, 2014, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Entitlements	Federal Grants	Total
General	\$ 57,468	\$ -	\$ 57,468
State funded grants	2,919,575	-	2,919,575
Federally funded grants	<u>-</u>	<u>1,305,406</u>	<u>1,305,406</u>
 Total	 <u><u>\$ 2,977,043</u></u>	 <u><u>\$ 1,305,406</u></u>	 <u><u>\$ 4,282,449</u></u>

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 12. INTERFUND BALANCES AND ACTIVITIES

Interfund balances at August 31, 2014 consisted of the following individual fund balances:

Due To Fund	Due From Fund	Amount	Purpose
Debt Service Fund	General Fund	88,282	Reimbursement of revenue
Internal Service Fund	Federally Funded	766	Reclassification of revenue
Internal Service Fund	General Fund	29,883	Reclassification of revenue
General Fund	Internal Service Fund	997,537	Reclassification of revenue
General Fund	Federally Funded	1,145,412	Reimbursement of expenditures
		<u>\$ 2,261,880</u>	

All amounts due are scheduled to be repaid within one year.

NOTE 13. RECONCILIATION TO BASIC FINANCIAL STATEMENTS

The following is a reconciliation of expenditures of federal awards per Exhibit K-1 to amounts reported on Exhibit C-3.

Total expenditures of federal awards per K-1	\$ 11,158,282
School Health and Related Services (SHARS)	1,745,392
E-rate revenue reported in general fund	<u>235,365</u>
Total reported on and reconciled to exhibit C-3	<u>\$ 13,139,039</u>

NOTE 14. OTHER RECEIVABLES

Other receivables recorded in the fund level financial statements consisted of the following at August 31, 2014:

	General Fund	Federally Funded Grants	Local Funds	Total
Services rendered	\$ 207,742	\$ 198,421	\$ 69,045	\$ 475,208
SHARS receivable	1,582,758	-	-	1,582,758
E-rate receivable	235,365	-	-	235,365
Total	<u>\$ 2,025,865</u>	<u>\$ 198,421</u>	<u>\$ 69,045</u>	<u>\$ 2,293,331</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 15. CLASSIFICATION OF FUND BALANCE

Fund Balance Classifications

In accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

1. **Nonspendable Fund Balance** – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid items.
2. **Spendable Fund Balance**
 - a. **Restricted Fund Balance** – includes amounts that can be spent only for the specific purposes as imposed by law, or imposed by creditors, grantors, contributors, or other governments' laws and regulations. Examples include federal and state grant programs, retirement of long-term debt, and construction.
 - i. The proceeds of specific revenue sources which are restricted to expenditures for specified purposes as designated by grantors, contributors, or governmental entities over state or local program grants.
 - ii. The aggregate fund balance in the debt service fund is legally restricted for payment of bonded indebtedness and is not available for other purposes until all bonded indebtedness is liquidated.
 - b. **Committed Fund Balance** – includes amounts that can be used only for the specific purposes as determined by the governing body by formal action recorded in the minutes of the governing body. Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally.

Examples include, but specifically not limited to, Board action regarding construction, claims, and judgments, retirement of loans/notes payable, capital expenditures, and self-insurance. The District's Board must take action to commit funds, modify a commitment or rescind a commitment for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year.

- i. The fund balance of the capital projects fund reflects an amount committed for construction and major renovation projects, and it usually represents unexpended proceeds from the sale of school building bonds, which primarily have restricted uses.
- ii. Campus activity funds are considered committed by the governing body through adoption of board policy pertaining to the usage of these funds.
- iii. The District's Board of Trustees voted to commit fund balance equal to between 17% and 20% of the 2014 general fund expenditure budget for budgetary contingencies.

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 15. CLASSIFICATION OF FUND BALANCE – CONTINUED

Fund Balance Classifications – Continued

- c. Assigned Fund Balance – comprises amounts intended to be used by the District for specific purposes. Pursuant to GASB 54, this intent can be expressed by an official or body to which the governing body delegates that authority. That authority has not been delegated to any official or body. The Board of Trustees is the only governing body that can assign fund balance for specific purposes by formal action recorded in the official minutes. Examples take on the similar appearance as those enumerated for committed fund balance, but may also include the appropriation of existing fund balance to eliminate a deficit in next year’s budget.

Assigned for:

Student transportation	\$ 1,025,000
Athletic field, turf, track, other	1,320,000
Fine arts - ten year plan	1,044,000
Athletic - ten year plan	<u>2,222,000</u>
Total	<u>\$ 5,611,000</u>

Unassigned Fund Balance – is the residual classification of the General Fund and includes all amounts not contained in other classifications. Only the General Fund will have unassigned amounts. If other governmental funds incur expenditures for specified purposes that exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

NOTE 16. INSTRUCTIONAL MATERIALS ALLOTMENT

In May 2011, Senate Rule 6, repealed the technology allotment used by Texas schools and created an Instructional Materials Allotment (IMA) for the purchase of instructional materials, technology equipment, and technology related services. Under the IMA instructional material purchases must be made through TEA’s online registration system. Instructional materials acquired through the IMA totaling \$4,012,913 are recorded as revenues in the State Instructional Materials Fund.

Ownership of textbooks previously purchased by the state and utilized by the District was transferred to the District. The majority of these textbooks were sold or otherwise disposed of in accordance with TEA guidelines. At August 31, 2014, the remainder of the textbooks, in possession of the District, have minimal value and are not otherwise reflected elsewhere in these statements.

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 17. CHANGE IN ACCOUNTING PRINCIPLE

In accordance with Governmental Accounting Standards Board No. 65, *Items Previously Reported as Assets and Liabilities*, assets or liabilities that no longer meet the definition of an asset, deferred outflow, liability or deferred inflow should be reported as current outflow or inflow of resources. Debt issuance costs, previously reported as an asset, no longer meet that definition and will be reported as expenses in the current period. In accordance with GASB 65, the District has retroactively implemented the changes which resulted in a restatement of beginning net position as of August 31, 2014. The effect of the restatement is a decrease in beginning net position of \$7,215,108.

NOTE 18. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, which will be effective for periods beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting of state and local governmental pension plans. This Statement applies to all state and governmental entities and replaces Statements 27 and 50. The District will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

The GASB also issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, which was effective simultaneously with GASB 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

REQUIRED SUPPLEMENTARY INFORMATION

**KELLER INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED AUGUST 31, 2014**

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	\$ 121,065,141	121,065,141	\$ 126,533,645	\$ 5,468,504
5800	State Program Revenues	94,298,607	102,065,956	105,325,844	3,259,888
5900	Federal Program Revenues	1,568,000	1,568,000	1,980,757	412,757
5020	Total Revenues	216,931,748	224,699,097	233,840,246	9,141,149
EXPENDITURES					
Current					
0011	Instruction	142,979,325	148,453,153	147,117,681	1,335,472
0012	Instructional Resources & Media Services	3,332,694	3,472,077	3,240,690	231,387
0013	Curriculum & Instructional Staff Development	3,372,620	3,091,518	2,746,903	344,615
0021	Instructional Leadership	2,502,444	2,459,761	2,290,194	169,567
0023	School Leadership	14,314,486	15,117,762	15,100,413	17,349
0031	Guidance, Counseling & Evaluation Services	7,580,222	8,553,986	8,456,356	97,630
0032	Social Services	241,086	211,610	148,189	63,421
0033	Health Services	2,759,844	2,839,144	2,712,241	126,903
0034	Student (Pupil) Transportation	6,709,906	7,242,906	6,807,163	435,743
0035	Food Services	-	3,441	3,196	245
0036	Cocurricular/Extracurricular Activities	6,830,806	8,753,646	8,435,536	318,110
0041	General Administration	6,305,642	5,239,698	5,044,001	195,697
0051	Plant Maintenance and Operations	20,251,005	20,533,161	19,946,311	586,850
0052	Security and Monitoring Services	2,084,363	2,170,109	1,835,280	334,829
0053	Data Processing Services	4,142,400	4,702,523	4,608,219	94,304
0061	Community Services	671,360	692,392	596,203	96,189
Capital Outlay					
0081	Facilities Acquisition and Construction	129,500	140,080	102,441	37,639
Intergovernmental					
0093	Shared services agreement	3,435,038	3,497,538	3,425,122	72,416
0095	Juvenile justice alternative education program	2,307	2,307	-	2,307
0097	Payments to Tax Increment Fund	2,166,508	2,056,508	2,055,966	542
0099	Other Intergovernmental Charges	-	1,071,000	1,068,490	2,510
6030	Total Expenditures	229,811,556	240,304,320	235,740,595	4,563,725
1100	Excess (deficiency) of revenues over (under) expenditures	(12,879,808)	(15,605,223)	(1,900,349)	13,704,874
	Other Financing Sources (Uses)	1,600,000	1,600,000	-	(1,600,000)
1200	Net Change in Fund Balances	(11,279,808)	(14,005,223)	(1,900,349)	12,104,874
0100	Fund Balances - September 1 (Beginning)	78,320,422	78,320,422	78,320,422	-
3000	Fund Balance - August 31 (Ending)	\$ 67,040,614	\$ 64,315,199	\$ 76,420,073	\$ 12,104,874

**KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2012**

BUDGETARY DATA

The Board of Trustees adopts an “appropriated budget” on a GAAP basis for the General Fund, Child Nutrition Fund, which is included in the Federally Funded Grant funds, and the Debt Service Fund. 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 appears in Exhibit G-1 and the other two budgets are in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data:

1. Prior to August 20th the District prepares a budget for the next succeeding fiscal year beginning September 1st. 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 September 1, the budget is legally enacted through 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 is approved before the fact, is reflected in the official minutes of the Board, and is not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. Significant amendments were made to the following functional areas:

Function	Increase (Decrease)
Instruction	\$ 5,473,828
Cocurricular/Extracurricular	1,922,840
Other Intergovernmental Charges	1,071,000
Guidance and Counseling	973,764
Data Processing Services	560,123
General Administration	(1,065,944)

4. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
5. The TEA requires these budgets to be filed with the Agency. The budget should not exceed expenditures in any functional expenditure category under TEA requirements. The original and final amended versions of these budgets are included in this report.

COMBINING STATEMENTS

FEDERALLY FUNDED GRANT FUNDS

**KELLER INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET -
FEDERALLY FUNDED GRANT FUNDS
AUGUST 31, 2014**

Data Control Codes	ASSETS	211 ESEA Title I, Part A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool
1110	Cash and temporary investments	\$ -	\$ -	\$ -
1240	Due from other governments	773,337	275,073	6,615
1290	Other receivables	-	-	-
1400	Prepaid items	23,241	59,466	-
1000	Total assets	<u>\$ 796,578</u>	<u>\$ 334,539</u>	<u>\$ 6,615</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
2110	Accounts payable	100,246	37,170	-
2160	Accrued wages payable	16,956	-	872
2170	Due to other funds	679,346	297,369	5,743
2210	Accrued expenditures	30	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	<u>796,578</u>	<u>334,539</u>	<u>6,615</u>
FUND BALANCES				
Restricted for				
3450	Food service	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 796,578</u>	<u>\$ 334,539</u>	<u>\$ 6,615</u>

240 National Breakfast and Lunch Program	244 Vocational Education Basic Grant	255 ESEA Title II, Part A Training and Recruitment	263 Title III, Part A English Lanaguage Acquisition	289 Fed Fund Special Revenue	Total Federally Funded Grant Fund
\$ 4,001,534	\$ -	\$ 1,215	\$ -	\$ -	\$ 4,002,749
106,734	36,686	82,763	24,198	-	1,305,406
198,421	-	-	-	-	198,421
-	51,393	17,153	2,096	-	153,349
<u>\$ 4,306,689</u>	<u>\$ 88,079</u>	<u>\$ 101,131</u>	<u>\$ 26,294</u>	<u>\$ -</u>	<u>\$ 5,659,925</u>
284,327	6,262	36,491	-	-	\$ 464,496
167,846	-	9,797	-	-	195,471
766	81,817	54,843	26,294	-	1,146,178
657	-	-	-	-	687
309,746	-	-	-	-	309,746
<u>763,342</u>	<u>88,079</u>	<u>101,131</u>	<u>26,294</u>	<u>-</u>	<u>2,116,578</u>
3,543,347	-	-	-	-	-
<u>3,543,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,543,347</u>
<u>\$ 4,306,689</u>	<u>\$ 88,079</u>	<u>\$ 101,131</u>	<u>\$ 26,294</u>	<u>\$ -</u>	<u>\$ 5,659,925</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - FEDERALLY FUNDED GRANT FUNDS
YEAR ENDED AUGUST 31, 2014**

<u>Data Control Codes</u>	<u>211 ESEA Title I, Part A Improving Basic Program</u>	<u>224 IDEA Part B Formula</u>	<u>225 IDEA Part B Preschool</u>
REVENUES			
5700	Total local and intermediate sources	\$ -	\$ -
5800	State program revenues	36,059	148,600
5900	Federal program revenues	1,648,982	3,850,142
		<hr/>	<hr/>
5020	Total Revenues	1,685,041	3,998,742
		<hr/>	<hr/>
EXPENDITURES			
Current			
0011	Instruction	1,357,557	971,847
0012	Instructional resources and media services	-	-
0013	Curriculum and instructional staff development	207,141	4,650
0021	Instructional leadership	2,160	151,498
0023	School leadership	15,572	-
0031	Guidance, counseling and evaluation services	1,503	2,856,842
0033	Health services	-	-
0034	Student (pupil) transportation services	-	-
0035	Food services	-	-
0061	Community services	101,108	13,905
0081	Facilities acquisition and construction	-	-
0093	Shared services arrangement	-	-
		<hr/>	<hr/>
6030	Total expenditures	1,685,041	3,998,742
		<hr/>	<hr/>
1200	Net change in fund balance	-	-
0100	Fund balance - September 1 (beginning)	-	-
		<hr/>	<hr/>
3000	Fund balance - August 31 (ending)	\$ -	\$ -
		<hr/>	<hr/>

240 National Breakfast and Lunch Program	244 Vocational Education Basic Grant	255 ESEA Title II, Part A Training and Recruitment	263 ESEA Title III, Part A English Language Acquisition	289 Fed Fund Special Revenue	Total Federally Funded Grant Fund
\$ 7,281,195	\$ -	\$ -	\$ -	\$ -	\$ 7,281,195
375,242	-	524	6,692	-	571,090
<u>4,993,755</u>	<u>157,439</u>	<u>175,205</u>	<u>217,635</u>	<u>10,018</u>	<u>11,158,282</u>
<u>12,650,192</u>	<u>157,439</u>	<u>175,729</u>	<u>224,327</u>	<u>10,018</u>	<u>19,010,567</u>
-	154,108	82,054	58,664	10,018	2,654,885
-	-	-	-	-	-
-	-	93,675	155,037	-	460,503
-	689	-	-	-	154,347
-	2,642	-	-	-	18,214
-	-	-	-	-	2,946,787
-	-	-	-	-	-
-	-	-	-	-	-
12,895,997	-	-	-	-	12,895,997
-	-	-	10,626	-	125,639
901,075	-	-	-	-	901,075
-	-	-	-	-	-
<u>13,797,072</u>	<u>157,439</u>	<u>175,729</u>	<u>224,327</u>	<u>10,018</u>	<u>20,157,447</u>
(1,146,880)	-	-	-	-	(1,146,880)
<u>4,690,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,690,227</u>
<u>\$ 3,543,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,543,347</u>

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STATE FUNDED GRANT FUNDS

**KELLER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 STATE FUNDED GRANT FUNDS
 AUGUST 31, 2014**

<u>Data Control Codes</u>		<u>385 Students with Visual Impairment</u>	<u>393 Texas Successful Schools Program</u>
	ASSETS		
1110	Cash and temporary investments	\$ -	\$ 5,049
1240	Due from other governments	-	-
1000	Total assets	<u>\$ -</u>	<u>\$ 5,049</u>
	LIABILITIES AND FUND BALANCES		
2110	Accounts payable	\$ -	\$ -
2000	Total liabilities	<u>-</u>	<u>-</u>
	FUND BALANCES		
3450	Restricted for Grant funds	<u>-</u>	<u>5,049</u>
3000	Total fund balances	<u>-</u>	<u>5,049</u>
4000	Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 5,049</u>

Exhibit H-3

397 Advanced Placement Incentives	410 Instructional Materials Allotment	429 Other State Special Revenue Funds	State Funded Grant Funds
\$ 34,386	\$ 497,811	\$ 3,543	\$ 540,789
-	2,919,575	-	2,919,575
<u>\$ 34,386</u>	<u>\$ 3,417,386</u>	<u>\$ 3,543</u>	<u>\$ 3,460,364</u>
<u>\$ 309</u>	<u>\$ 3,417,386</u>	<u>\$ -</u>	<u>\$ 3,417,695</u>
<u>309</u>	<u>3,417,386</u>	<u>-</u>	<u>3,417,695</u>
<u>34,077</u>	<u>-</u>	<u>3,543</u>	<u>42,669</u>
<u>34,077</u>	<u>-</u>	<u>3,543</u>	<u>42,669</u>
<u>\$ 34,386</u>	<u>\$ 3,417,386</u>	<u>\$ 3,543</u>	<u>\$ 3,460,364</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - STATE FUNDED GRANT FUNDS
YEAR ENDED AUGUST 31, 2014**

<u>Data Control Codes</u>	<u>385 Students with Visual Impairment</u>	<u>393 Texas Sucessful Schools Program</u>	<u>397 Advanced Placement Incentives</u>
REVENUES			
5800	\$ 22,800	\$ -	\$ 19,450
5020	<u>22,800</u>	<u>-</u>	<u>19,450</u>
EXPENDITURES			
Current			
0011	22,800	-	126
0013	<u>-</u>	<u>-</u>	<u>9,844</u>
6030	<u>22,800</u>	<u>-</u>	<u>9,970</u>
1200	-	-	9,480
0100	<u>-</u>	<u>5,049</u>	<u>24,597</u>
3000	<u>\$ -</u>	<u>\$ 5,049</u>	<u>\$ 34,077</u>

Exhibit H-4

410 Instructional Materials Allotment	429 Other State Special Revenue Funds	Total State Funded Grant Funds
\$ 4,012,913	\$ 1,284	\$ 4,056,447
<u>4,012,913</u>	<u>1,284</u>	<u>4,056,447</u>
3,715,884	-	3,738,810
391,859	-	401,703
<u>4,107,743</u>	<u>-</u>	<u>4,140,513</u>
(94,830)	1,284	(84,066)
<u>94,830</u>	<u>2,259</u>	<u>126,735</u>
<u>\$ -</u>	<u>\$ 3,543</u>	<u>\$ 42,669</u>

LOCAL FUNDS

**KELLER INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
LOCAL FUNDS
AUGUST 31, 2014**

Data Control Codes		461 Campus Activity Funds	480 Miscellaneous Local Grants	Total Local Funds
	ASSETS			
1110	Cash and temporary investments	\$ 3,833,042	241,400	\$ 4,074,442
1290	Other receivables	69,045	-	69,045
1400	Prepaid items	28,632	15,975	44,607
1000	Total assets	<u>\$ 3,930,719</u>	<u>\$ 257,375</u>	<u>\$ 4,188,094</u>
	LIABILITIES AND FUND BALANCES			
2110	Accounts payable	\$ 210,646	\$ 1,464	\$ 212,110
2180	Due to other governments	3,938	-	3,938
2210	Accrued expenditures	4,490	-	4,490
2300	Unearned revenues	-	90,000	90,000
2000	Total liabilities	<u>219,074</u>	<u>91,464</u>	<u>310,538</u>
	FUND BALANCES			
	Nonspendable			
3430	Prepaid items	28,632	15,975	44,607
	Restricted for			
3450	Grant funds	-	149,936	149,936
	Committed			
	Campus activity fund	3,683,013	-	3,683,013
3000	Total fund balances	<u>3,711,645</u>	<u>165,911</u>	<u>3,877,556</u>
4000	Total liabilities and fund balances	<u>\$ 3,930,719</u>	<u>\$ 257,375</u>	<u>\$ 4,188,094</u>

KELLER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - LOCAL FUNDS
YEAR ENDED AUGUST 31, 2014

<u>Data Control Codes</u>		<u>461 Campus Activity Funds</u>	<u>480 Miscellaneous Local Grants</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
5700	Total local and intermediate sources	\$ 4,608,006	\$ 146,501	\$ 4,754,507
5800	State program revenues	1,202	-	1,202
5020	Total revenues	<u>4,609,208</u>	<u>146,501</u>	<u>4,755,709</u>
EXPENDITURES				
Current				
0011	Instruction	2,405,008	34,259	2,439,267
0012	Instructional resources and media services	352,005	26,442	378,447
0013	Curriculum and instructional staff development	33,576	11,645	45,221
0021	Instructional leadership	691	1,302	1,993
0023	School leadership	67,420	-	67,420
0031	Guidance, counseling and evaluation services	27,887	-	27,887
0033	Health services	4,058	-	4,058
0035	Food services	494	-	494
0036	Cocurricular/extracurricular activities	1,381,633	10,316	1,391,949
0041	General administration	49,855	-	49,855
0051	Facilities maintenance and operations	20,522	-	20,522
0052	Security and monitoring services	70,190	-	70,190
0061	Community services	45,386	-	45,386
6030	Total expenditures	<u>4,458,725</u>	<u>83,964</u>	<u>4,542,689</u>
1200	Net change in fund balances	150,483	62,537	213,020
0100	Fund balances - September 1 (beginning)	<u>3,561,162</u>	<u>103,374</u>	<u>3,664,536</u>
3000	Fund balances - August 31 (ending)	<u><u>3,711,645</u></u>	<u><u>\$ 165,911</u></u>	<u><u>\$ 3,877,556</u></u>

AGENCY FUNDS

**KELLER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
AUGUST 31, 2014**

	<u>Balance September 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance August 31, 2014</u>
STUDENT ACTIVITY ACCOUNT				
Assets				
Cash and cash equivalents	\$ 302,620	\$ 1,066,199	\$ 1,060,480	\$ 308,339
Accounts receivable	-	472	-	472
Prepaid items	-	2,080	-	2,080
Total assets	<u>\$ 302,620</u>	<u>\$ 1,068,751</u>	<u>\$ 1,060,480</u>	<u>\$ 310,891</u>
Liabilities				
Accounts payable	\$ 43,914	\$ 872,406	\$ 840,358	\$ 11,866
Due to other governments	97	97	203	203
Due to student groups	258,609	-	40,213	298,822
Total liabilities	<u>\$ 302,620</u>	<u>\$ 872,503</u>	<u>\$ 880,774</u>	<u>\$ 310,891</u>
EMPLOYEE ACTIVITIES				
Assets				
Cash and cash equivalents	\$ 96,150	\$ 892,839	\$ 894,519	\$ 94,470
Accounts receivable	89	58	89	58
Total assets	<u>\$ 96,239</u>	<u>\$ 892,897</u>	<u>\$ 894,608</u>	<u>\$ 94,528</u>
Liabilities				
Accounts payable	\$ 1,267	\$ 153,695	\$ 155,517	\$ 3,089
Due to student groups	94,972	20,181	16,648	91,439
Total liabilities	<u>\$ 96,239</u>	<u>\$ 173,876</u>	<u>\$ 172,165</u>	<u>\$ 94,528</u>
TOTAL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 398,770	\$ 1,959,038	\$ 1,954,999	\$ 402,809
Accounts receivable	89	530	89	530
Prepaid items	-	2,080	-	2,080
Total assets	<u>\$ 398,859</u>	<u>\$ 1,961,648</u>	<u>\$ 1,955,088</u>	<u>\$ 405,419</u>
Liabilities				
Accounts payable	\$ 45,181	\$ 1,026,101	\$ 995,875	\$ 14,955
Due to other governments	97	97	203	203
Due to student groups	353,581	20,181	56,861	390,261
Total liabilities	<u>\$ 398,859</u>	<u>\$ 1,046,379</u>	<u>\$ 1,052,939</u>	<u>\$ 405,419</u>

REQUIRED TEA SCHEDULES

**KELLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2014**

<u>Years Ended August 31,</u>	1	2	3	10
	<u>Tax Rates</u>		<u>Assessed or Appraised Valuation</u>	<u>Delinquent Balance by Year September 1</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
2005 and prior	Various	Various	Various	477,590
2006	1.434	0.282	6,932,158,654	81,155
2007	1.311	0.297	8,014,015,193	81,650
2008	1.040	0.317	9,482,514,598	114,529
2009	1.040	0.377	10,212,543,961	192,021
2010	1.040	0.446	10,518,985,594	211,621
2011	1.040	0.491	10,838,009,000	257,992
2012	1.040	0.500	11,200,638,123	352,649
2013	1.040	0.500	11,303,854,760	869,245
2014 (current)	1.040	0.500	11,925,386,754	-
Totals				<u>\$ 2,638,452</u>

Taxes Paid Into Tax Increment Zone Under Chapter 311, Tax Code

20	31	32	30	40	50
Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Total Collections	Adjustments	Delinquent Balance by Year August 31, 2014
\$ -	\$ 2,397	\$ 449	\$ 2,846	\$ (717)	\$ 474,027
-	\$ 506	\$ 99	\$ 605	\$ -	\$ 80,550
-	\$ 3,717	\$ 842	\$ 4,559	\$ -	\$ 77,091
-	\$ 6,614	\$ 2,019	\$ 8,633	\$ (1,358)	\$ 104,538
-	\$ 77,779	\$ 28,187	\$ 105,966	\$ 80,492	\$ 166,547
-	\$ 101,955	\$ 43,752	\$ 145,707	\$ 140,575	\$ 206,489
-	\$ 107,372	\$ 50,651	\$ 158,023	\$ 130,986	\$ 230,955
-	\$ 157,675	\$ 75,806	\$ 233,481	\$ 129,486	\$ 248,654
-	\$ 357,286	\$ 171,772	\$ 529,058	\$ 67,016	\$ 407,203
<u>181,143,398</u>	<u>\$ 122,273,918</u>	<u>\$ 58,785,536</u>	<u>\$ 181,059,454</u>	<u>\$ 753,982</u>	<u>\$ 837,926</u>
<u>\$ 181,143,398</u>	<u>\$ 123,089,219</u>	<u>\$ 59,159,113</u>	<u>\$ 182,248,332</u>	<u>\$ 1,300,462</u>	<u>\$ 2,833,980</u>
	<u>\$ 2,055,966</u>				

**KELLER INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
FOR THE YEAR ENDED AUGUST 31, 2014**

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	\$ 7,666,317	7,666,317	\$ 7,281,195	\$ (385,122)
5800	State program revenues	66,385	251,376	375,242	123,866
5900	Federal program revenues	4,911,034	4,911,034	4,993,755	82,721
5020	Total revenues	12,643,736	12,828,727	12,650,192	(178,535)
	EXPENDITURES				
0035	Food service	11,793,736	13,514,911	12,895,997	618,914
0081	Facilities acquisition and construction	-	905,925	901,075	4,850
6030	Total expenditures	11,793,736	14,420,836	13,797,072	623,764
1200	Net changes in fund balances	850,000	(1,592,109)	(1,146,880)	445,229
0100	Fund balance - September 1 (beginning)	4,690,227	4,690,227	4,690,227	-
3000	Fund balance - August 31 (ending)	\$ 5,540,227	3,098,118	\$ 3,543,347	\$ 445,229

**KELLER INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2014**

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	\$ 58,349,693	58,349,693	\$ 59,557,384	\$ 1,207,691
5800	State program revenues	535,252	535,252	175,493	(359,759)
5020	Total revenues	58,884,945	58,884,945	59,732,877	847,932
	EXPENDITURES				
	Current:				
0071	Debt service	59,125,246	59,125,246	59,297,515	(172,269)
6030	Total expenditures	59,125,246	59,125,246	59,297,515	(172,269)
	Excess (deficiency) of revenues over (under) expenditures	(240,301)	(240,301)	435,362	675,663
	OTHER FINANCING SOURCES (USES)				
7911	Issuance of bonds	-	-	45,650,000	45,650,000
7916	Premium or discount on issuance of bonds	-	-	3,645,068	3,645,068
8949	Payment to refunded bond escrow agent	-	-	(49,070,797)	(49,070,797)
7080	Total other financing sources (uses)	-	-	224,271	224,271
1200	Net change in fund balance	(240,301)	(240,301)	659,633	899,934
0100	Fund balance - September 1 (beginning)	3,406,682	3,406,682	3,406,682	-
3000	Fund balance - August 31 (ending)	\$ 3,166,381	\$ 3,166,381	\$ 4,066,315	\$ 899,934

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STATISTICAL SECTION

Statistical Section

This section of the District's comprehensive annual financial report presents information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

Schedules 1 - 7

These schedules contain trend information to help the reader understand how the District's financial performance and well being has changed over time.

Revenue Capacity

Schedules 8 - 11

These schedules contain information to help the reader assess the District's ability to generate its own source of revenues.

Debt Capacity

Schedules 12 - 15

These schedules present information to help the reader assess the affordability of the District's current level of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

Schedules 16 - 17

These schedules offer demographic and economic indicators to help the reader understand the socioeconomic environment within which the District's financial activities take place and to provide information that facilitates comparisons of financial statement information over time and among governments.

Operating Information

Schedules 18 - 19

These schedules contain operational and structural data to help the readers understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

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Keller Independent School District
Net Position by Component, Last Ten Fiscal Years
(accrual basis of accounting)

TABLE I

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Governmental activities						
Net investment in capital assets	\$ (9,337,639)	\$ (8,902,401)	\$ (17,947,640)	\$ (19,985,969)	\$ (33,180,143)	\$ (39,790,063)
Restricted	4,785,795	2,723,568	2,008,006	2,324,821	8,467,449	6,575,067
Unrestricted	9,265,669	13,535,733	18,942,594	16,612,108	15,707,608	12,395,863
Total primary government net position	\$ 4,713,825	\$ 7,356,900	\$ 3,002,960	\$ (1,049,040)	\$ (9,005,086)	\$ (20,819,133)

	Fiscal Year			
	2011	2012	2013 as restated	2014
Governmental activities				
Net investment in capital assets	\$ (38,159,556)	\$ (43,992,374)	\$ (31,475,706)	\$ (25,308,063)
Restricted	6,749,910	7,812,705	7,588,984	6,759,290
Unrestricted	23,775,858	50,167,324	41,920,606	39,809,055
Total primary government net position	\$ (7,633,788)	\$ 13,987,655	\$ 18,033,884	\$ 21,260,282

Keller Independent School District
Expenses, Program Revenues, and Net (Expense)/Revenue
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Expenses				
Governmental activities				
Instruction	\$ 87,845,637	\$ 98,587,392	\$111,942,019	\$ 130,853,347
Instructional Resources and Media Services	3,124,067	3,393,890	3,507,020	3,791,403
Curriculum and Staff Development	1,314,983	1,597,141	2,421,519	3,245,795
Instructional Leadership	1,241,687	2,010,123	2,262,844	2,392,807
School Leadership	7,840,229	9,143,670	11,505,689	12,661,163
Guidance, Counseling and Evaluation Services	4,868,569	5,624,412	7,131,813	7,815,695
Social Work Services	86,133	150,658	203,993	224,136
Health Services	909,400	1,141,184	1,704,416	1,927,807
Student (Pupil) Transportation	3,477,959	3,896,874	4,178,437	5,105,905
Food Services	7,644,770	8,808,647	8,386,864	9,713,959
Cocurricular/Extracurricular Activities	4,113,254	5,396,992	5,944,813	6,643,550
General Administration	4,011,754	4,275,140	4,686,385	4,988,376
Plant Maintenance and Operations	15,892,561	19,844,895	20,113,567	22,487,313
Security and Monitoring Services	272,817	328,584	504,895	756,555
Data Processing Services	1,656,886	1,963,295	2,149,616	4,053,626
Community Services	597,578	612,526	440,227	472,403
Debt Service - Interest on Long Term Debt	24,377,448	28,420,994	29,834,899	32,158,191
Facilities Acquisition and Construction	530,778	3,897,189	8,506,584	3,466,383
Shared Services Agreement	-	-	-	-
Juvenile Justice Alternative Ed Program	-	-	-	-
Payments to Tax Increment Fund	859,641	1,116,700	1,501,599	1,097,395
Other governmental charges	-	-	-	-
Total Primary Government Expenses	<u>170,666,151</u>	<u>200,210,306</u>	<u>226,927,199</u>	<u>253,855,809</u>
Program Revenues				
Charges for services				
Instruction	417,531	6,272,892	6,780,489	5,304,345
Instructional Resources and Media Services	-	-	-	126,865
Curriculum and Staff Development	184,144	228,808	-	67,640
Instructional Leadership	-	-	-	98,478
School Leadership	-	-	-	522,364
Guidance, Counseling and Evaluation Services	-	-	-	334,565
Social Work Services	-	-	-	4,521
Health Services	-	-	-	17,488
Student (pupil) services	-	-	101,745	38,860
Food Services	5,006,506	5,642,148	6,206,636	7,068,398
Cocurricular/Extracurricular Activities	385,114	667,486	436,407	585,666
General Administration	-	-	-	69,176
Plant Maintenance and Operations	219,411	-	-	1,014,592
Security and Monitoring Services	-	-	-	632
Data Processing Services	-	-	-	67,981
Community Services	-	-	390,294	497,538
Facilities Acquisition and Construction	-	-	-	69,691
Shared services agreement	-	-	-	-
Payments to Juvenile Justice Alternative Ed	-	-	-	-
Payments to tax increment fund	-	-	-	-
Other governmental charges	-	-	-	-
Operating Grants and Contributions	11,427,919	14,247,778	15,612,510	14,532,569
Total Primary Government Program Revenues	<u>17,640,625</u>	<u>27,059,112</u>	<u>29,528,081</u>	<u>30,421,369</u>
Net (Expense)/Revenue				
Total Primary Government Net Expense	<u>\$ (153,025,526)</u>	<u>\$ (173,151,194)</u>	<u>\$ (197,399,118)</u>	<u>\$ (223,434,440)</u>

TABLE II

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 147,615,180	\$ 160,197,180	\$ 159,641,776	\$ 149,547,022	\$ 158,093,657	\$ 169,674,602
4,548,868	3,261,124	3,743,225	3,506,194	3,669,131	3,976,459
3,490,394	3,497,953	2,889,302	2,754,701	2,899,611	4,289,446
2,459,408	2,310,199	2,269,740	2,091,486	2,465,543	2,945,318
13,325,500	13,594,932	14,478,924	14,317,804	15,324,170	17,083,843
8,822,213	9,129,293	10,101,315	10,056,213	10,963,668	12,199,237
283,831	262,992	279,278	156,066	204,112	149,486
2,110,792	2,252,365	2,458,895	3,099,151	3,306,124	3,543,211
6,035,224	6,222,185	6,808,740	5,448,661	5,687,815	6,807,163
10,407,692	10,538,803	10,974,335	12,085,660	12,452,594	13,247,466
7,298,740	8,057,423	8,771,031	7,985,415	8,838,689	10,013,525
6,271,204	5,837,704	5,584,569	8,082,486	6,178,573	5,772,175
18,653,300	21,065,268	14,671,718	18,625,453	20,029,457	21,774,504
1,154,381	1,468,225	1,675,711	1,299,191	1,591,648	2,053,138
3,639,516	3,379,340	4,380,257	5,227,588	4,960,996	5,203,488
801,894	1,086,051	1,075,017	1,541,352	1,023,234	1,012,650
31,561,209	39,427,642	41,249,450	33,103,972	38,588,692	29,753,356
-	-	-	-	-	226,588
3,811,277	3,945,201	3,329,680	3,410,020	3,059,151	3,425,122
5,500	-	-	2,375	-	-
1,831,416	1,925,666	1,750,904	1,732,427	1,973,187	2,055,966
-	-	-	-	-	1,068,490
<u>274,127,539</u>	<u>297,459,546</u>	<u>296,133,867</u>	<u>284,073,237</u>	<u>301,310,052</u>	<u>316,275,233</u>
5,657,131	6,315,099	6,309,615	4,795,456	5,153,446	6,214,788
142,871	119,037	164,173	108,282	103,893	129,162
69,490	94,857	113,478	73,913	89,283	139,535
93,844	103,019	105,594	64,515	75,705	100,677
559,767	600,663	627,088	414,131	469,161	599,345
344,598	411,113	444,807	335,308	410,717	525,376
5,153	5,016	13,266	5,153	6,989	5,869
90,105	99,258	107,640	75,805	91,614	107,422
60,974	42,653	-	182,176	195,915	269,584
7,368,464	7,499,282	8,038,128	7,704,516	7,442,377	7,276,413
667,347	727,064	380,766	839,066	909,624	985,275
160,056	170,883	259,481	170,378	183,971	199,923
833,404	825,571	917,800	1,238,443	1,372,248	1,376,577
4,426	6,176	72,715	34,634	54,277	74,694
60,163	59,782	174,991	151,902	150,317	182,898
500,131	548,056	646,909	29,857	35,978	35,358
40,245	-	-	-	-	-
-	-	158,544	112,888	96,181	135,645
-	-	-	79	-	-
-	-	83,370	1,732,427	-	-
-	-	-	-	-	81,422
<u>13,532,702</u>	<u>22,629,116</u>	<u>31,969,236</u>	<u>24,161,384</u>	<u>20,475,623</u>	<u>22,155,964</u>
<u>30,190,871</u>	<u>40,256,645</u>	<u>50,587,601</u>	<u>42,230,313</u>	<u>37,317,319</u>	<u>40,595,927</u>
<u>\$ (243,936,668)</u>	<u>\$ (257,202,901)</u>	<u>\$ (245,546,266)</u>	<u>\$ (241,842,924)</u>	<u>\$ (263,992,733)</u>	<u>\$ (275,679,306)</u>

Keller Independent School District
General Revenues and Total Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Net (Expense)/Revenue				
Total primary government net expense	\$ (153,025,526)	\$ (173,151,194)	\$ (197,399,118)	\$ (223,434,440)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property Taxes, Levied for General Purposes	95,493,554	106,402,811	110,256,743	99,265,515
Property Taxes, Levied for Debt Service	17,731,285	21,151,865	25,190,201	30,153,606
State Aid - Formula Grants	26,548,589	28,187,060	41,701,262	75,667,541
Grants and Contributions not Restricted	5,280,471	5,096,212	4,840,601	4,247,899
Investment Earnings	2,902,864	7,951,970	11,012,544	10,047,879
Miscellaneous Local and Intermediate Revenue	1,050,795	1,304,089	43,827	-
Special Item - Gain on Sale of Capital Assets	-	5,699,992	-	-
Special Item - Lease of Mineral Rights	-	-	-	-
Total Primary Government	<u>149,007,558</u>	<u>175,793,999</u>	<u>193,045,178</u>	<u>219,382,440</u>
Change in Net Position				
Total Primary Government	<u>\$ (4,017,968)</u>	<u>\$ 2,642,805</u>	<u>\$ (4,353,940)</u>	<u>\$ (4,052,000)</u>

TABLE III

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ (243,936,668)	\$ (257,202,901)	\$ (245,222,381)	\$ (241,842,924)	\$ (263,992,733)	\$ (275,679,306)
108,794,551	113,892,990	111,315,561	114,660,445	117,999,604	123,722,646
39,240,626	48,657,348	53,168,610	55,758,482	56,616,666	59,396,906
78,938,143	78,839,121	92,872,674	88,208,113	83,578,692	94,396,991
4,685,515	4,686,451	-	-	-	-
4,110,151	583,181	364,742	436,411	503,704	205,056
211,636	1,706,719	686,139	4,400,916	16,555,404	1,184,105
-	-	-	-	-	-
-	-	-	-	-	-
<u>235,980,622</u>	<u>248,365,810</u>	<u>258,407,726</u>	<u>263,464,367</u>	<u>275,254,070</u>	<u>278,905,704</u>
<u>\$ (7,956,046)</u>	<u>\$ (8,837,091)</u>	<u>\$ 13,185,345</u>	<u>\$ 21,621,443</u>	<u>\$ 11,261,337</u>	<u>\$ 3,226,398</u>

**Keller Independent School District
Fund Balances, Governmental Funds
Last Ten Fiscal Years**
(modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved	293,048	141,901	1,340,066	1,449,859
Unreserved	<u>36,106,748</u>	<u>42,038,447</u>	<u>46,336,853</u>	<u>46,355,894</u>
Total General Fund	<u>\$ 36,399,796</u>	<u>\$ 42,180,348</u>	<u>\$ 47,676,919</u>	<u>\$ 47,805,753</u>
All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	117,592,326	56,939,101	170,167,059	92,983,867
Committed	<u>65,728</u>	<u>1,666,753</u>	<u>2,023,295</u>	<u>2,106,586</u>
Total All Other Governmental Funds	<u>\$ 117,658,054</u>	<u>\$ 58,605,854</u>	<u>\$ 172,190,354</u>	<u>\$ 95,090,453</u>
Total Governmental Funds	<u>\$ 154,057,850</u>	<u>\$ 100,786,202</u>	<u>\$ 219,867,273</u>	<u>\$ 142,896,206</u>

Note: The District adopted the provisions of GASB 54 in 2011. Therefore, the fund balances beginning in 2011 co

TABLE IV

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ -	\$ -	\$ 478,717	\$ 507,277	\$ 1,220,509	\$ 2,035,489
-	-	2,135,000	2,233,000	3,538,000	5,611,000
-	-	39,821,169	42,951,888	45,962,311	49,904,046
-	-	21,704,248	37,287,784	27,599,602	18,869,538
1,532,963	1,734,879	-	-	-	-
44,972,848	50,591,988	-	-	-	-
<u>\$ 46,505,811</u>	<u>\$ 52,326,867</u>	<u>\$ 64,139,134</u>	<u>\$ 82,979,949</u>	<u>\$ 78,320,422</u>	<u>\$ 76,420,073</u>
\$ -	\$ -	\$ 3,820,273	\$ 203,371	\$ 136,188	\$ 59,169
159,330,604	84,315,947	7,653,724	8,662,864	8,229,583	7,798,705
2,358,333	2,971,732	47,466,171	43,344,629	47,569,680	33,405,954
<u>\$ 161,688,937</u>	<u>\$ 87,287,679</u>	<u>\$ 58,940,168</u>	<u>\$ 52,210,864</u>	<u>\$ 55,935,451</u>	<u>\$ 41,263,828</u>
<u>\$ 208,194,748</u>	<u>\$ 139,614,546</u>	<u>\$ 123,079,302</u>	<u>\$ 135,190,813</u>	<u>\$ 134,255,873</u>	<u>\$ 117,683,901</u>

in accordance with GASB 54.

Keller Independent School District
Governmental Funds Revenues
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Federal sources:				
Distributed by TEA	\$ 1,437,444	\$ 1,640,373	\$ 1,985,730	\$ 2,388,359
Distributed by other State of Texas Government Agencies	10,293	1,677	9,477	33,815
Distributed directly from the Federal Government	2,968,088	3,894,030	3,497,039	3,913,060
Total federal sources	4,415,825	5,536,080	5,492,246	6,335,234
State sources:				
Per capita and foundation school program act revenues	31,613,794	33,405,420	48,147,830	82,130,671
Program revenues distributed by TEA	1,223,344	1,297,241	1,431,086	1,239,341
Revenues from State of Texas Government Agencies	6,004,016	7,292,309	7,083,211	7,488,381
Total state sources	38,841,154	41,994,970	56,662,127	90,858,393
Local and intermediate sources:				
Real and personal property taxes	113,592,771	132,482,334	134,740,395	130,365,048
Tuition and fees	416,720	438,801	466,045	389,982
Other revenues	4,130,942	8,654,769	17,281,608	15,326,676
Cocurricular, enterprising services or activities	5,391,620	7,515,731	6,643,043	7,506,213
Intermediate sources	50	413	1,757	-
Total local and intermediate sources	123,532,103	149,092,048	159,132,848	153,587,919
Total revenues	\$ 166,789,082	\$ 196,623,098	\$ 221,287,221	\$ 250,781,546

TABLE V

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 2,901,556	\$ 3,500,740	\$ 19,511,673	\$ 11,831,059	\$ 7,296,537	\$ 6,164,527
33,808	-	3,423,621	4,404,830	5,140,284	6,739,147
6,794,383	17,567,415	679,717	198,346	253,235	235,365
<u>9,729,747</u>	<u>21,068,155</u>	<u>23,615,011</u>	<u>16,434,235</u>	<u>12,690,056</u>	<u>13,139,039</u>
81,074,303	78,839,121	93,111,147	88,298,739	83,578,692	96,100,114
1,772,973	1,631,654	1,749,313	10,509,894	9,791,808	14,011,593
7,612,709	8,600,792	9,409,975	51,501	-	22,800
<u>90,459,985</u>	<u>89,071,567</u>	<u>104,270,435</u>	<u>98,860,134</u>	<u>93,370,500</u>	<u>110,134,507</u>
146,468,671	161,844,911	165,451,751	172,484,714	174,381,741	182,037,145
347,508	316,339	353,426	198,843	131,243	133,891
11,268,146	8,210,040	6,279,085	9,626,893	24,715,810	8,083,241
8,077,074	8,172,591	9,298,060	8,360,630	5,437,179	7,993,222
-	-	-	-	-	-
<u>166,161,399</u>	<u>178,543,881</u>	<u>181,382,322</u>	<u>190,671,080</u>	<u>204,665,973</u>	<u>198,247,499</u>
<u>\$ 266,351,131</u>	<u>\$ 288,683,603</u>	<u>\$ 309,267,768</u>	<u>\$ 305,965,449</u>	<u>\$ 310,726,529</u>	<u>\$ 321,521,045</u>

Keller Independent School District
Governmental Funds Expenditures and Debt Service Ratio
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Instruction	\$ 81,246,374	\$ 91,164,573	\$ 104,424,666	\$ 123,238,031
Instructional Resources and Media Services	2,704,874	2,936,748	3,304,523	3,609,718
Curriculum and Instructional Staff Development	1,309,945	1,575,360	2,414,188	3,234,342
Instructional Leadership	1,225,140	1,983,745	2,254,022	2,388,084
School Leadership	7,587,537	8,824,912	10,281,519	11,626,540
Guidance, Counseling and Evaluation Services	4,752,876	5,466,104	6,483,117	7,247,584
Social Work Services	86,133	150,658	203,993	224,177
Health Services	865,369	1,102,324	1,532,247	1,767,584
Student (Pupil) Transportation	3,447,528	3,866,442	4,176,311	5,106,034
Food Services	6,783,121	7,852,329	8,253,263	9,679,025
Cocurricular/Extracurricular Activities	3,878,412	5,144,197	5,730,968	6,415,289
General Administration	3,880,480	4,110,583	4,645,167	5,006,260
Facilities Maintenance and Operations	15,917,171	19,985,810	19,715,511	22,382,711
Security and Monitoring Services	396,791	325,805	500,381	752,179
Data Processing Services	1,645,511	1,715,718	2,237,898	4,070,647
Community Services	411,647	429,011	438,107	469,717
Debt Service				
Principal	5,630,498	4,913,597	8,197,688	9,751,128
Interest	18,962,414	23,269,220	28,227,427	31,661,335
Bond Issuance Cost and Fees	2,161,419	2,462,538	2,025,772	-
Facilities Acquisition and Construction	18,865,241	69,660,220	30,876,722	78,024,833
Shared Services Agreement	-	-	-	-
Juvenile Justice Alternative Education Program	-	-	-	-
Payments to Tax Increment Fund	859,641	1,116,700	1,501,599	1,097,395
Other governmental charges	-	-	-	-
Total Expenditures	\$ 182,618,122	\$ 258,056,594	\$ 247,425,089	\$ 327,752,613
Debt Service as a Percentage of Noncapital Expenditures	15.01%	14.69%	16.21%	16.41%

TABLE VI

Fiscal Year

	2009	2010	2011	2012	2013	2014
\$	137,966,424	\$ 143,731,660	\$ 147,728,382	\$ 137,478,868	\$ 144,563,470	\$ 156,612,149
	4,023,598	3,073,705	3,509,334	3,178,713	3,345,419	3,619,137
	3,307,415	3,398,086	2,868,473	2,130,562	2,465,712	3,654,330
	2,330,351	2,293,997	2,226,975	1,886,237	2,112,412	2,446,534
	12,607,682	12,614,563	13,210,075	12,555,229	13,671,533	15,186,047
	8,359,238	8,699,241	9,471,451	9,271,339	10,224,865	11,431,030
	268,954	263,532	278,615	155,656	202,973	148,189
	1,999,997	2,106,395	2,262,925	2,287,508	2,683,242	2,743,828
	5,719,227	6,223,306	6,807,858	5,447,852	5,687,815	6,807,163
	9,862,758	10,601,047	10,893,263	11,502,826	12,180,602	12,899,687
	6,495,765	7,311,068	8,269,409	7,015,477	8,158,341	9,827,485
	5,615,508	5,220,506	5,480,294	7,432,120	5,583,815	5,113,321
	18,104,552	18,753,283	19,377,794	17,722,083	19,531,372	21,029,781
	979,151	1,220,503	1,542,978	1,080,540	1,694,051	2,709,758
	2,331,712	1,852,169	3,675,083	4,590,653	4,390,347	4,891,652
	765,056	895,726	852,899	691,259	828,185	767,228
	10,030,963	9,650,999	12,756,706	12,694,742	14,508,842	23,934,768
	34,443,024	41,994,683	42,447,453	44,192,957	42,948,531	35,136,159
	1,509,659	464,129	167,667	87,034	950,783	226,588
	77,956,170	71,488,717	27,066,197	7,392,685	11,851,971	12,582,876
	3,811,277	3,945,201	3,329,680	3,410,020	3,059,151	3,425,122
	5,500	-	-	2,375	-	-
	1,831,416	1,925,666	1,750,904	1,732,427	1,973,187	2,055,966
	-	-	-	-	-	1,068,490
\$	350,325,397	\$ 357,728,182	\$ 325,974,415	\$ 293,939,162	\$ 312,616,619	\$ 338,317,288
	16.09%	17.46%	18.92%	19.81%	19.08%	18.20%

Keller Independent School District
Other Financing Sources and Uses and Net Change in Fund Balances
Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Excess of Revenues Over (Under) Expenditures	\$ (15,829,040)	\$ (61,433,496)	\$ (26,137,868)	\$ (76,971,067)
Other Financing Sources (Uses)				
General Long-term Debt Issued	215,504,961	89,844,973	201,219,980	-
Sale of Real or Personal Property	-	6,838,452	-	-
Transfers In	-	2,412,851	4,819,805	7,093,543
Premium or Discount on Issuance of Bonds	15,009,082	2,966,015	9,059,177	-
Prepaid Interest	910,450	357,441	947,569	-
Lease of Mineral Rights	-	-	-	-
Other Resources	-	2,009	-	-
Transfers Out	-	(2,412,851)	(4,819,805)	(7,093,543)
Payment to Bond Refunding Escrow Agent	(128,274,227)	(91,847,042)	(66,007,787)	-
Other (Uses)	-	-	-	-
Total Other Financing Sources (Uses)	<u>103,150,266</u>	<u>8,161,848</u>	<u>145,218,939</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 87,321,226</u>	<u>\$ (53,271,648)</u>	<u>\$ 119,081,071</u>	<u>\$ (76,971,067)</u>

TABLE VII

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ (83,974,266)	\$ (69,044,579)	\$ (16,706,647)	\$ 12,026,287	\$ (1,890,090)	\$ (16,796,243)
153,419,950	30,809,991	9,445,000	2,710,000	85,419,998	45,650,000
-	-	-	-	-	-
6,198,732	-	-	-	-	-
7,084,810	1,159,821	530,449	200,974	15,269,804	3,645,068
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(6,198,732)	-	-	-	-	-
(11,231,952)	(31,505,435)	(9,804,046)	(2,825,750)	(99,734,652)	(49,070,797)
-	-	-	-	-	-
<u>149,272,808</u>	<u>464,377</u>	<u>171,403</u>	<u>85,224</u>	<u>955,150</u>	<u>224,271</u>
<u>\$ 65,298,542</u>	<u>\$ (68,580,202)</u>	<u>\$ (16,535,244)</u>	<u>\$ 12,111,511</u>	<u>\$ (934,940)</u>	<u>\$ (16,571,972)</u>

**Keller Independent School District
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years**

TABLE VIII

Fiscal Year	Assessed Value		Less: Tax-Exempt Property	Total Taxable Assessed ^a Value	Total Direct Tax Rate ^b	Estimated Actual Taxable ^c Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Real Property	Personal Property					
2005	6,827,042,441	373,099,995	940,691,330	6,259,451,106	1.6975	7,200,142,436	86.94%
2006	7,548,914,822	385,852,182	1,002,608,350	6,932,158,654	1.7158	7,934,767,004	87.36%
2007	8,686,272,201	411,634,404	1,083,891,412	8,014,015,193	1.6080	9,097,906,605	88.09%
2008	10,166,073,644	461,656,910	1,145,215,956	9,482,514,598	1.3574	10,627,730,554	89.22%
2009	10,833,000,112	510,021,252	1,130,477,403	10,212,543,961	1.4169	11,343,021,364	90.03%
2010	11,251,605,888	571,747,425	1,304,367,719	10,518,985,594	1.4863	11,823,353,313	88.97%
2011	11,695,681,740	703,851,758	1,561,524,498	10,838,009,000	1.5306	12,399,533,498	87.41%
2012	12,079,424,023	665,686,946	1,544,472,846	11,200,638,123	1.5400	12,745,110,969	87.88%
2013	12,222,225,208	732,942,046	1,651,312,494	11,303,854,760	1.5400	12,955,167,254	87.25%
2014	12,815,685,228	684,572,978	1,574,871,452	11,925,386,754	1.5400	13,500,258,206	88.33%

Source: Tarrant County Tax Appraisal District

Notes:

^aMarket valule less exemptions

^bPer \$100 of assessed valuation

^cMarket value

**Keller Independent School District
Property Tax Rates for Direct and Overlapping Governments
Last Ten Fiscal Years**

TABLE IX

(rate per \$100 of assessed value)

Fiscal Year	District Direct Rates			Overlapping Government Rates^a				
	Operating	Debt Service	Total	Tarrant County	Tarrant Co. Hospital District	Tarrant County College	City of Colleyville	City of Fort Worth
2005	1.4336	0.2639	1.6975	0.27250	0.23540	0.13938	0.34740	0.86500
2006	1.4336	0.2822	1.7158	0.27250	0.23540	0.13938	0.34740	0.86000
2007	1.3111	0.2969	1.6080	0.27250	0.23540	0.13938	0.34740	0.86000
2008	1.0400	0.3174	1.3574	0.26650	0.23040	0.13938	0.35590	0.85500
2009	1.0400	0.3769	1.4169	0.26400	0.22790	0.13796	0.35590	0.85500
2010	1.0400	0.4463	1.4863	0.26400	0.22790	0.13767	0.35590	0.85500
2011	1.0400	0.4906	1.5306	0.26400	0.22790	0.13764	0.35590	0.85500
2012	1.0400	0.5000	1.5400	0.26400	0.22790	0.14897	0.35590	0.85500
2013	1.0400	0.5000	1.5400	0.26400	0.22790	0.14897	0.35590	0.85500
2014	1.0400	0.5000	1.5400	0.26400	0.22790	0.14897	0.35590	0.85500

Fiscal Year	Overlapping Government Rates^a				
	City of Haltom City	City of Keller	City of North Richland Hills	City of Southlake	City of Watauga
2005	0.54173	0.44413	0.57000	0.46200	0.58076
2006	0.55760	0.44413	0.57000	0.46200	0.58076
2007	0.55760	0.43219	0.57000	0.46200	0.58076
2008	0.59830	0.43219	0.57000	0.46200	0.58076
2009	0.59830	0.43219	0.57000	0.46200	0.58076
2010	0.59830	0.44219	0.57000	0.46200	0.58076
2011	0.64637	0.44219	0.57000	0.46200	0.58076
2012	0.65174	0.44219	0.57000	0.46200	0.58900
2013	0.65174	0.44219	0.61000	0.46200	0.59122
2014	0.69999	0.43719	0.61000	0.46200	0.59122

Note:

^aIncludes levies for operating and debt service costs

**Keller Independent School District
Principal Property Taxpayers
Current Year and Nine Years Ago**

TABLE X

<u>Taxpayer</u>	2014			2005		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Taxable Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Taxable Value</u>
FMR Texas LP	\$ 122,644,449	1	1.0284%	\$ 73,760,691	1	1.1121%
Kroger Co	116,192,355	2	0.9743%	53,913,917	3	0.8129%
Wal-Mart Stores Texas LP	82,258,614	3	0.6898%	56,361,807	2	0.8498%
Alliance Town Center LP	70,802,200	4	0.5937%	-	-	-
Hillwood Monterra Lp	58,956,922	5	0.4944%	-	-	-
Fidelity Investments Inc	46,504,262	6	0.3900%	-	-	-
Oncor Electric Delivery Co LLC	42,046,728	7	0.3526%	-	-	-
North Beach TX Partners LLC	39,000,000	8	0.3270%	-	-	-
SC Dominion SPE LLC	34,800,000	9	0.2918%	-	-	-
Inland Western Watauga LP	31,436,219	10	0.2636%	44,573,300	4	0.6720%
Sw Fossil Creek Apt LP	-	-	-	28,000,000	6	0.4222%
Corning Cable Systems LLC	-	-	-	27,464,594	7	0.4141%
Amlı residential Property	-	-	-	24,682,642	8	0.3721%
GTE Southwest, Inc.	-	-	-	21,178,103	10	0.3193%
TXU Electric Delivery Co.	-	-	-	38,155,635	5	0.5753%
Pr Town Center, Lp	-	-	-	22,113,508	9	0.3334%
Subtotal	\$ 644,641,749		5.4056%	\$ 390,204,197		5.8832%
All other taxpayers	11,280,745,005		94.5944%	6,242,365,762		94.1168%
	<u>\$ 11,925,386,754</u>		<u>100.0000%</u>	<u>\$ 6,632,569,959</u>		<u>100.0000%</u>

Source: Tarrant Appraisal District

**Keller Independent School District
Property Tax Levies and Collections
Last Ten Fiscal Years**

TABLE XI

Fiscal Year	Taxes Levied for the Fiscal year	Current Tax Collections	Percent of Levy Collected	Total Tax Revenues Current and Delinquent	Total Tax Revenues as a % of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a % of Tax Levy
2005	112,524,886	111,436,784	99.03%	113,425,644	100.80%	2,189,212	1.95%
2006	127,412,793	126,233,010	99.07%	127,498,039	100.07%	2,482,717	1.95%
2007	135,001,309	133,308,212	98.75%	134,817,490	99.86%	3,558,364	2.64%
2008	127,758,173	126,471,104	98.99%	129,094,185	101.05%	2,297,129	1.80%
2009	147,374,611	145,996,374	99.06%	147,146,445	99.85%	2,536,648	1.72%
2010	162,025,597	160,286,383	98.93%	161,200,416	99.49%	3,221,169	1.99%
2011	165,224,552	163,908,760	99.20%	165,218,029	100.00%	3,289,762	1.99%
2012	170,061,879	169,139,007	99.46%	171,372,351	100.77%	2,736,477	1.61%
2013	173,248,270	172,379,024	99.50%	173,603,180	100.20%	2,638,452	1.52%
2014	181,143,398	181,059,454	99.95%	182,248,332	100.61%	2,833,980	1.56%

Source: Tarrant County Tax Office

Notes: This schedule includes operating and debt service tax revenues.

**Keller Independent School District
Outstanding Debt by Type
Last Ten Fiscal Years**

TABLE XII

Governmental Activities

Fiscal Year	Bonds Payable	Total Primary Government	Percentage of Personal Income^a	Estimated Population	Per Capita^a	Ratio of Net Bonded Debt to Estimated Actual Property Value^b
2005	489,492,981	489,492,981	0.46%	34,224	15,303	14.71
2006	484,579,357	484,579,357	0.44%	36,328	13,649	16.37
2007	612,851,650	612,851,650	0.48%	37,700	16,360	15.18
2008	603,100,522	603,100,522	0.43%	38,701	19,105	17.91
2009	735,369,508	735,369,508	0.53%	39,450	20,939	16.21
2010	725,718,509	725,718,509	0.49%	39,675	19,331	17.39
2011	712,856,767	712,856,767	0.47%	40,604	37,522	17.70
2012	700,087,012	700,087,012	0.40%	40,790	43,019	20.32
2013	681,493,165	681,493,165	0.35%	41,923	46,905	19.11
2014	657,363,397	657,363,397	0.32%	42,907	47,868	20.64

Notes:

^aSee Schedule XV for personal income, per capita and population data.

^bSee Schedule VIII for estimated actual property value.

**Keller Independent School District
Direct and Overlapping Governmental Activities Debt
As of August 31, 2014**

TABLE XIII

<u>Governmental Unit</u>	<u>Total Tax Supported Debt as of 08/31/14^a</u>	<u>Estimated Percentage Applicable^b</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Colleyville	\$ 11,330,000	10.36%	\$ 1,173,788
City of Fort Worth	786,030,000	10.18%	80,017,854
City of Haltom City	59,150,000	4.25%	2,513,875
City of Hurst	66,165,000	1.28%	846,912
City of Keller	84,427,000	98.02%	82,755,345
City of North Richland Hills	132,950,000	11.41%	15,169,595
City of Southlake	146,095,000	4.96%	7,246,312
City of Watauga	26,035,000	39.25%	10,218,738
Town of Westlake	29,304,000	51.31%	15,035,882
Tarrant County	317,820,000	9.40%	29,875,080
Tarrant Co. Hospital District	24,425,000	9.40%	2,295,950
Tarrant Co. College District	7,935,000	9.40%	745,890
Subtotal, Overlapping Debt			\$ 247,895,221
District Direct Debt			<u>657,363,397</u>
Total Direct and Overlapping Debt			<u><u>\$ 905,258,618</u></u>
Ratio of Total Direct and Overlapping Debt to Assessed Valuation			<u><u>7.59%</u></u>
Per Capita Overlapping Debt			<u><u>\$ 5,778</u></u>

Notes:

a,b Data provided by Municipal Advisory of Texas (Texas MAC)

Method of calculation: The percentage of each of the governmental units listed above that falls within the borders of the school district is applied to the total tax-supported debt of that entity to determine the overlapping debt of the Keller Independent School District.

**Keller Independent School District
 Legal Debt Margin Information
 Last Ten Fiscal Years**

	Fiscal Year			
	2005	2006	2007	2008
Assessed value ^a	\$ 6,259,451,106	\$ 6,932,158,654	\$ 8,014,015,193	\$ 9,482,514,598
Debt Limit ^b	625,945,111	693,215,865	801,401,519	948,251,460
Amount of debt applicable to debt limit:				
Total bonded debt	489,492,981	484,579,357	612,851,650	603,100,522
Less: Reserve for debt service	4,608,114	4,608,114	4,741,309	5,066,051
Total net debt applicable to limit	<u>484,884,867</u>	<u>479,971,243</u>	<u>608,110,341</u>	<u>598,034,471</u>
Legal debt margin	<u>\$ 141,060,244</u>	<u>\$ 213,244,622</u>	<u>\$ 193,291,178</u>	<u>\$ 350,216,989</u>
Total net debt applicable to the limit as a percentage of debt limit.	77.46%	69.24%	75.88%	63.07%

Notes:

^aMarket value less exemptions

^bThis percentage is in accordance with the recommendations of the Texas Education Agency as stated in the Texas Education Code, Bulletin 721, Sec. 20.04.

TABLE XIV

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 10,212,543,961	\$ 10,518,985,594	\$ 10,838,009,000	\$ 11,200,638,123	\$ 11,303,854,760	\$ 11,925,386,754
1,021,254,396	1,051,898,559	1,083,800,900	1,120,063,812	1,130,385,476	1,192,538,675
735,369,508	725,718,509	712,856,767	700,087,012	681,493,165	657,363,397
6,689,998	5,167,382	3,820,031	3,892,876	3,406,682	4,062,753
<u>728,679,510</u>	<u>720,551,127</u>	<u>709,036,736</u>	<u>696,194,136</u>	<u>678,086,483</u>	<u>653,300,644</u>
<u>\$ 292,574,886</u>	<u>\$ 331,347,432</u>	<u>\$ 374,764,164</u>	<u>\$ 423,869,676</u>	<u>\$ 452,298,993</u>	<u>\$ 539,238,031</u>
71.35%	68.50%	65.42%	62.16%	59.99%	54.78%

**Keller Independent School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

TABLE XV

<u>Calendar Year</u>	<u>Population^a</u>	<u>Personal Income^b</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate^c</u>
2005	34,224	\$ 1,094,688,864	\$ 31,986	3.40%
2006	36,328	\$ 1,289,716,656	\$ 35,502	3.20%
2007	37,700	\$ 1,412,242,000	\$ 37,460	3.40%
2008	38,701	\$ 1,221,674,467	\$ 31,567	4.10%
2009	39,450	\$ 1,385,484,000	\$ 35,120	5.70%
2010	39,675	\$ 1,489,439,175	\$ 37,541	6.50%
2011	40,604	\$ 1,523,543,288	\$ 37,522	8.50%
2012	40,790	\$ 1,754,745,010	\$ 43,019	7.30%
2013	41,923	\$ 1,966,398,315	\$ 46,905	6.40%
2014	42,907	\$ 2,053,872,276	\$ 47,868	4.40%

Notes:

All information above is for the Keller municipal area.

Sources:

^aU.S. Census Bureau, North Central Texas Council of Governments

^bU.S. Department of Commerce, Bureau Of Economic Analysis.

^cTexas Workforce Commission

**Keller Independent School District
Principal Employers
Current Year and Nine Years Ago**

TABLE XVI

<u>Employer</u>	2014			2005	
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>
AMR Corporation	24,890	1	46.04%	N/A	
Bell Helicopter	6,000	2	11.10%	N/A	
Fidelity Investments	5,003	3	9.25%	N/A	
Keller ISD	3,625	4	6.70%	N/A	
BNSF Railway	3,500	5	6.47%	N/A	
ATC Logistics	3,315	6	6.13%	N/A	
Sabre Holdings	2,532	7	4.68%	N/A	
Gaylord Texan Resort	2,000	8	3.70%	N/A	
Dallas/Fort Worth Airport	1,600	9	2.96%	N/A	
Healthmarkets	1,600	10	2.96%	N/A	
	<u>54,065</u>		<u>100%</u>	<u>N/A</u>	

Source: City of Keller

Note: Information for principal employers within the District was not available for 2005.

Keller Independent School District
 Full-Time-Equivalent District Employees by Type
 All Funds
 Last Ten Fiscal Years

TABLE XVII

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Percentage Change 2005-2014
Supervisory											
Instructional administrators	7	7	12	15	14	15.5	15.5	12.5	12.5	13.5	92.9%
Noninstructional administrators	20	28	36	38	40	46.5	46.5	39.5	43.5	49.5	147.5%
Consultants/supervisors of instruction	6	8	14	13	12	19.5	19.5	9.5	8.5	12	100.0%
Principals	27	28	33	34	35	36	39	39	39	39	44.4%
Assistant Principals	41	45	52	63	66	62	65	66	66	66	61.0%
Total supervisory	101	116	147	163	167	180	186	167	170	180	78.2%
Instruction											
Elementary classroom teachers	810	866	960	1050	1092	1130	1120	1097	1117.33	1134.3	40.0%
Secondary classroom teachers	588	641	705	732	752	822	884	798	787.44	901.75	53.4%
Other teachers (adult)	-	-	-	-	-	-	-	-	-	-	0.0%
Other professionals (instructional)	77	83	88	88	95	85	83	73	79	81	5.2%
Aides	264	283	320	297	260	301.75	303.5	277.5	283	302	14.4%
Total Instruction	1,739	1,873	2,073	2,167	2,199	2,339	2,391	2,246	2,267	2,419	39.1%
Student Services											
Guidance counselors	48	58	59	59	74.5	74.5	78.5	78	82	98	104.2%
Visiting teacher/social workers	1	1	3	1	1	2	2	2	2	2	100.0%
Psychologists	3	3	7	7	7	7	8	8	8	8	166.7%
Librarians	25	26	31	32	35	36	37	38	38	38	52.0%
Other professionals (noninstructional)	27	28	36	49	53	69.5	78	78.5	83.5	83.5	209.3%
Technicians	22	20	29	32	31	30	30	0	0	0	-100.0%
Total student services	126	136	165	180	202	219	234	205	214	230	82.1%
Support and Administration											
Clerical/secretarial	85	96	100	264	281	262	297	203.5	205.5	235	176.5%
Service workers	227	242	285	289	290	250	256	271	271	270	18.9%
Skilled crafts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unskilled Laborers	219	231	262	269	275	271	318	318	318	323	47.5%
Total support and administration	531	569	647	822	846	783	871	793	795	828	55.9%
Total	2,497	2,694	3,032	3,332	3,414	3,520	3,681	3,409	3,444	3,657	46.4%

Source: Keller Independent School District records.

**Keller Independent School District
Operating Statistics
Last Ten Fiscal Years**

TABLE XVIII

Fiscal Year	Peak Enrollment	Operating Expenditures	Cost per Pupil	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
2005	23,757	136,532,247	5,747	1,398	17.0	12.69%
2006	25,873	156,590,581	6,052	1,507	17.2	13.08%
2007	27,905	176,492,509	6,325	1,665	16.8	14.38%
2008	29,424	194,800,822	6,620	1,782	16.5	15.88%
2008	29,424	194,800,822	6,620	1,782	16.5	15.88%
2009	30,299	192,347,154	6,348	1,908	15.9	18.00%
2010	31,569	206,804,154	6,551	1,952	16.2	18.75%
2011	32,469	205,281,451	6,322	1,981	16.4	20.40%
2012	33,130	216,592,510	6,538	1,871	17.7	21.47%
2013	33,423	236,713,295	7,082	1,940	17.2	21.82%
2014	33,440	257,028,150	7,686	2,036	16.4	23.79%

Note: Expenditures for computing per pupil cost are a total of actual expenditures as prescribed by the Texas Education Agency's Financial Accountability System Resource Guide. These include the General and Special Revenue Funds, excluding objects of Debt Service, Capital Outlay and Intergovernmental Charges.

Source: Nonfinancial information from district records.

**Keller Independent School District
 Building Information
 Last Ten Fiscal Years**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Schools</u>				
Elementary				
Buildings	15	16	18	19
Square feet	1,189,644	1,269,873	1,432,873	1,516,623
Capacity	11,248	11,948	13,470	14,170
Enrollment	9,720	10,795	11,853	12,228
Middle				
Buildings	8	8	10	10
Square feet	1,032,858	1,032,858	1,295,858	1,295,858
Capacity	8,831	8,831	10,710	10,710
Enrollment	5,545	5,929	6,435	8,388
High				
Buildings	4	4	4	4
Square feet	1,128,974	1,128,974	1,128,974	1,128,974
Capacity	7,207	7,500	7,500	7,500
Enrollment	6,491	7,149	7,617	7,956
<u>Administrative</u>				
Buildings	2	2	2	2
Square feet	84,566	84,566	84,566	84,566
<u>Athletics</u>				
Stadiums	9	11	11	11
Football/soccer/play fields	35	39	40	41
Running tracks	7	8	8	8
Baseball/softball	12	12	12	12
Natatorium	1	1	1	1

TABLE XIX

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
21	21	22	22	22	22
1,684,123	1,684,123	1,744,123	1,744,123	1,744,123	1,744,123
15,570	15,570	16,170	16,170	16,170	16,170
12,330	12,774	12,805	13,292	13,033	12,696
10	10	11	11	11	11
1,295,858	1,295,858	1,478,683	1,478,683	1,478,683	1,478,683
10,710	10,710	11,910	11,910	11,910	11,910
10,021	10,119	10,393	10,656	10,595	10,518
4	5	5	5	5	5
1,128,974	1,578,974	1,578,974	1,578,974	1,578,974	1,613,974
7,500	10,000	10,000	10,000	10,000	10,000
8,467	8,675	9,272	9,635	9,795	10,226
2	2	3	3	3	3
84,566	84,566	119,566	119,566	119,566	119,566
11	12	13	13	13	13
43	44	45	45	45	45
8	9	10	10	10	10
12	13	14	14	14	14
1	1	1	1	1	1

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FEDERAL AWARDS SECTION



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

Board of Trustees
Keller Independent School District
Keller, Texas

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 Keller Independent School District, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise Keller Independent School District's basic financial statements, and have issued our report thereon dated January 15, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Keller 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 Keller Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Keller Independent School 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.

Board of Trustees
Keller Independent School District

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keller 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
January 15, 2015



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

Board of Trustees
Keller Independent School District
Keller, Texas

Report on Compliance for Each Major Federal Program

We have audited Keller Independent School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Keller Independent School District's major federal programs for the year ended August 31, 2014. Keller 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 Keller 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 Keller 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 Keller Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Keller 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, 2014.

Report on Internal Control over Compliance

Management of Keller 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 Keller 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 Keller 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
January 15, 2015

**KELLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
<i>ESEA Title I, Part A Improving Basic Programs</i>	84.010A	14610101220907	\$ 1,648,982
<i>IDEA-B Formula ⁽¹⁾</i>	84.027A	146600012209076600	3,850,142
<i>IDEA-B Preschool Grant ⁽¹⁾</i>	84.173A	146610012209076610	105,106
<i>Carl D. Perkins Basic Formula Grant</i>	84.048A	14420006220907	157,440
<i>ESEA Title II, Part A Teacher/Principal Training/Recruiting</i>	84.367A	14694501220907	175,203
<i>ESEA Title III, Part A English Language Acquisition- Summer LEP</i>	84.369A	69551302	10,018
<i>ESEA Title III, Part A English Language Acquisition</i>	84.365A	14671001220907	<u>217,635</u>
Total U.S. Department of Education			6,164,526
Passed through State Department of Agriculture:			
<i>National School Breakfast Program ⁽²⁾</i>	10.553	71401401	635,022
<i>National School Lunch Program ⁽²⁾</i>	10.555	71301401	3,664,829
<i>National School Lunch Program - Non-cash Assistance ⁽²⁾</i>	10.555	71301401	<u>693,905</u>
Total U.S. Department of Agriculture			<u>4,993,756</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,158,282</u>

(1) Reported as Special Education Cluster, as required by Compliance Supplement March 2014

(2) Reported as Child Nutrition Cluster, as required by Compliance Supplement March 2014

Note 1: The schedule of federal awards is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2014, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note 3: Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and disbursed. For the year ended August 31, 2014, the District received and disbursed food commodities totaling \$693,905.

**KELLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes None reported

An unmodified opinion was issued on compliance for major programs.

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) or Circular A-133? Yes No

Identification of major programs:

84.027* IDEA-B Formula
84.173* IDEA- B Preschool Grant

* Special Education Cluster

- Dollar threshold used to distinguish between type A and type B programs? \$334,748

Auditee qualified as low-risk auditee? Yes No

**KELLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014**

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

**KELLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014**

There were no findings reported in the prior year.

**KELLER INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014**

There were no findings reported in the current year.