

# Keller Independent School District

Keller, Texas



## Comprehensive Annual Financial Report

For the Fiscal Year Ended August 31, 2015

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Keller, Texas



## Comprehensive Annual Financial Report

For the Fiscal Year Ended August 31, 2015

Prepared by the Finance Department

R. Mark Youngs      Chief Financial Officer  
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	Tarrant	220-907
Name of Local Education Agency	County	County-District-Number No.

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

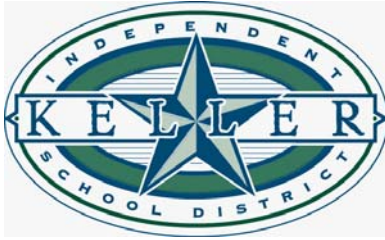
Approved	Disapproved
<u>6</u>	<u>0</u>

Year ended August 31, 2015 at a meeting of the Board of Trustees of such school district on the 21st day of January, 2016.

 Signature of Board Secretary	 Signature of Board President
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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

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350 KELLER PARKWAY

KELLER, TEXAS 76248

PHONE: 817-744-1000

FAX: 817-744-1261

January 21, 2016

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 (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) for the fiscal year ended August 31, 2015.

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 Generally Accepted Accounting Principles (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, 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, 2015, 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. Based upon the audit, the independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion that the district's financial statements for the year ended August 31, 2015 are presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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 also required to undergo an annual “Single Audit” designed to meet the special needs of federal grantor agencies. 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, 2015, 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.

Generally accepted accounting principles require 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 generally roll over to and are absorbed by 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 third 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 404 students, but the increase for 2013-14 fell to 237 students. In the fall of 2014, a new Charter School opened within KISD boundaries which caused a decrease in enrollment of 133 students for the 2014-15 school year. However, preliminary enrollment counts for the 2015-16 school year indicate a strong increase in enrollment, and 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 1,185 students during the next five years, reaching 35,000 by 2018-19 and approaching 37,000 by the fall of 2025.

**Area Development.** The residential growth of the District has been on pace with 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. In addition, the Alliance Town Center was built to support the needs of the fast growth portion of northeast Tarrant County and has 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 971 annual closings, and seventh in annual housing starts with 973. Approximately 624 vacant developed lots and 917 lots for future development remain in the District's top ten developments, with a total of 3,387 VDL and future lots throughout the entire district. At this time, the West Fork Ranch development leads with 132 vacant developed lots and 561 lots for future development.

**Economic Conditions and Employment.** According to the Dallas Morning News, the Dallas-Fort Worth area led the United States in job creation in 2014. The DFW area added 136,900 jobs in 2015, followed by the New York area with 129,000. The job growth rate for DFW of 4.4% exceeded the state rate of 4%. A number of corporate relocations and expansions contributed to the job growth – including Active Network and Omnitrac, and more recently State Farm. Job growth should remain strong due to upcoming corporate relocations of Toyota North America, Liberty Mutual, Facebook and Kubota Tractor.

The state's unemployment rate has been at or below the national rate for eight consecutive years, according to the State Comptroller's office. As of September 2015, the unemployment rate in Keller was 3.3%, as opposed to 3.9% for the DFW Metroplex, 4.4% for Texas and 4.9% 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**

The Texas Education Agency and Southern Association of Colleges and Schools provide the district's K-12 education accreditation. The district employs 3,878 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 19 portable buildings, which provide approximately 38 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), an alternative campus (1968) and a Natatorium (2003).

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 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.

## **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* 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 and progress on the new construction continues on schedule.

Keller ISD continues to retire existing debt at a steady pace. On January 7th, 2015, the district issued \$153,875,000 in Unlimited Tax School Building bonds to construct, renovate and equip school buildings with maturities between 2015 and 2040.

On April 15, 2015, the District issued \$98,675,000 in Unlimited Tax Refunding bonds, with interest rates between 2.00% and 5.00%, to advance refund \$37,840,000 of series 2005 bond with original maturities between 2025 and 2030 and interest rates between 4.45% and 4.75%, to advance refund \$10,800,000 of series 2005 bonds with original maturities between 2025 and 2030 with interest rates between 4.55% and 5.00%, and to advance refund \$63,630,000 of series 2007 bond with original maturities between 2029 and 2032 with and interest rate of 4.75%. The refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$11,021,795.

On April 15, 2015, the District issued \$116,577,588 in Unlimited Tax Refunding Bonds, with interest rates between 4.00% and 5.00% to advance refund \$116,660,000 of series 2009 Bonds with original maturities between 2020 and 2035 and interest rates between 4.50% and 5.50%. The refunding was undertaken to reduce the District's total debt service payments over the next 20 years by approximately \$11,780,113 and to obtain an economic gain of approximately \$8,488,687.

On September 1, 2015, the District issued \$56,565,000 in Unlimited Tax Refunding bonds, with interest rates between 2.00% and 5.00% , to advance refund \$59,620,000 of series 2007 bonds with original maturities between 2018 and 2028 and interest rates between 4.00% and 5.00%. The refunding was undertaken to reduce the District's total debt service payments over the next 17 years by approximately \$6,061,988 and to obtain an economic gain of approximately \$5,004,096.

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, on-going basis. On-going 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.* Keller ISD earned a “Met Standard”, the highest rating from the Texas Education Agency’s 2015 State District and Campus Accountability Rating. This is the third consecutive year that schools and districts in Texas have been rated under the new accountability system. Under this system, campuses/districts are assigned one rating based on meeting the target for each performance index.

**Met Standard** Acceptable rating assigned to campuses and districts that meet the target on all indexes for which they have performance data in 2015.

**Met Alternative Standard** Acceptable rating assigned to charter operators and alternative education campuses that are evaluated by alternative education accountability provisions and meet modified targets on all performance indexes for which they have performance data in 2015.

**Improvement Required** Unacceptable rating assigned to campuses and district that miss the target on one or more performance indexes.

Campuses that achieve the rating of Met Standard can also earn distinction designations in seven possible areas:

- Academic Achievement in Reading/ELA
- Academic Achievement in Mathematics
- Academic Achievement in Science
- Academic Achievement in Social Studies
- Top 25% Student Progress
- Top 25% Closing Performance Gaps
- Postsecondary Readiness

All 39 Keller ISD campuses met the Accountability Standard and 11 campuses received at least one Distinction Designation.

### **District Student and Staff Accomplishments:**

#### **Keller ISD Finance Awards**

Keller ISD was recently awarded the 2014 Platinum Leadership Circle Award for its continued progress toward achieving financial transparency. The Texas Comptroller’s Leadership Circle program recognizes local governments across Texas that are striving to meet a high standard for financial transparency online. The district’s efforts to provide citizens with clear, consistent pictures of spending and share information in a user friendly format have paved the way for achieving greater financial transparency. This is the first year the platinum-level award has been offered and is now the highest award given to public entities for financial transparency. Prior to this year, Keller ISD earned the Gold Leadership Circle award for three consecutive years.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded Keller ISD with the Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for fiscal year ending August 31, 2014. This award is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment – one in which Keller ISD has received for the past eight years.

The purpose of the GFOA is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and best practices that illustrate the spirit of transparency and full disclosure.

In addition, Keller ISD also received the Certificate of Excellence in Financial Reporting Award from the Association of School Business Officials (ASBO) for its Comprehensive Annual Finance Report (CAFR) for fiscal year ending August 31, 2014. This prestigious award, which KISD has also received for eight consecutive years, represents a noteworthy achievement and reflects KISD's commitment to the highest standards of school system financial reporting.

ASBO is a professional association that provides programs and services to promote the highest standards of school business management practices, professional growth and the effective use of educational resources.

The FIRST (Financial Accountability Rating System of Texas) program, a financial accountability system for Texas school districts, was developed by the Texas Education Agency in response to Senate Bill 875 of the 76<sup>th</sup> Texas legislature in 1999. The primary goal of FIRST is to achieve quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with the Texas school finance system. The District received a rating of "P" for "Passed" under Texas' Schools FIRST financial accountability rating system. The "Passed" rating is the state's highest financial rating, demonstrating the quality of KISD's sound fiscal management. For the 2014-15 rating year, the TEA converted Schools FIRST to a two-tier rating system of either "P" for "Pass" or "F" for "Substandard Achievement". Prior to the 2014-15 rating year, the Schools FIRST accountability rating system assigned one of four financial accountability ratings to Texas school districts, with the highest being "Superior Achievement". Prior to 2014-15, the district had achieved a "Superior" Rating for nine 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 sixth 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. Independent reviews at TASBO considered various procedures and practices including organization, policies and procedures, contract operations, staff training and certifications, warehousing, use of technology, communication, and management of co-operative programs. The Purchasing Department was recognized at TASBO's 69<sup>th</sup> Annual Conference in Houston.

### **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 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



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Keller Independent School District**  
**Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**August 31, 2014**

Executive Director/CEO



# 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, 2014*

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



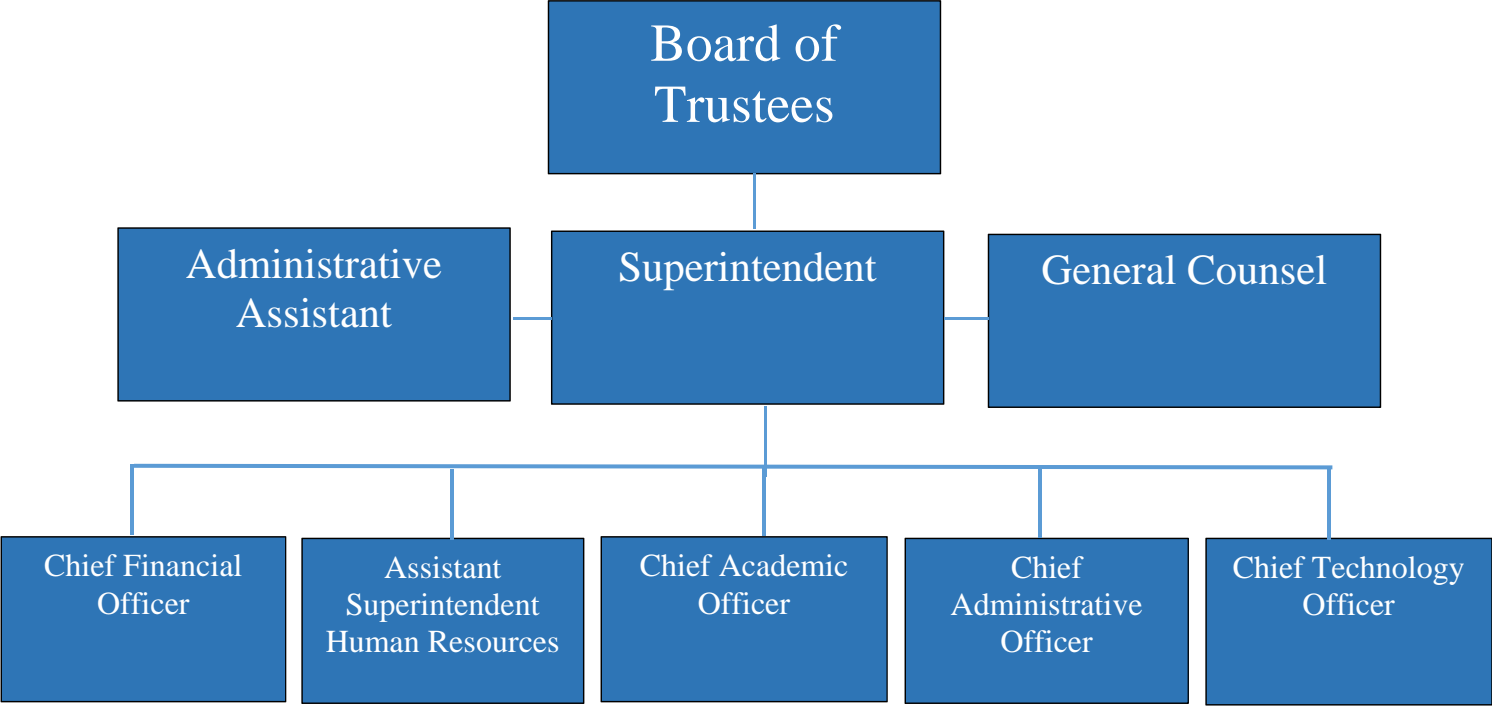
A handwritten signature in black ink, appearing to read 'M. Pepera', written over a horizontal line.

Mark C. Pepera, MBA, RSBO, SFO  
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA  
Executive Director

# Keller Independent School District 2014 – 2015 Organizational Chart



# KELLER INDEPENDENT SCHOOL DISTRICT

## School Board and Administrators

### Board of Trustees

Craig Allen .....	President
Cindy Lotton.....	Vice President
Ruthie Keyes .....	Secretary
Jim Stitt.....	Member
Brad Schofield .....	Member
Karina Davis.....	Member
Jo Lynn Haussmann.....	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
Shellie Johnson.....	Executive Director of Communications
Hudson Huff .....	Executive Director of Facility Services

### 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 Eckert .....	Hillwood Middle School
Sandy Troutd .....	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
Edward Fellows .....	Bluebonnet Elementary
Angie Nayfa.....	Caprock Elementary
Stacy Blevins .....	Eagle Ridge Elementary
Laura Lockhart .....	Florence Elementary
Gary Mantz.....	Freedom Elementary
David Rische .....	Friendship Elementary
Dawn Bailey.....	Heritage Elementary

**KELLER INDEPENDENT SCHOOL DISTRICT**  
School Board and Administrators

**Principals – Continued**

Melanie Graham .....	Hidden Lakes Elementary
Mark Basham.....	Independence Elementary
Kristen Ericksen .....	Keller-Harvel Elementary
Janet Travis.....	Liberty Elementary
Steve Hurst .....	Lone Star Elementary
Dr. Jackie Green-August .....	North Riverside Elementary
Craig Weston .....	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, 2015, 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, 2015, 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. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position has been restated to reflect the change in accounting principle resulting from these statements. 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 on page 4–13, the General Fund budgetary comparison information on pages 60–61, the schedule of the District's proportionate share of the net pension liability, and the schedule of the District's contributions on pages 62–63, 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 Governments, and Non-Profit Organizations, and is also not a required part of the financial statements.

The combining statement, 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 statement, 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 21, 2016, 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 21, 2016

# Keller Independent School District Management's Discussion and Analysis Year Ended August 31, 2015

This section is the Keller Independent School District (District) management discussion and analysis of the annual financial report for the period ending August 31, 2015. 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 \$348 million in expenses related to governmental activities; of which \$40.7 million of these expenses were offset by program-specific charges for services or grants and contributions. General revenues of \$299 million partially offset the costs of these programs; however, the result was a decrease of \$8.5 million in net position. Expenses for governmental activities increased by approximately \$31.6 million, or 10.0%, from the previous year. This increase in expenses was due to a variety of factors. All district employees received a pay increase of 3% of mid-point, at a cost of approximately \$6 million. Other increases in expenses occurred mainly in the general fund and were due to additional staff (\$7.7 million), a mandated increase of \$2.2 million to the Teachers' Retirement System, and increases in technology leases of almost \$1 million. And finally, expenses in the Capital Projects funds increased by approximately \$12 million as preliminary work on several upcoming campuses was completed.
- General revenues accounted for \$298,715,998, or 66% of all fiscal year 2015 general revenues. Program-specific revenues in the form of charges for services and grants and contributions accounted for \$40,672,012 of additional revenues. The 2015 charges for services and grants and contributions represent a \$76,085 or less than a percent increase from 2014, which was mainly due to sequestration of federal grant funding. However, general revenues increased by \$19.8 million, or 7.1%. This increase was due primarily to a \$15.1 million increase in property taxes across both the general and debt service funds.
- At August 31, 2015, the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflow of resources by (\$26,814,497) (Total Net Position). Unrestricted Net Position totaled (\$10,832,736). The decrease in Total Net Position was primarily due to the issuance of \$153,875,000 of Unlimited Tax School Building Bonds as well as the addition of a net pension liability of \$33.8 million which was required to be reported for the first time this year by GASB 68.
- At the close of the fiscal year the combined governmental fund balance was \$249,194,088, an increase of \$131,510,187 from the prior year. This increase occurred mainly in the Capital Projects Fund, due to the issuance of bonds as described above. The General Fund unassigned fund balance decreased by (\$9,208,171), due to planned spending of general funds to reduce fund balance. Assignments of fund balance total \$4 million and include athletic turf (\$1,355,000), student transportation (\$1,025,000), the athletic long term plan (\$1,111,000) and the fine arts long term plan (\$558,750). In addition, fund balance equal to 20% of the 2016 general fund expenditure budget has been committed, as per Board policy.
- The District's total long term liabilities increased by \$187,588,015, or 26.2%, from the previous fiscal year. The key factors in this increase were the aforementioned bond sale and net pension liability.
- General Fund expenditures increased by \$20 million or 8.5% from the prior year. The 2014-2015 general fund budget was adopted to include a deficit of (\$9,298,724). 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 \$6 million. Reserves were also dedicated in the budget to offset a portion of employees' health insurance premiums and to fund additional staff.

## 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, liabilities and deferred inflows with the difference between the two 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 13-14 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 15-20 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 21-23 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 24 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 25-52 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 53-54 of this report.

The Texas Education Agency (TEA) requires that certain reports are included in this report and those statements and schedules can be found on pages 62-66.

### 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, liabilities and deferred inflows of resources exceeded assets and deferred outflow of resources by (\$26,814,497).

**Table A-1**  
**Net Position**  
Governmental Activities

	2014	2015	Percent Change 2014 to 2015
Current and other assets	\$135,364,881	\$234,614,223	73.32%
Capital assets (net)	623,098,663	629,147,671	0.97%
Long-term investments	-0-	37,662,920	100.00%
Total assets	<u>\$758,463,544</u>	<u>\$901,424,814</u>	18.85%
Deferred Outflow of Resources	\$20,132,847	\$47,477,704	135.82%
Current liabilities	\$20,807,142	\$29,162,176	40.15%
Long-term liabilities	<u>736,528,967</u>	<u>936,210,695</u>	27.11%
Total liabilities	\$757,336,109	\$965,372,871	27.47%
Deferred Inflow of Resources	-0-	10,344,144	100.00%
Net Position:			
Invested in capital assets, net of related debt	(\$25,308,063)	(\$22,871,720)	9.62%
Restricted for grants	3,389,998	2,398,356	(29.25%)
Restricted for debt service	2,815,943	3,965,603	40.83%
Restricted for employee health claims	400,000	526,000	31.50%
Unrestricted Net Position	<u>39,962,404</u>	<u>(10,832,736)</u>	(127.11%)
Total Net Position	\$21,260,282	(\$26,814,497)	(226.12%)

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 \$(22,871,720). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The decrease in Total Net Position is due primarily to the sale of bonds and the addition of a liability for pensions as required by GASB 68. 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 decreased the District’s net position by (\$8,537,649). The district’s net position was further reduced by a prior period adjustment in the amount of (\$39,537,130). This adjustment was the result of the retroactive implementation of a requirement to recognize the portion of the present value of the projected benefit payments through the pension plan, as

per GASB 68, *Accounting and Financial Reporting for Pensions* and as amended by GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The total cost of all *governmental activities* this year was \$347,925,659. The amount that our taxpayers paid for these activities was \$198,293,507 or 57.00%.

**Table A-2**  
**Changes in District's Net Position**

	Governmental Activities		
Revenues:			Percent Change
Program Revenues:	2014	2015	2014 to 2015
Charges for services	\$18,439,963	\$17,052,785	(7.52%)
Operating grants & contributions	22,155,964	23,619,227	6.60%
General Revenues:			
Property taxes	183,119,552	198,293,507	8.29%
State grants	94,396,991	98,759,927	4.62%
Investment earnings	205,056	425,718	107.61%
Other	1,184,105	1,236,846	4.45%
Total Governmental Revenues	\$319,501,631	\$339,388,010	6.22%
Expenses:			
Instruction	\$169,674,602	\$185,202,372	9.66%
Instructional resources & media services	3,976,459	4,064,395	2.21%
Curriculum & instructional staff development	4,289,446	4,928,683	14.90%
Instructional leadership	2,945,318	2,855,696	(3.04%)
School leadership	17,083,843	17,247,461	0.96%
Guidance, counseling & evaluation services	12,199,237	13,527,953	10.89%
Health and social work services	3,692,697	3,411,257	(7.62%)
Student (pupil) transportation	6,807,163	6,686,403	(1.77%)
Food services	13,247,466	13,580,453	2.51%
Co-curricular/extra-curricular activities	10,013,525	10,579,801	5.66%
General administration	5,772,175	6,904,386	19.61%
Plant maintenance and operations	21,774,504	23,417,979	7.55%
Security and monitoring services	2,053,138	2,301,600	12.10%
Data processing services	5,203,488	5,241,972	0.74%
Community services	1,012,650	964,285	(4.78%)
Debt Service - interest on long-term debt/fees	29,979,944	40,665,465	35.64%
Shared services agreement	3,425,122	2,887,489	(15.70%)
Juvenile Justice Alternative Education Program	-0-	9,804	100.00%
Payments to tax increment fund	2,055,966	2,294,948	11.62%
Non-operating expenses	1,068,490	1,153,257	7.93%
Total Governmental Expenses	316,275,233	347,925,659	10.00%
Increase (Decrease) in Net Position	3,226,398	(8,537,649)	(364.62%)
Beginning Net Position	25,248,992	21,260,282	(15.80%)
Prior period adjustment	(7,215,108)	(39,537,130)	(447.98%)
Beginning Net Position, as restated	18,033,884	(18,276,848)	(201.35%)
Ending Net Position	\$21,260,282	\$(26,814,497)	(226.12%)

Property tax revenues are the single largest source of general income for the district. Property values continue to increase with 8.29% in growth for 2015 and 6% growth in the previous year, even though 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 2015 and 2014 as a percentage of total revenues.

Table A-3

### Sources of Revenue for Fiscal Year 2015

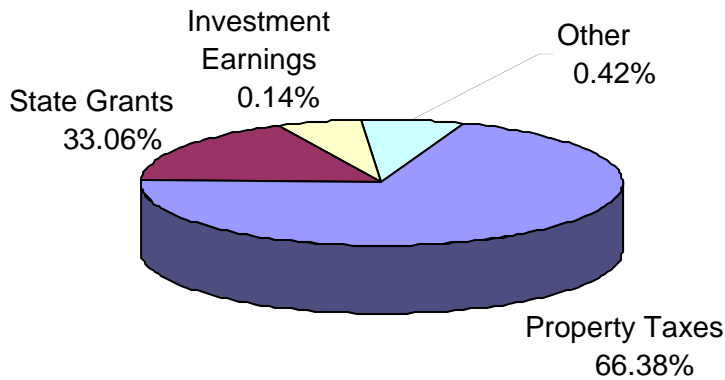


Table A-4

### Sources of Revenue for Fiscal Year 2014

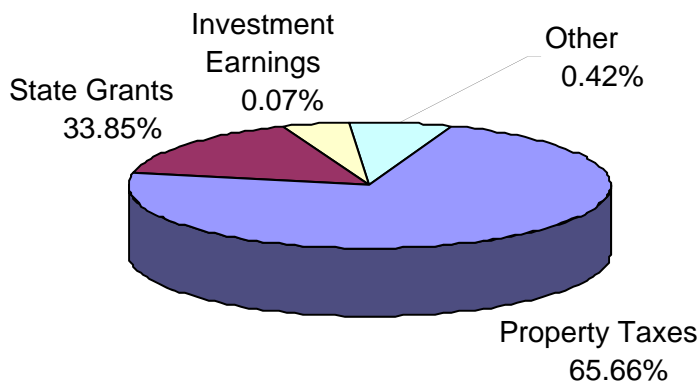


Table A-5 represents the cost of the District's largest programs as well as each program's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. The cost of all *governmental* activities this year was \$347,925,659.

**Table A-5  
Costs of Services**

Major Function	Total Cost of Services			Net Cost of Services		
	2014	2015	Percent Change 2014 to 2015	2014	2015	Percent Change 2014 to 2015
Instruction, Curriculum, and Media Services	\$177,940,507	\$194,195,450	9.14%	\$160,148,844	\$176,075,100	9.94%
Instructional and School Leadership	20,029,161	20,103,157	0.37%	18,943,904	19,153,177	1.10%
Student Support Services, Food Service, and Extra/ Co-Curricular Activities	45,960,088	47,785,867	4.00%	27,133,626	29,046,906	7.05%
General Administration	5,772,175	6,904,386	19.61%	5,477,342	6,535,475	19.32%
Plant Maintenance, Security and Data Processing	29,031,130	30,961,551	6.65%	27,080,338	29,066,282	7.33%
Community Services	1,012,650	964,285	(4.78%)	805,195	721,430	(10.40%)
Debt Service	29,979,944	40,665,465	35.64%	29,804,451	40,547,477	36.06%
Shared Services Agreement	3,425,122	2,887,489	(15.70%)	3,260,166	2,752,119	(15.58%)
Non-operating expenses	3,124,456	3,458,009	10.68%	3,025,440	3,355,681	10.92%
<b>Total Expenses</b>	<b>\$316,275,233</b>	<b>\$347,925,659</b>	<b>10.00%</b>	<b>\$275,679,306</b>	<b>\$307,253,647</b>	<b>11.45%</b>

Total net expenses increased 11.45% in 2015 from the previous year. The 19.32% increase in net general administration expenses was due mostly to the start-up expenses of an employee health clinic. Debt Service net expenses increased by 36.06% due to the fees associated with a bond sale and three refundings. And net non-operating expenses increased 10.92% due to increases in both the property tax appraisal fees and payments to the tax increment fund.

Significant decreases in net expenses occurred in the Community Services and Shared Service Agreement functions. The decrease in the Community Services function occurred because the Media Production department was reclassified to another function, and the decrease in the Shared Service Agreement function net expenses was due to savings realized as a result of the district's energy usage reduction program.

## 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 \$249,194,088, an increase from the previous year of \$131,510,187. This increase occurred mostly in the Capital Projects Fund and was due to the sale of bonds for the building of a Career and Technology Center, one elementary school and one Early Learning Center. The General Fund balance decreased by (\$9.8) million, or (12.8%) from the previous year. Although the amended 2014-15 general fund budget included a planned reduction of the fund balance of approximately (\$19.4) 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 2015 by (\$933,952), or (26.4%). The reduction occurred in the Child Nutrition fund, and again, was a planned reduction of excess reserves. Replacement of serving lines at many of the campuses, as well as the purchase of a food truck allowed for this planned reduction in fund balance.

The fund balances of the Debt Service Fund increased by \$1.1 million, mostly due to the healthy increase in property values and due to several significant refundings of debt over the last few years which lowers interest cost paid from the fund. The State Funded grant fund balance decreased by (\$11,478), or (27%) due to increased expenditures within the Instructional Materials Allotment fund, and the Local Governmental fund balance increased by \$15,480, or 4.00%, which was caused by increased deposits to the Campus Activity Fund.

The general fund balance has an unassigned fund balance of \$9,661,367. The remainder of fund balance in the general fund and in all other funds is reserved and 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 (\$230,806) and deferred expenditures (\$1,121,167). Non-spendable fund balance in all other funds consists of prepaid items – (\$3,472) in the Debt Service fund, (\$5,500) in the Capital Projects fund, (\$357,267) in the Federally Funded Grant fund, (\$6,790) in the State Funded Grant fund and (\$10,290) in the Local Governmental fund. Fund balance is restricted to pay debt service (\$5,188,673), for the capital acquisition program (\$170,845,729), and for food service (\$2,252,128). Commitments of fund balance include (\$3,760,919) for the campus activity fund, and (\$51,554,002) 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 (\$1,355,000), and for the fine arts and athletic long term plans (\$1,669,750).

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 \$9,661,367, while the total fund balance was \$66,617,092. 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 3.78% of the total general fund expenditures, while total fund balance represents 26.04% of that same amount. It is important to note that in addition to the unassigned amount of fund balance, KISD 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, 2015 was \$51,554,002, 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 (\$9,802,981), compared to a decrease in the prior year of (\$1,900,349). 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. KISD adopted deficit budgets for both 2014 and 2015 in the amount of (\$11, 279,808) and (\$9,298,724) respectively. Although various factors combined in 2014 to lessen the reduction to fund balance, no such factors occurred in 2015 and the entire planned deficit was realized. 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 2014-15 fiscal year.

1. *Variances of original expenditure budget compared to amended budget.* The amended expenditure budget increased \$13,262,181 from the original budget. Major budget amendments contributing to this increase include: (1) \$8.1 million for TRS on Behalf, (2) \$780,000 for the emergency replacement of equipment at the Natatorium, (3) \$350,000 for a competition expenses at the state or national level, (4) \$300,000 for hardware/software for students, and (5) \$879,750 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 three functions in 2014-15. In the Security and Monitoring Services function (52), expenditures were only 88% of the amended budget. This occurred mainly within the department budget and was due to vehicles and technology items ordered, but not received within the fiscal year. The commitments were transferred to the subsequent year. Facilities acquisition and construction function expenditures (81) within the general fund ended the year only 43.3% of the amended budget for that function. This is a relatively small allotment of funds within the general fund which are used for small, miscellaneous projects that are not foreseen at the time the budget is approved. If the funds are not needed for special projects, then the funds remain unspent. And finally, the Shared Service Agreement function (93) expended only 79.89% of its amended budget. This was largely due to savings realized as a result of the district's energy usage reduction program.

Variances in all other functions were minimal.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2015 the District had invested approximately \$629 million in a broad range of capital assets, including land, equipment, and buildings. (See Table A-6) This amount represents a net increase of \$6.0 million or 0.97% percent from the prior year.

**Table A-6  
District's Capital Assets**

	Governmental Activities		Percent Change 2014 to 2015
	2014	2015	
Land	\$ 37,066,937	\$ 37,092,722	0.07%
Buildings & improvements	748,056,705	759,523,332	1.53%
Furniture & equipment	24,313,549	30,031,344	23.52%
Construction in progress	9,236,878	12,604,968	36.46%
Total Assets	818,674,069	839,252,366	2.51%
Less: accumulated depreciation	(195,575,406)	(210,104,695)	7.43%
Net Capital Assets	\$ 623,098,663	\$ 629,147,671	0.97%

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

### Long-Term Debt

At the end of August 31, 2015 the District had total bonded debt outstanding of \$771,227,957 an increase of \$113,864,560, or a 17.32% increase from the previous year. The District also had accreted interest of \$36,377,494, a decrease of (\$1,136,747), or a (3.03%) decrease from the previous year.

**Table A-7  
District's Long-Term Debt**

	Governmental Activities		Percent Change 2014 to 2014
	2014	2015	
Bonds and Notes Payable			
General Obligations Bonds	\$ 657,363,397	\$ 771,227,957	17.32%
Premium on bonds	40,910,117	94,026,271	129.84%
Accreted interest	37,514,241	36,377,494	(3.03%)
Total Bonds and Notes Payable	735,787,755	901,631,722	22.54%
Other Liabilities			
Compensated Absences	741,212	763,858	3.06%
Total Other Liabilities	741,212	763,858	3.06%
Total long-term debt	\$ 736,528,967	\$ 902,395,580	22.52%

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 2014-2015 actual revenue by approximately \$718,000, or 0.03%. Property taxes are expected to remain fairly constant, and the district expects to receive only slightly more state revenue within the general fund.

The total General Fund expenditure budget for 2015-16 is \$257,770,011. This is an increase of \$1.9 million or 0.8% more than actual 2014-15 expenditures. As always, the majority of a school district’s expenditures are for personnel costs, 81.93%.

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. However, the results of the 84<sup>th</sup> Legislature were disappointing for school districts in terms of education funding. The district was able to increase the budget only slightly. The 2015-16 budget was guided by the goal to provide the resources to comply with the requirements of House Bill 5, hiring and retaining qualified staff, and addressing the cost of health care. The 2015-16 budget includes a 3% of midpoint pay increase for all staff, and includes new items deemed necessary to support educational goals for the 2015-16 year, including:

Additional positions needed based on staffing formula	\$ 1,775,290
Mandated unfunded increase in Teachers Retirement System payments	2,400,000
Increase in CTE tuition costs	163,930
Costs related to the Affordable Care Act	232,172
Increase in technology contracts and leases	320,000
	\$ 4,891,392

The recognized sign of fiscal health for a school district is an appropriate undesignated, unreserved 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, 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](http://www.kellerisd.net).

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## **BASIC FINANCIAL STATEMENTS**

**KELLER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2015**

<u>Data Control Codes</u>		<u>Governmental Activities</u>
<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 219,923,978
1110	Restricted cash	526,000
1220	Property taxes receivable (delinquent)	3,584,411
1230	Allowance for uncollectible taxes	(896,102)
1240	Due from other governments	8,476,749
1290	Other receivables	1,182,452
1300	Inventories, at cost	230,806
1410	Prepaid items	1,585,929
	Capital assets	
1510	Land	37,092,722
1520	Buildings and improvements, net	563,128,892
1530	Furniture and equipment, net	16,321,089
1580	Construction in progress	12,604,968
1910	Long-term investments	37,662,920
	Total assets	901,424,814
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
1700	Deferred loss on refunding	42,383,608
1705	Deferred outflows - pension	5,094,096
	Total deferred outflows of resources	47,477,704
<b>LIABILITIES</b>		
2110	Accounts and claims payable	14,439,050
2140	Interest payable	2,047,685
2150	Payroll deductions and withholdings payable	200,814
2160	Accrued wages payable	999,802
2180	Due to other governments	2,914
2210	Accrued expenses	3,406,029
2300	Unearned revenues	8,065,882
	Noncurrent liabilities	
2501	Due within one year	33,452,028
2502	Due in more than one year	868,943,552
2540	Net pension liability	33,815,115
	Total liabilities	965,372,871
<b>DEFERRED INFLOW OF RESOURCES</b>		
2605	Deferred inflows - pension	10,344,144
	Total deferred inflows of resources	10,344,144
<b>NET POSITION</b>		
3200	Net investment in capital assets	(22,871,719)
3840	Restricted for grants	2,398,356
3850	Restricted for debt service	3,965,603
3490	Restricted for employee health claims	526,000
3900	Unrestricted net position	(10,832,737)
	Total net position	<u>\$ (26,814,497)</u>

The Notes to Financial Statements are an integral part of this statement.

Exhibit B-1

KELLER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants & Contributions	
	<b>PRIMARY GOVERNMENT</b>				
	<b>GOVERNMENTAL ACTIVITIES</b>				
0011	Instruction	\$ 185,202,372	\$ 5,399,497	\$ 11,050,467	\$ (168,752,408)
0012	Instructional resources and media services	4,064,395	108,058	444,616	(3,511,721)
0013	Curriculum and instructional staff development	4,928,683	172,978	944,734	(3,810,971)
0021	Instructional leadership	2,855,696	89,771	123,572	(2,642,353)
0023	School leadership	17,247,461	496,425	240,212	(16,510,824)
0031	Guidance, counseling, and evaluation services	13,527,953	463,205	2,601,285	(10,463,463)
0032	Social services	186,794	5,786	2,422	(178,586)
0033	Health services	3,224,463	92,965	63,928	(3,067,570)
0034	Student (pupil) services	6,686,403	212,425	117,023	(6,356,955)
0035	Food services	13,580,453	7,283,932	5,340,935	(955,586)
0036	Cocurricular/extracurricular activities	10,579,801	874,016	1,681,039	(8,024,746)
0041	General administration	6,904,386	197,638	171,273	(6,535,475)
0051	Plant maintenance and operations	23,417,979	1,222,925	315,613	(21,879,441)
0052	Security and monitoring services	2,301,600	61,028	75,173	(2,165,399)
0053	Data processing services	5,241,972	157,278	63,252	(5,021,442)
0061	Community services	964,285	50,374	192,481	(721,430)
0072	Debt service - interest on long term debt	33,921,151	-	117,988	(33,803,163)
0073	Debt service - fees	6,744,314	-	-	(6,744,314)
0093	Shared services agreement	2,887,489	91,555	43,815	(2,752,119)
0095	Juvenile Justice Alternative Education Program	9,804	310	125	(9,369)
0097	Payments to tax increment fund	2,294,948	72,619	29,274	(2,193,055)
0099	Other governmental charges	1,153,257	-	-	(1,153,257)
[TP]	<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 347,925,659</b>	<b>\$ 17,052,785</b>	<b>\$ 23,619,227</b>	<b>\$ (307,253,647)</b>
			General revenues		
	<u>Data Control Codes</u>		Taxes		
	MT		Property taxes, levied for general purposes		\$ 133,949,135
	DT		Property taxes, levied for debt service		64,344,372
	SF		State grants, unrestricted		98,759,927
	IE		Investment earnings		425,718
	MI		Miscellaneous local and intermediate		1,236,846
	TR		Total general revenues		<u>298,715,998</u>
	CN		Change in net position		(8,537,649)
	NB		Net position, beginning		21,260,282
	PA		Prior period adjustment		<u>(39,537,130)</u>
	NB		Net position -- beginning as restated		(18,276,848)
	NE		Net position, ending		<u>\$ (26,814,497)</u>

The Notes to Financial Statements are an integral part of this statement.

**KELLER INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2015**

<b>Data Control Codes</b>		<b>10 General Fund</b>	<b>20 Federally Funded Grant Fund</b>
<b>ASSETS</b>			
1110	Cash and temporary investments	\$ 28,707,234	\$ 1,286,714
1220	Property taxes - delinquent	2,489,554	-
1230	Allowance for uncollectible taxes	(622,388)	-
1240	Due from other governments	2,247,546	2,383,004
1260	Due from other funds	4,968,816	-
1290	Other receivables	383,121	202,025
1300	Inventories, at cost	230,806	-
1410	Prepaid items	1,121,167	357,267
1910	Long-term investments	37,662,920	-
1000	Total assets	<u>\$ 77,188,776</u>	<u>\$ 4,229,010</u>
<b>LIABILITIES</b>			
2110	Accounts payable	\$ 2,548,796	\$ 1,162,324
2150	Payroll deduction and withholdings payable	200,814	-
2160	Accrued wages payable	809,006	190,796
2170	Due to other funds	87,578	-
2180	Due to other governments	-	-
2210	Accrued expenditures	263,855	5,564
2300	Unearned revenue	4,955,505	260,931
2000	Total liabilities	<u>8,865,554</u>	<u>1,619,615</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2600	Deferred property taxes	<u>1,706,130</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable			
3410	Investments in inventory	230,806	-
3430	Prepaid items	1,121,167	357,267
Restricted for			
3480	Retirement of long term debt	-	-
3470	Capital acquisition program	-	-
3450	Food service	-	2,252,128
3450	Grant funds	-	-
Committed for			
3545	Campus activity fund	-	-
3545	Other purposes	51,554,002	-
Assigned for			
3590	Other purposes	4,049,750	-
Unassigned			
3600	Reported in General Fund	<u>9,661,367</u>	<u>-</u>
3000	Total fund balances	<u>66,617,092</u>	<u>2,609,395</u>
4000	Total liabilities, deferred inflows, and fund balances	<u>\$ 77,188,776</u>	<u>\$ 4,229,010</u>

The Notes to Financial Statements are an integral part of this statement.



Exhibit C-1

<b>50 Debt Service Fund</b>	<b>60 Capital Projects Fund</b>	<b>30-42 State Funded Grant Funds</b>	<b>46-48 Local Funds</b>	<b>Total Governmental Funds</b>
\$ 7,674,225	\$ 176,156,085	\$ 31,291	\$4,365,091	\$ 218,220,640
1,094,857	-	-	-	3,584,411
(273,714)	-	-	-	(896,102)
-	-	3,846,199	-	8,476,749
86,275	-	-	-	5,055,091
11,840	-	-	28,193	625,179
-	-	-	-	230,806
3,472	5,500	6,790	10,290	1,504,486
-	-	-	-	37,662,920
<u>\$ 8,596,955</u>	<u>\$ 176,161,585</u>	<u>\$ 3,884,280</u>	<u>\$4,403,574</u>	<u>\$ 274,464,180</u>
\$ -	\$ 3,502,389	\$ 3,853,089	\$ 268,795	\$ 11,335,393
-	-	-	-	200,814
-	-	-	-	999,802
46,611	-	-	-	134,189
-	-	-	2,914	2,914
-	1,807,967	-	3,829	2,081,215
<u>2,614,445</u>	<u>-</u>	<u>-</u>	<u>235,000</u>	<u>8,065,881</u>
<u>2,661,056</u>	<u>5,310,356</u>	<u>3,853,089</u>	<u>510,538</u>	<u>22,820,208</u>
<u>743,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,449,884</u>
-	-	-	-	230,806
3,472	5,500	6,790	10,290	1,504,486
5,188,673	-	-	-	5,188,673
-	170,845,729	-	-	170,845,729
-	-	-	-	2,252,128
-	-	24,401	121,827	146,228
-	-	-	3,760,919	3,760,919
-	-	-	-	51,554,002
-	-	-	-	4,049,750
-	-	-	-	9,661,367
<u>5,192,145</u>	<u>170,851,229</u>	<u>31,191</u>	<u>3,893,036</u>	<u>249,194,088</u>
<u>\$ 8,596,955</u>	<u>\$ 176,161,585</u>	<u>\$ 3,884,280</u>	<u>\$4,403,574</u>	<u>\$ 274,464,180</u>

**KELLER INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AUGUST 31, 2015**

<b>Total fund balances - governmental funds</b>	\$ 249,194,088
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.	(5,481,319)
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	839,252,366
Accumulated depreciation has not been recorded in the fund financial statements.	(210,104,695)
Bonds payable have not been included in the fund financial statements.	(771,227,956)
Net pension liability is not reported in the fund financial statements.	(33,815,115)
Accreted interest on capital appreciation bonds is not capitalized in the fund financial statements.	(36,377,494)
Premiums on the issuance of bonds are not capitalized in the fund financial statements.	(94,026,271)
Deferred loss on bond refunding has not been reflected in the fund financial statements.	42,383,608
Property tax and other revenue are reported as deferred inflows of resources in the fund financial statements but is recognized as revenue in the government-wide financial statements.	2,449,882
Deferred outflows of resources for pension related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements.	5,094,096
Deferred inflows of resources for pension related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements.	(10,344,144)
Accrued liabilities for compensated absences and a legal settlement have not been reflected in the fund financial statements.	(1,763,858)
Interest is accrued on outstanding debt in the government-wide financial statements whereas in the fund financial statements interest expenditures are reported when due.	(2,047,685)
<b>Net position of governmental activities</b>	<u><u>\$ (26,814,497)</u></u>

The Notes to Financial Statements are an integral part of this statement.

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**KELLER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED AUGUST 31, 2015**

<u>Data Control Codes</u>		<u>10 General Fund</u>	<u>20 Federally Funded Grant Fund</u>
<b>REVENUES</b>			
5700	Total local and intermediate sources	\$ 135,939,320	\$ 7,288,109
5800	State program revenues	106,842,416	514,127
5900	Federal program revenues	<u>3,222,267</u>	<u>11,168,169</u>
5020	Total revenues	<u>246,004,003</u>	<u>18,970,405</u>
<b>EXPENDITURES</b>			
Current			
0011	Instruction	159,010,110	2,521,445
0012	Instructional resources and media services	3,402,050	4,380
0013	Curriculum and instructional staff development	3,918,153	855,763
0021	Instructional leadership	2,682,953	85,100
0023	School leadership	15,681,002	3,236
0031	Guidance, counseling and evaluation services	10,082,750	2,517,944
0032	Social work services	182,848	-
0033	Health services	2,937,587	-
0034	Student (pupil) transportation	6,653,342	33,061
0035	Food services	2,665	13,746,202
0036	Cocurricular/extracurricular activities	8,615,826	-
0041	General administration	6,242,247	-
0051	Facilities maintenance and operations	21,810,988	-
0052	Security and monitoring services	1,928,019	-
0053	Data processing services	4,958,590	-
0061	Community services	1,316,443	129,951
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	43,188	-
Intergovernmental			
0093	Shared services agreement	2,880,214	7,275
0095	Juvenile Justice Alternative Education Program	9,804	-
0097	Payments to tax increment fund	2,294,948	-
0099	Other governmental charges	<u>1,153,257</u>	<u>-</u>
6030	Total expenditures	<u>255,806,984</u>	<u>19,904,357</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(9,802,981)</u>	<u>(933,952)</u>
Other Financing Sources (Uses)			
7911	Issuance of bonds	-	-
7915	Transfers in	-	-
7916	Premium or discount on issuance of bonds	-	-
8911	Transfers out	-	-
8949	Payment to refunded bond escrow agent	<u>-</u>	<u>-</u>
	Total other financing sources (uses)	<u>-</u>	<u>-</u>
1200	Net change in fund balance	(9,802,981)	(933,952)
0100	Fund balance - September 1 (beginning)	<u>76,420,073</u>	<u>3,543,347</u>
3000	Fund balance - August 31 (ending)	<u>\$ 66,617,092</u>	<u>\$ 2,609,395</u>

The Notes to Financial Statements are an integral part of this statement.

Exhibit C-3

<b>50 Debt Service Fund</b>	<b>60 Capital Project Fund</b>	<b>30-42 State Funded Grant Funds</b>	<b>46-48 Local Funds</b>	<b>Total Governmental Funds</b>
\$ 64,083,501	\$ 237,447	\$ -	\$ 4,836,867	\$ 212,385,244
117,988	6,585	4,247,574	3,514	111,732,204
-	-	-	-	14,390,436
<u>64,201,489</u>	<u>244,032</u>	<u>4,247,574</u>	<u>4,840,381</u>	<u>338,507,884</u>
-	7,914,449	4,234,503	2,452,478	176,132,985
-	-	-	404,040	3,810,470
-	-	23,349	40,261	4,837,526
-	-	-	6,703	2,774,756
-	46,236	-	37,698	15,768,172
-	-	-	24,308	12,625,002
-	-	-	91	182,939
-	-	-	26,928	2,964,515
-	-	-	-	6,686,403
-	-	-	164	13,749,031
-	-	1,200	1,593,024	10,210,050
-	70,847	-	93,281	6,406,375
-	1,651,104	-	38,058	23,500,150
-	1,779,873	-	51,481	3,759,373
-	582,027	-	-	5,540,617
-	6,497	-	50,186	1,503,077
-	-	-	-	-
23,278,028	-	-	-	23,278,028
39,811,005	1,247,828	-	-	41,058,833
6,744,314	-	-	-	6,744,314
-	13,294,329	-	6,200	13,343,717
-	-	-	-	2,887,489
-	-	-	-	9,804
-	-	-	-	2,294,948
-	-	-	-	1,153,257
<u>69,833,347</u>	<u>26,593,190</u>	<u>4,259,052</u>	<u>4,824,901</u>	<u>381,221,831</u>
<u>(5,631,858)</u>	<u>(26,349,158)</u>	<u>(11,478)</u>	<u>15,480</u>	<u>(42,713,947)</u>
271,817,588	153,875,000	-	-	425,692,588
3,285,775	-	-	-	3,285,775
49,867,355	16,877,221	-	-	66,744,576
-	(3,285,775)	-	-	(3,285,775)
<u>(318,213,030)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(318,213,030)</u>
<u>6,757,688</u>	<u>167,466,446</u>	<u>-</u>	<u>-</u>	<u>174,224,134</u>
1,125,830	141,117,288	(11,478)	15,480	131,510,187
<u>4,066,315</u>	<u>29,733,941</u>	<u>42,669</u>	<u>3,877,556</u>	<u>117,683,901</u>
<u>\$ 5,192,145</u>	<u>\$ 170,851,229</u>	<u>\$ 31,191</u>	<u>\$ 3,893,036</u>	<u>\$ 249,194,088</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, 2015**

<b>Total net change in fund balances - governmental funds</b>	\$ 131,510,187
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 decrease net position.	(3,617,867)
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 2015 capital outlays is to increase net position.	25,337,302
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.	(18,968,542)
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.	(319,752)
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.	23,278,028
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.	(425,692,588)
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.	288,550,000
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.	1,136,747
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.	(66,744,576)
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.	13,628,422
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.	1,001,225
Changes in the net pension liability, and related deferred inflows and outflows are recognized in the government-wide financials, but are not reported in the fund financial statements. The effect of the change is an increase to net position.	471,967
Property taxes 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.	880,125
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.	(22,646)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(215,218)
Current year deferred loss on refunding associated with bonds payable is reported net of amortization on the government wide financial statements.	21,249,535
<b>Change in net position of governmental activities</b>	<b>\$ (8,537,651)</b>

The Notes to Financial Statements are an integral part of this statement.

**KELLER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2015**

	<b>Governmental Activities -</b>
	<b>Internal Service Funds</b>
<b>ASSETS</b>	
Current assets	
Cash and temporary investments	\$ 1,703,338
Accounts receivable	557,273
Prepaid items	81,443
Cash - restricted	526,000
Total assets	2,868,054
<b>LIABILITIES</b>	
Current liabilities	
Accounts and claims payable	3,103,657
Due to other funds	4,920,902
Accrued expenses	324,814
Total liabilities	8,349,373
<b>NET POSITION</b>	
Restricted for employee health claims	526,000
Unrestricted net position	(6,007,319)
Total net position	\$ (5,481,319)

**KELLER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED AUGUST 31, 2015**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating Revenues</b>	
Local and intermediate sources	\$ 19,267,068
Total operating revenues	19,267,068
<b>Operating Expenses</b>	
Payroll costs	374,567
Professional and contracted services	2,805,650
Claim settlement costs	19,707,686
Total operating expenses	22,887,903
Operating loss	(3,620,835)
<b>Nonoperating Revenues</b>	
State on-behalf revenue	1,255
Earnings from temporary deposits and investments	1,713
Total nonoperating revenues	2,968
Change in net position	(3,617,867)
Total net position - September 1 (beginning)	(1,863,452)
Total net position - August 31 (ending)	\$ (5,481,319)



**KELLER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED AUGUST 31, 2015**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities</b>	
Cash received from user charges	\$ 19,297,717
Cash payments to employees for services	(373,312)
Cash payments for insurance claims	(18,617,784)
	306,621
<b>Cash flows from investing activities</b>	
Interest and dividends on investments	1,713
	1,713
Net cash provided by investing activities	308,334
Net change in cash and cash equivalents	1,921,004
Cash and cash equivalents at beginning of the year	2,229,338
Cash and cash equivalents at end of the year	\$ 2,229,338
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (3,620,835)
Adjustments to reconcile operating loss to net cash used in operating activities	
State on-behalf revenue	1,255
Change in assets and liabilities	
Decrease in due from other funds	30,649
Increase in accounts receivable	(557,273)
Increase in prepaid items	(24,911)
Increase in accounts payable	422,274
Increase in due to other funds	3,923,365
Increase in accrued expenditures	132,097
	306,621
<b>Net cash provided by operating activities</b>	<b>\$ 306,621</b>

The Notes to Financial Statements are an integral part of this statement.

**KELLER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS  
AUGUST 31, 2015**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 410,916
Accounts receivable	2,713
	413,629
Total assets	\$ 413,629
<b>LIABILITIES</b>	
Accounts payable	\$ 11,265
Due to other governments	25
Due to student groups	402,339
	413,629
Total liabilities	\$ 413,629

## **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 GASB *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.

**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 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).

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

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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.

**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.



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

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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, 2015 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.

**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.

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

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**M. Property Taxes – Continued**

The portion of the District’s property tax levy that was not collected until more than 60 days after the end of the current year and therefore not considered available has been reported as a deferred inflow of resources in the Governmental Funds Balance Sheet totaling \$1,706,130 and \$743,754 in the General Fund and Debt Service Fund, respectively.

**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:

Assets	Years
Buildings	50
Building Improvements	5-25
Vehicles	5-10
Office equipment	3-20
Computer equipment	5

**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.

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

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**O. Long-Term Debt – Continued**

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, 2015 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".

**S. Deferred Inflows and Deferred Outflows of Resources**

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.

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

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**S. Deferred Inflows and Deferred Outflows of Resources – Continued**

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).

**T. Defined Benefit Pension Plan**

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

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

**NOTE 2. BONDED DEBT PAYABLE**

Bonded debt payable as of August 31, 2015 is as follows:

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 9/1/2014	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 8/31/2015
Unlimited Tax School Building and Refunding Bonds Series 1996A Final maturity 2021	3.60-5.90	\$ 59,539,931	\$ 12,033,943	\$ -	\$ -	\$ 319,242	\$ 11,714,701
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	40,002	-	-	40,002	-
Unlimited Tax Refunding Bonds Series 2005 Final maturity 2030	4.45-5.00	98,339,961	44,330,000	-	37,840,000	6,490,000	-
Unlimited Tax Building and Refunding Bonds Series 2005A Final maturity 2025	4.00-5.00	117,165,000	12,940,000	-	10,800,000	2,140,000	-
Unlimited Tax School Refunding Bonds Series 2006 Final maturity 2029	4.00-5.00	89,844,973	87,419,973	-	-	335,000	87,084,973
Unlimited Tax School Refunding Bonds Series 2006A Final maturity 2029	4.00-4.60	64,749,980	63,928,392	-	-	1,566	63,926,826
Unlimited Tax School Refunding Bonds Series 2007 Final maturity 2028	4.00-5.00	136,470,000	132,045,000	-	123,250,000	2,970,000	5,825,000
Unlimited Tax School Building Bonds Series 2009 Final maturity 2035	4.39-5.50	142,299,951	122,069,951	-	116,660,000	64,413	5,345,538
Unlimited Tax Refunding Bonds Series 2009 Final maturity 2023	3.00-4.625	11,199,999	6,875,000	-	-	1,975,000	4,900,000
Unlimited Tax Refunding Bonds Series 2009A Final maturity 2031	3.50-4.50	22,419,992	22,356,143	-	-	4,846	22,351,297

**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 9/1/2014	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 8/31/2015
Unlimited Tax							
Refunding Bonds							
Series 2010							
Final maturity 2030	2.00-4.125	8,389,999	7,470,000	-	-	180,000	7,290,000
Unlimited Tax							
Refunding Bonds							
Series 2011							
Final maturity 2028	2.00-4.00	9,370,000	8,355,000	-	-	580,000	7,775,000
Unlimited Tax							
Refunding Bonds							
Series 2012							
Final maturity 2031	3.50	2,710,000	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	-	-	-	4,339,998
Unlimited Tax							
Refunding Bonds							
Series 2013							
Final maturity 2025	1.50-5.00	81,080,000	81,080,000	-	-	-	81,080,000
Unlimited Tax							
Refunding Bonds							
Series 2014							
Final maturity 2024	2.46	43,350,000	45,350,000	-	-	-	45,350,000
Unlimited Tax							
Refunding Bonds							
Series 2014A							
Final maturity 2028	2.00-5.00	56,565,000	-	56,565,000	-	400,000	56,165,000
Unlimited Tax							
Building Bonds							
Series 2015							
Final maturity 2040	1.00-5.00	153,875,000	-	153,875,000	-	5,000,000	148,875,000
Unlimited Tax							
Refunding Bonds							
Series 2015							
Final maturity 2032	2.00-5.00	98,675,000	-	98,675,000	-	1,505,000	97,170,000
Unlimited Tax							
Refunding Bonds							
Series 2015A							
Final maturity 2035	4.00-5.00	116,577,588	-	116,577,588	-	1,272,959	115,304,629
Total bonded							
debt payable							
		<u>\$ 1,376,850,385</u>	<u>\$ 657,363,397</u>	<u>\$ 425,692,588</u>	<u>\$ 288,550,000</u>	<u>\$ 23,278,028</u>	<u>\$ 771,227,957</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>
2016	\$ 18,517,576	\$ 45,736,852	\$ 64,254,428
2017	22,109,470	43,426,359	65,535,829
2018	27,122,208	39,726,422	66,848,630
2019	20,088,388	41,977,385	62,065,773
2020	22,471,249	40,230,548	62,701,797
2021-2025	177,314,067	140,966,797	318,280,864
2026-2030	227,420,000	88,130,294	315,550,294
2031-2035	150,039,999	38,014,962	188,054,961
2036-2040	106,145,000	13,708,800	119,853,800
	<u>\$ 771,227,957</u>	<u>\$ 491,918,419</u>	<u>\$ 1,263,146,376</u>

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

On January 1, 2015, the District issued \$153,875,000 in Unlimited Tax School Building Bonds to construct, renovate and equip school buildings with maturities between 2015 and 2040.

On September 1, 2014, the District issued \$56,565,000 in Unlimited Tax Refunding Bonds, with interest rates between 2.00% and 5.00% to advance refund \$59,620,000 of series 2007 Bonds with original maturities between 2018 and 2028 and interest rates between 4.00% and 5.00%. The refunding was undertaken to reduce the District's total debt service payments over the next 17 years by approximately \$6,061,988 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$5,004,096.

On April 15, 2015 the District issued \$98,675,000 in Unlimited Tax Refunding Bonds, with interest rates between 2.00% and 5.00% to advance refund \$37,840,000 of series 2005 Bonds with original maturities between 2025 and 2030 and interest rates between 4.45% and 4.75%, to advance refund \$10,800,000 of series 2005 Bonds with original maturities between 2025 and 2030 with interest rates between 4.55% and 5.00%, and to advance refund \$63,630,000 of series 2007 Bonds with original maturities between 2029 and 2032 with an interest rate of 4.75. The refunding was undertaken to reduce the District's total debt service payments over the next 17 years by approximately \$17,949,600 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$11,021,795.

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

**NOTE 2. BONDED DEBT PAYABLE – CONTINUED**

On April 15, 2015 the District issued \$116,577,588 in Unlimited Tax Refunding Bonds, with interest rates between 4.00% and 5.00% to advance refund \$116,660,000 of series 2009 Bonds with original maturities between 2020 and 2035 and interest rates between 4.50% and 5.50%. The refunding was undertaken to reduce the District's total debt service payments over the next 20 years by approximately \$11,780,113 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$8,488,687.

The District defeased certain outstanding unlimited tax school building bonds from Series 2007 and 2009 by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the District's financial statements. At August, 31, 2015, \$123,250,000 and \$116,660,000 are considered defeased on Series 2007 and 2009, respectively.

**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, 2014	\$	741,212
New entrants and salary increments		55,389
Payments to participants		(32,743)
Balance, August 31, 2015	\$	763,858

**NOTE 4. CHANGES IN LONG-TERM LIABILITIES**

Long-term activity for the year ended August 31, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 657,363,397	\$ 425,692,588	\$ 311,828,028	\$ 771,227,957	\$ 18,517,576
Accreted interest	37,514,241	3,288,664	4,425,411	36,377,494	8,821,307
Premium on bonds	40,910,117	66,744,576	13,628,422	94,026,271	6,087,628
Compensated absences	741,212	55,389	32,743	763,858	25,517
Total governmental activities long-term liabilities	\$ 736,528,967	\$ 495,781,217	\$ 329,914,604	\$ 902,395,580	\$ 33,452,028

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



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

**NOTE 5. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2015 was as follows:

Primary Government:

	Balance 9/1/2014	Additions	Transfers	Deletions	Balance 8/31/2015
Capital assets, not being depreciated					
Land	\$ 37,066,937	\$ 25,785	\$ -	\$ -	\$ 37,092,722
Construction in progress	9,236,878	12,604,968	(9,236,878)	-	12,604,968
Total capital assets, not being depreciated	46,303,815	12,630,753	(9,236,878)	-	49,697,690
Capital assets, being depreciated					
Buildings and improvements	748,056,705	2,229,749	9,236,878	-	759,523,332
Furniture and equipment	24,313,549	10,476,800	-	(4,759,005)	30,031,344
Total capital assets, being depreciated	772,370,254	12,706,549	9,236,878	(4,759,005)	789,554,676
Less accumulated depreciation on					
Buildings and improvements	180,837,721	15,556,719	-	-	196,394,440
Furniture and equipment	14,737,685	3,411,823	-	(4,439,253)	13,710,255
Accumulated depreciation	195,575,406	18,968,542	-	(4,439,253)	210,104,695
Total capital assets, being depreciated, net	576,794,848	(6,261,993)	9,236,878	(319,752)	579,449,981
Governmental activities capital assets, net	\$ 623,098,663	\$ 6,368,760	\$ -	\$ (319,752)	\$ 629,147,671

**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	\$ 13,793,842
Instructional resources and media services	209,707
Curriculum and staff development	44,244
Instructional leadership	41,169
School leadership	1,285,183
Guidance, counseling and evaluation services	710,291
Social services	1,037
Health services	213,059
Food services	236,095
Co-curricular/extracurricular activities	655,012
General administration	96,241
Plant maintenance and operations	975,699
Security and monitoring services	330,929
Data processing services	128,367
Community services	247,667
	_____
Total depreciation expense	\$ 18,968,542

**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, 2015 are classified in the accompanying financial statements as follows:

Primary government	\$ 258,112,898
Fiduciary funds	410,916
	\$ 258,523,814

Cash and investments as of August 31, 2015 consist of the following:

Deposits with financial institutions	\$ 3,499,845
Investments	255,023,969
	\$ 258,523,814

**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, 2015, 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, 2015</u>
TexPool Prime	\$ 1,272,901	25 days	AAA	AAAm
LOGIC	12,234,434	38 days	AAA	AAAm
TexasCLASS	182,866,995	54 days	AAA	AAAm
FHLB	12,656,340	558 days	AAA	AAA
FNMA	4,001,108	28 days	AAA	AAA
FHLMC	21,982,267	628 days	AAA	AAA
Federal agency notes	20,009,924	259 days	AAA	AAA
	<u>\$ 255,023,969</u>			

As of August 31, 2015 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).

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

**NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED**

The 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: Frost Bank and Bank of America
- B. Security pledged as of the date of the highest combined balance on deposit was \$34,313,188
- C. Largest cash, savings and time deposit combined account balance amounted to \$15,391,029 and occurred during the month of August 2015
- D. Total amount of FDIC coverage at the time of largest combined balance was \$250,000 at each financial institution

The District was under collateralized at various times during the year.

**Investment in State Investment Pools**

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

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 Rule 2a7 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 6. DEPOSITS AND INVESTMENTS – CONTINUED**

**Investment in State Investment Pools – Continued**

Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated 'AAAm' by Standard and Poor's Ratings Services. The 'AAAm' principal stability fund rating is the highest assigned to principal stability government investment pools and is a direct reflection of Texas CLASS's outstanding credit quality and management.

**NOTE 7. DEFINED BENEFIT PENSION PLANS**

**Plan Description**

The District participates in and contributes to a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

**Pension Plan Fiduciary Net Position**

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

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

**NOTE 7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Benefits Provided**

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

**Contributions**

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if because of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

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

**NOTE 7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Contributions – Continued**

	Contribution Rates	
	2014	2015
Member	6.4%	6.7%
Non-employer contributing entity (state)	6.8%	6.8%
Employers	6.8%	6.8%
<u>Employer #0767</u>	<u>2015</u>	
Employer contributions	\$ 3,597,578	
Member contributions	2,984,698	
NECE on-behalf contributions	8,417,218	

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

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

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

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.



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

**NOTE 7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Actuarial Assumptions**

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2014
Actuarial cost method	Individual entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	5 year market value
Discount rate	8.00%
Long term expected investment rate of return*	8.00%
Salary increases*	4.25% to 7.25%
Weighted average at valuation date	5.55%
Payroll growth rate	3.50%

\* includes inflation of 3%

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2015, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011, they contained a significant margin for possible future mortality improvement. As of the date of the valuation, there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rate for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

**Discount Rate**

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term

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

**NOTE 7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Discount Rate – Continued**

expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long Term Expected Portfolio Real Rate of Return*</u>
Global equity			
U.S.	0.18	7.0%	1.4%
Non-U.S. developed	0.13	7.3%	1.1%
Emerging markets	0.09	8.1%	0.9%
Directional hedge funds	0.04	5.4%	0.2%
Private equity	0.13	9.2%	1.4%
Stable value			
U.S. treasuries	0.11	2.9%	0.3%
Absolute return	-	4.0%	-
Stable value hedge funds	0.04	5.2%	0.2%
Cash	0.01	2.0%	-
Real return			
Global inflation linked bonds	0.03	3.1%	-
Real assets	0.16	7.3%	1.5%
Energy and natural resources	0.03	8.8%	0.3%
Commodities	-	3.4%	-
Risk parity			
Risk parity	0.05	8.9%	0.4%
Alpha	-	-	1.0%
Total	1	82.6%	8.7%

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

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

**NOTE 7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% decrease in discount rate (7.0%)	Discount rate (8.0%)	1% increase in discount rate (9.0%)
District's proportionate share of the net pension liability	\$ 60,425,560	\$ 33,815,115	\$ 13,915,458

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

At August 31, 2015, the District reported a liability of \$33,815,115 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 33,815,115
State's proportionate share that is associated with District	<u>88,871,869</u>
Total	<u>\$ 122,686,984</u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At August 31, 2014, the employer's proportion of the collective net pension liability was 0.12659%, which was a decrease from 0.12668%, its proportion measured as of August 31, 2013. The change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

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

**NOTE 7. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued**

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer’s reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2015. The amount of the expected resultant change in the employer’s proportion cannot be determined at this time.

For the year ended August 31, 2015, the District recognized pension expense of \$8,417,218 and revenue of \$8,417,218 for support provided by the State.

At August 31, 2015, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 522,962	\$ -
Changes in actuarial assumptions	2,198,020	-
Differences between projected and actual investment earnings	-	10,344,144
Changes in proportion and difference between the employer's contributions and the proportionate share of the contributions	-	-
Contributions paid to TRS subsequent to the measurement dates	2,373,114	-
	<b>\$ 5,094,096</b>	<b>\$ 10,344,144</b>

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

Year ended August 31:	Pension Expense Amount
2016	\$ 246,827
2017	(2,126,287)
2018	(2,126,287)
2019	(2,126,287)
2020	457,533
Thereafter	424,453

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

**NOTE 8. RETIREE HEALTH PLAN**

**Plan Description**

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment 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 Systems of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communications Dept. of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas, or by calling 1-800-223-8778.

**Funding Policy**

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with the District contributing a percentage of payroll set at .55% for fiscal period 2015. For the years ended August 31, 2013, 2014 and 2015, the State's contributions to TRS-Care were \$(107,833), \$709,517, and \$778,728 respectively, the active member contributions were \$1,016,670, \$1,102,675, and \$1,198,890 respectively, and the District's contributions were, \$889,889, \$933,031 and \$1,014,445 respectively, which equaled the required contributions each period.

**Medicare Part D**

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 offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 30, 2013, 2014, and 2015, the subsidy payments received by the TRS-Care on behalf of the District were \$425,002, \$469,702 and \$782,821 respectively. These payments are recorded as equal revenues and expenditures in the governmental fund financial statements.

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

**NOTE 9. 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 \$2,000,000 as of January 1, 2015. The District's aggregate attachment point is \$21,066,492 for the 2015 calendar year.

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 \$3,100,330 as of August 31, 2015, 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, 2015 and 2014 are as follows:

	2015	2014
Liability, beginning of year	\$ 2,671,035	\$ 2,678,172
Current year claims and changes in estimates	24,013,975	17,413,910
Claim payments	(23,584,680)	(17,421,047)
Liability, end of year	\$ 3,100,330	\$ 2,671,035

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

**NOTE 10. 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 11. 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.

As of August 31, 2015, the District has entered into long-term construction projects with an aggregate unexpended balance of \$55,065,404.

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, 2015 totaled \$3,449,368.

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

Year Ending August 31,	
2016	\$ 3,188,377
2017	2,522,561
2018	1,771,620
2019	1,771,620
2020	<u>738,175</u>
Total	<u>\$ 9,992,353</u>

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

**NOTE 12. 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, 2015, 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	\$ 2,247,546	\$ -	\$ 2,247,546
State funded grants	3,846,199	-	3,846,199
Federally funded grants	-	2,383,004	2,383,004
Total	<u>\$ 6,093,745</u>	<u>\$ 2,383,004</u>	<u>\$ 8,476,749</u>

**NOTE 13. INTERFUND BALANCES AND ACTIVITIES**

Interfund balances at August 31, 2015 consisted of the following individual fund balances:

Due To Fund	Due From Fund	Amount	Purpose
Debt Service Fund	General Fund	\$ 86,275	Reclassification of revenue
General Fund	Internal Service Fund	4,922,205	Reclassification of revenue
General Fund	Debt Service Fund	46,611	Reclassification of revenue
		<u>\$ 5,055,091</u>	

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

**NOTE 14. 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	\$ 11,168,169
School Health and Related Services (SHARS)	2,960,776
E-rate revenue reported in general fund	<u>261,491</u>
Total reported on and reconciled to exhibit C-3	<u>\$ 14,390,436</u>



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

**NOTE 15. OTHER RECEIVABLES**

Other receivables recorded in the fund level financial statements consisted of the following at August 31, 2015:

	General Fund	Federally Funded Grants	Debt Service Fund	Local Funds	Total
Services rendered	\$ 121,630	\$ 202,025	\$ 11,840	\$ 28,193	\$ 363,688
E-rate receivable	261,491	-	-	-	261,491
Total	<u>\$ 383,121</u>	<u>\$ 202,025</u>	<u>\$ 11,840</u>	<u>\$ 28,193</u>	<u>\$ 625,179</u>

**NOTE 16. 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.
    - iii. 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.

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

**NOTE 16. CLASSIFICATION OF FUND BALANCE – CONTINUED**

**Fund Balance Classifications – Continued**

- 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. Campus activity funds are considered committed by the governing body through adoption of board policy pertaining to the usage of these funds.
  - ii. The District’s Board of Trustees voted to commit fund balance equal to between 17% and 20% of the 2015 general fund expenditure budget for budgetary contingencies.
- 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 a 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	1,355,000
Fine arts - ten year plan	558,750
Athletic - ten year plan	<u>1,111,000</u>
Total	<u>\$ 4,049,750</u>

- d. 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.

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

**NOTE 17. 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 \$4,213,763 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, 2015, the remainder of the textbooks, in possession of the District, have minimal value and are not otherwise reflected elsewhere in these statements.

**NOTE 18. CHANGE IN ACCOUNTING PRINCIPLE**

In accordance with GASB 68, *Accounting and Financial Reporting for Pensions* and as amended by GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, local governments participating in defined benefit pensions are required to recognize their portion of the present value of the projected benefit payments to be provided through the pension plan. The District has retroactively implemented this change, which resulted in a restatement of beginning net position as of August 31, 2015, the effect of which was a decrease of \$39,537,130.

Below are the effects of the prior period restatement as of August 31, 2015:

Governmental activities	
Net position, beginning, as originally reported	\$ 21,260,282
Change in accounting principle	<u>(39,537,130)</u>
Net position, beginning, as restated	<u>\$ (18,276,848)</u>

**NOTE 19. NEW ACCOUNTING PRONOUNCEMENTS**

In January 2013, the GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations* (GASB 69) which is intended to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations, by providing guidance for accounting situations encountered in government environments. This statement is effective for periods beginning after December 15, 2013.

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

**NOTE 19. NEW ACCOUNTING PRONOUNCEMENTS – CONTINUED**

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and amendments to certain provisions of GASB 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB 68. It also amends certain provisions of GASB 67 and GASB 68 for pension plans and pensions that are within their respective scopes. This statement is effective for financial statements for reporting periods beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is effective for financial statements for reporting periods beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for financial statements for reporting periods beginning after June 15, 2017.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of GAAP. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement is effective for financial statements for reporting periods beginning after June 15, 2016.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. This statement is effective for financial statements for reporting periods beginning after December 15, 2015.

The District's management is reviewing the implementation process of these standards by gathering required information.

**REQUIRED SUPPLEMENTARY INFORMATION**

Exhibit G-1

**KELLER INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
YEAR ENDED AUGUST 31, 2015**

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Total local and intermediate sources	\$ 135,514,581	\$ 135,514,581	\$ 135,939,320	\$ 424,739
5800	State program revenues	96,631,923	104,713,913	106,842,416	2,128,503
5900	Federal program revenues	3,075,000	3,075,000	3,222,267	147,267
5020	Total revenues	235,221,504	243,303,494	246,004,003	2,700,509
<b>EXPENDITURES</b>					
Current					
0011	Instruction	154,914,358	162,499,626	159,010,110	3,489,516
0012	Instructional resources & media services	3,294,101	3,470,509	3,402,050	68,459
0013	Curriculum & instructional staff development	4,125,156	3,981,905	3,918,153	63,752
0021	Instructional leadership	2,988,773	2,880,104	2,682,953	197,151
0023	School leadership	15,028,159	15,791,196	15,681,002	110,194
0031	Guidance counseling & evaluation services	9,573,026	10,193,697	10,082,750	110,947
0032	Social services	210,067	212,586	182,848	29,738
0033	Health services	2,960,807	3,027,786	2,937,587	90,199
0034	Student (pupil) transportation	7,111,723	7,206,540	6,653,342	553,198
0035	Food services	7,000	7,000	2,665	4,335
0036	Cocurricular/extracurricular activities	7,305,306	8,874,253	8,615,826	258,427
0041	General administration	6,489,429	6,705,597	6,242,247	463,350
0051	Plant maintenance and operations	21,086,518	21,942,091	21,810,988	131,103
0052	Security and monitoring services	2,128,344	2,186,679	1,928,019	258,660
0053	Data processing services	4,715,392	5,261,537	4,958,590	302,947
0061	Community services	448,624	1,357,172	1,316,443	40,729
Capital outlay					
0081	Facilities acquisition and construction	109,821	99,821	43,188	56,633
Intergovernmental					
0093	Shared services agreement	3,495,347	3,605,347	2,880,214	725,133
0095	Juvenile justice alternative education program	2,307	12,993	9,804	3,189
0097	Payments to tax increment fund	2,350,158	2,295,158	2,294,948	210
0099	Other intergovernmental charges	1,175,812	1,170,812	1,153,257	17,555
6030	Total expenditures	249,520,228	262,782,409	255,806,984	6,975,425
1100	Excess (deficiency) of revenues over (under) expenditures	(14,298,724)	(19,478,915)	(9,802,981)	9,675,934
	Other financing sources (uses)	5,000,000	-	-	-
1200	Net change in fund balances	(9,298,724)	(19,478,915)	(9,802,981)	9,675,934
0100	Fund balances - September 1 (beginning)	76,420,073	76,420,073	76,420,073	-
3000	Fund balances - August 31 (ending)	\$ 67,121,349	\$ 56,941,158	\$ 66,617,092	\$ 9,675,934

**KELLER INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**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
Instruction	\$ 7,585,568
Cocurricular/extracurricular	1,568,947
School Leadership	763,067
Community services	908,548
Data processing services	546,145
Plant maintenance	855,573

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.

**EXHIBIT G-2**

**KELLER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
YEAR ENDED AUGUST 31, 2015**

	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.126594400%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 33,815,115
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	<u>88,871,869</u>
Total	<u>\$ 122,686,984</u>
District's Covered-Employee Payroll	\$ 184,444,586
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-Employee Payroll	18.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: Only one year of data is presented in accordance with GASB 68 as the data for the years other than 2015 is not available.



**KELLER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
YEAR ENDED AUGUST 31, 2015**

**EXHIBIT G-3**

	<b>2015</b>
Contractually Required Contribution	\$ 3,597,578
Contribution in Relation to the Contractually Required Contribution	(3,597,578)
Contribution Deficiency (Excess)	\$ -
District's Covered-Employee Payroll	\$ 184,444,586
Contributions as a Percentage of Covered-Employee Payroll	1.95%

Note: Only one year of data is presented in accordance with GASB Standard No. 68 as the data for the years other than 2015 is not available.

## **COMBINING STATEMENTS**

## **AGENCY FUNDS**

**KELLER INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
AUGUST 31, 2015**

	<u>Balance September 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance August 31, 2015</u>
<b>STUDENT ACTIVITY ACCOUNT</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 308,339	\$ 1,304,804	\$ 1,290,521	\$ 322,622
Accounts receivable	472	2,599	472	2,599
Other assets	2,080	-	2,080	-
Total assets	<u>\$ 310,891</u>	<u>\$ 1,307,403</u>	<u>\$ 1,293,073</u>	<u>\$ 325,221</u>
<b>Liabilities</b>				
Accounts payable	\$ 11,866	\$ 944,687	\$ 942,428	\$ 9,607
Due to other governments	203	790	612	25
Due to student groups	298,822	653	17,420	315,589
Total liabilities	<u>\$ 310,891</u>	<u>\$ 946,130</u>	<u>\$ 960,460</u>	<u>\$ 325,221</u>
<b>EMPLOYEE ACTIVITIES</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 94,470	\$ 351,602	\$ 357,778	\$ 88,294
Accounts receivable	58	114	58	114
Total assets	<u>\$ 94,528</u>	<u>\$ 351,716</u>	<u>\$ 357,836</u>	<u>\$ 88,408</u>
<b>Liabilities</b>				
Accounts payable	\$ 3,089	\$ 102,335	\$ 100,904	\$ 1,658
Due to student groups	91,439	37,815	33,126	86,750
Total liabilities	<u>\$ 94,528</u>	<u>\$ 140,150</u>	<u>\$ 134,030</u>	<u>\$ 88,408</u>
<b>TOTAL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 402,809	\$ 1,656,406	\$ 1,648,299	\$ 410,916
Accounts receivable	530	2,713	530	2,713
Other assets	2,080	-	2,080	-
Total assets	<u>\$ 405,419</u>	<u>\$ 1,659,119</u>	<u>\$ 1,650,909</u>	<u>\$ 413,629</u>
<b>Liabilities</b>				
Accounts payable	\$ 14,955	\$ 1,047,022	\$ 1,043,332	\$ 11,265
Due to other governments	203	790	612	25
Due to student groups	390,261	38,468	50,546	402,339
Total liabilities	<u>\$ 405,419</u>	<u>\$ 1,086,280</u>	<u>\$ 1,094,490</u>	<u>\$ 413,629</u>

## **REQUIRED TEA SCHEDULES**

**KELLER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
YEAR ENDED AUGUST 31, 2015**

<u>Years Ended August 31,</u>	<u>Tax Rates</u>		<u>Assessed or Appraised Valuation</u>	<u>10 Delinquent Balance by Year September 1</u>
	<u>1</u> <u>Maintenance</u>	<u>2</u> <u>Debt Service</u>		
2006 and prior	Various	Various	Various	\$ 554,577
2007	1.311	0.297	8,014,015,193	77,091
2008	1.040	0.317	9,482,514,598	104,538
2009	1.040	0.377	10,212,543,961	166,546
2010	1.040	0.446	10,518,985,594	206,489
2011	1.040	0.491	10,838,009,000	230,955
2012	1.040	0.500	11,200,638,123	248,655
2013	1.040	0.500	11,303,854,760	407,203
2014	1.040	0.500	11,925,386,754	837,926
2015 (current)	1.040	0.500	12,950,447,900	<u>-</u>
Totals				<u>\$ 2,833,980</u>

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

**Exhibit J-1**

<b>20</b>	<b>31</b>	<b>32</b>	<b>30</b>	<b>40</b>	<b>50 Delinquent Balance by Year August 31, 2015</b>
<b>Current Year's Total Levy</b>	<b>Maintenance Collections</b>	<b>Debt Service Collections</b>	<b>Total Collections</b>	<b>Adjustments</b>	
\$ -	\$ 716	\$ 141	\$ 857	\$ -	\$ 553,720
-	3,606	817	4,423	-	72,668
-	2,715	829	3,544	(101)	100,893
-	5,844	2,118	7,962	(2,132)	156,452
-	153,717	65,965	219,682	228,167	214,974
-	160,924	75,913	236,837	262,113	256,231
-	162,294	78,026	240,320	261,081	269,416
-	187,179	89,990	277,169	255,568	385,602
-	358,454	172,334	530,788	114,636	421,774
<u>196,325,293</u>	<u>131,896,696</u>	<u>63,411,871</u>	<u>195,308,567</u>	<u>135,955</u>	<u>1,152,681</u>
<u>\$ 196,325,293</u>	<u>\$ 132,932,145</u>	<u>\$ 63,898,004</u>	<u>\$ 196,830,149</u>	<u>\$ 1,255,287</u>	<u>\$ 3,584,411</u>
	<u>\$ 2,294,948</u>				

**KELLER INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
CHILD NUTRITION FUND  
FOR THE YEAR ENDED AUGUST 31, 2015**

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Total local and intermediate sources	\$ 7,666,059	\$ 7,666,059	\$ 7,288,109	\$ (377,950)
5800	State program revenues	67,302	250,703	344,989	94,286
5900	Federal program revenues	5,246,379	5,246,379	5,179,152	(67,227)
5020	Total revenues	12,979,740	13,163,141	12,812,250	(350,891)
<b>EXPENDITURES</b>					
0035	Food service	12,129,740	14,680,939	13,746,202	934,737
6030	Total expenditures	12,129,740	14,680,939	13,746,202	934,737
1200	Net changes in fund balances	850,000	(1,517,798)	(933,952)	583,846
0100	Fund balance - September 1 (beginning)	3,543,347	3,543,347	3,543,347	-
3000	Fund balance - August 31 (ending)	\$ 4,393,347	\$ 2,025,549	\$ 2,609,395	\$ 583,846



**KELLER INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2015**

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Total local and intermediate sources	\$ 63,240,391	\$ 63,240,391	\$ 64,083,501	\$ 843,110
5800	State program revenues	-	-	117,988	117,988
5020	Total revenues	63,240,391	63,240,391	64,201,489	961,098
<b>EXPENDITURES</b>					
Current					
0071	Debt service	55,198,155	70,082,265	69,833,347	248,918
6030	Total expenditures	55,198,155	70,082,265	69,833,347	248,918
	Excess (deficiency) of revenues over (under) expenditures	8,042,236	(6,841,874)	(5,631,858)	1,210,016
<b>OTHER FINANCING SOURCES (USES)</b>					
7911	Issuance of bonds	-	-	271,817,588	271,817,588
7915	Transfers in	-	-	3,285,775	3,285,775
7916	Premium or discount on issuance of bonds	-	-	49,867,355	49,867,355
8949	Payment to refunded bond escrow agent	-	-	(318,213,030)	(318,213,030)
7080	Total other financing sources (uses)	-	-	6,757,688	6,757,688
1200	Net change in fund balance	8,042,236	(6,841,874)	1,125,830	7,967,704
0100	Fund balance - September 1 (beginning)	4,066,315	4,066,315	4,066,315	-
3000	Fund balance - August 31 (ending)	\$ 12,108,551	\$ (2,775,559)	\$ 5,192,145	\$ 7,967,704

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## **STATISTICAL SECTION**

**STATISTICAL SECTION (unaudited)**

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

**TABLE 1**

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>						
Net investment in capital assets	\$ (8,902,401)	\$ (17,947,640)	\$ (19,985,969)	\$ (33,180,143)	\$ (39,790,063)	\$ (38,159,556)
Restricted	2,723,568	2,008,006	2,324,821	8,467,449	6,575,067	6,749,910
Unrestricted	13,535,733	18,942,594	16,612,108	15,707,608	12,395,863	23,775,858
<b>Total primary government net position</b>	<b>\$ 7,356,900</b>	<b>\$ 3,002,960</b>	<b>\$ (1,049,040)</b>	<b>\$ (9,005,086)</b>	<b>\$ (20,819,133)</b>	<b>\$ (7,633,788)</b>

	Fiscal Year			
	2012	2013 as restated	2014	2015
<b>Governmental activities</b>				
Net investment in capital assets	\$ (43,992,374)	\$ (31,475,706)	\$ (25,308,063)	\$ (22,871,720)
Restricted	7,812,705	7,588,984	6,759,290	3,889,959
Unrestricted	50,167,324	41,920,606	39,809,055	(10,832,736)
<b>Total primary government net position</b>	<b>\$ 13,987,655</b>	<b>\$ 18,033,884</b>	<b>\$ 21,260,282</b>	<b>\$ (29,814,497)</b>

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

	Fiscal Year			
	2006	2007	2008	2009
<b>Expenses</b>				
Governmental activities				
Instruction	\$ 98,587,392	\$ 111,942,019	\$ 130,853,347	\$ 147,615,180
Instructional Resources and Media Services	3,393,890	3,507,020	3,791,403	4,548,868
Curriculum and Staff Development	1,597,141	2,421,519	3,245,795	3,490,394
Instructional Leadership	2,010,123	2,262,844	2,392,807	2,459,408
School Leadership	9,143,670	11,505,689	12,661,163	13,325,500
Guidance, Counseling and Evaluation Services	5,624,412	7,131,813	7,815,695	8,822,213
Social Work Services	150,658	203,993	224,136	283,831
Health Services	1,141,184	1,704,416	1,927,807	2,110,792
Student (Pupil) Transportation	3,896,874	4,178,437	5,105,905	6,035,224
Food Services	8,808,647	8,386,864	9,713,959	10,407,692
Cocurricular/Extracurricular Activities	5,396,992	5,944,813	6,643,550	6,643,550
General Administration	4,275,140	4,686,385	4,988,376	6,271,204
Plant Maintenance and Operations	19,844,895	20,113,567	22,487,313	18,653,300
Security and Monitoring Services	328,584	504,895	756,555	1,154,381
Data Processing Services	1,963,295	2,149,616	4,053,626	3,639,516
Community Services	612,526	440,227	472,403	801,894
Debt Service - Interest on Long Term Debt	28,420,994	29,834,899	32,158,191	31,561,209
Facilities Acquisition and Construction	3,897,189	8,506,584	3,466,383	-
Shared Services Agreement	-	-	-	3,811,277
Juvenile Justice Alternative Ed Program	-	-	-	5,500
Payments to Tax Increment Fund	1,116,700	1,501,599	1,097,395	1,831,416
Other governmental charges	-	-	-	-
<b>Total Primary Government Expenses</b>	<b>200,210,306</b>	<b>226,927,199</b>	<b>253,855,809</b>	<b>274,127,539</b>
<b>Program Revenues</b>				
Charges for services				
Instruction	6,272,892	6,780,489	5,304,345	5,657,131
Instructional Resources and Media Services	-	-	126,865	142,871
Curriculum and Staff Development	228,808	-	67,640	69,490
Instructional Leadership	-	-	98,478	93,844
School Leadership	-	-	522,364	559,767
Guidance, Counseling and Evaluation Services	-	-	334,565	344,598
Social Work Services	-	-	4,521	5,153
Health Services	-	-	17,488	90,105
Student (pupil) services	-	101,745	38,860	60,974
Food Services	5,642,148	6,206,636	7,068,398	7,368,464
Cocurricular/Extracurricular Activities	667,486	436,407	585,666	667,347
General Administration	-	-	69,176	160,056
Plant Maintenance and Operations	-	-	1,014,592	833,404
Security and Monitoring Services	-	-	632	4,426
Data Processing Services	-	-	67,981	60,163
Community Services	-	390,294	497,538	500,131
Facilities Acquisition and Construction	-	-	69,691	40,245
Shared services agreement	-	-	-	-
Payments to Juvenile Justice Alternative Ed	-	-	-	-
Payments to tax increment fund	-	-	-	-
Other governmental charges	-	-	-	-
Operating Grants and Contributions	14,247,778	15,612,510	14,532,569	13,532,702
<b>Total Primary Government Program Revenues</b>	<b>27,059,112</b>	<b>29,528,081</b>	<b>30,421,369</b>	<b>30,190,871</b>
<b>Net (Expense)/Revenue</b>				
<b>Total Primary Government Net Expense</b>	<b>\$ (173,151,194)</b>	<b>\$ (197,399,118)</b>	<b>\$ (223,434,440)</b>	<b>\$ (243,936,668)</b>

TABLE II

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 160,197,180	\$ 159,641,776	\$ 149,547,022	\$ 158,093,657	\$ 169,674,602	\$ 185,202,372
3,261,124	3,743,225	3,506,194	3,669,131	3,976,459	4,064,395
3,497,953	2,889,302	2,754,701	2,899,611	4,289,446	4,928,683
2,310,199	2,269,740	2,091,486	2,465,543	2,945,318	2,855,696
13,594,932	14,478,924	14,317,804	15,324,170	17,083,843	17,247,461
9,129,293	10,101,315	10,056,213	10,963,668	12,199,237	13,527,953
262,992	279,278	156,066	204,112	149,486	186,794
2,252,365	2,458,895	3,099,151	3,306,124	3,543,211	3,224,463
6,222,185	6,808,740	5,448,661	5,687,815	6,807,163	6,686,403
10,538,803	10,974,335	12,085,660	12,452,594	13,247,466	13,580,453
8,057,423	8,771,031	7,985,415	8,838,689	10,013,525	10,579,801
5,837,704	5,584,569	8,082,486	6,178,573	5,772,175	6,904,386
21,065,268	14,671,718	18,625,453	20,029,457	21,774,504	23,417,979
1,468,225	1,675,711	1,299,191	1,591,648	2,053,138	2,301,600
3,379,340	4,380,257	5,227,588	4,960,996	5,203,488	5,241,972
1,086,051	1,075,017	1,541,352	1,023,234	1,012,650	964,285
39,427,642	41,249,450	33,103,972	38,588,692	29,753,356	40,665,465
-	-	-	-	226,588	-
3,945,201	3,329,680	3,410,020	3,059,151	3,425,122	2,887,489
-	-	2,375	-	-	9,804
1,925,666	1,750,904	1,732,427	1,973,187	2,055,966	2,294,948
-	-	-	-	1,068,490	1,153,257
<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>	<u>347,925,659</u>
6,315,099	6,309,615	4,795,456	5,153,446	6,214,788	5,399,497
119,037	164,173	108,282	103,893	129,162	108,058
94,857	113,478	73,913	89,283	139,535	172,978
103,019	105,594	64,515	75,705	100,677	89,771
600,663	627,088	414,131	469,161	599,345	496,425
411,113	444,807	335,308	410,717	525,376	463,205
5,016	13,266	5,153	6,989	5,869	5,786
99,258	107,640	75,805	91,614	107,422	92,965
42,653	-	182,176	195,915	269,584	212,425
7,499,282	8,038,128	7,704,516	7,442,377	7,276,413	7,283,932
727,064	380,766	839,066	909,624	985,275	874,016
170,883	259,481	170,378	183,971	199,923	197,638
825,571	917,800	1,238,443	1,372,248	1,376,577	1,222,925
6,176	72,715	34,634	54,277	74,694	61,028
59,782	174,991	151,902	150,317	182,898	157,278
548,056	646,909	29,857	35,978	35,358	50,374
-	-	-	-	-	-
-	158,544	112,888	96,181	135,645	91,555
-	-	79	-	-	310
-	83,370	1,732,427	-	-	72,619
-	-	-	-	81,422	-
<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>23,619,227</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>40,672,012</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>	<u>\$ (307,253,647)</u>



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

	Fiscal Year			
	2006	2007	2008	2009
<b>Net (Expense)/Revenue</b>				
Total primary government net expense	\$ (173,151,194)	\$ (197,399,118)	\$ (223,434,440)	\$ (243,936,668)
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property Taxes, Levied for General Purposes	106,402,811	110,256,743	99,265,515	108,794,551
Property Taxes, Levied for Debt Service	21,151,865	25,190,201	30,153,606	39,240,626
State Aid - Formula Grants	28,187,060	41,701,262	75,667,541	78,938,143
Grants and Contributions not Restricted	5,096,212	4,840,601	4,247,899	4,685,515
Investment Earnings	7,951,970	11,012,544	10,047,879	4,110,151
Miscellaneous Local and Intermediate Revenue	1,304,089	43,827	-	211,636
Special Item - Gain on Sale of Capital Assets	5,699,992	-	-	-
Special Item - Lease of Mineral Rights	-	-	-	-
Total Primary Government	<u>175,793,999</u>	<u>193,045,178</u>	<u>219,382,440</u>	<u>235,980,622</u>
<b>Change in Net Position</b>				
Total Primary Government	<u>\$ 2,642,805</u>	<u>\$ (4,353,940)</u>	<u>\$ (4,052,000)</u>	<u>\$ (7,956,046)</u>

**TABLE III**

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ (257,202,901)	\$ (245,222,381)	\$ (241,842,924)	\$ (263,992,733)	\$ (275,679,306)	\$ (307,253,647)
113,892,990	111,315,561	114,660,445	117,999,604	123,722,646	133,949,135
48,657,348	53,168,610	55,758,482	56,616,666	59,396,906	64,344,372
78,839,121	92,872,674	88,208,113	83,578,692	94,396,991	98,759,927
4,686,451	-	-	-	-	-
583,181	364,742	436,411	503,704	205,056	425,718
1,706,719	686,139	4,400,916	16,555,404	1,184,105	1,236,846
-	-	-	-	-	-
-	-	-	-	-	-
<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>298,715,998</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>	<u>\$ (8,537,649)</u>

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

	<b>Fiscal Year</b>			
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>General Fund</b>				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved	141,901	1,340,066	1,449,859	1,532,963
Unreserved	42,038,447	46,336,853	46,355,894	44,972,848
<b>Total General Fund</b>	<b>\$ 42,180,348</b>	<b>\$ 47,676,919</b>	<b>\$ 47,805,753</b>	<b>\$ 46,505,811</b>
<b>All Other Governmental Funds</b>				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	56,939,101	170,167,059	92,983,867	159,330,604
Committed	1,666,753	2,023,295	2,106,586	2,358,333
<b>Total All Other Governmental Funds</b>	<b>\$ 58,605,854</b>	<b>\$ 172,190,354</b>	<b>\$ 95,090,453</b>	<b>\$ 161,688,937</b>
<b>Total Governmental Funds</b>	<b>\$ 100,786,202</b>	<b>\$ 219,867,273</b>	<b>\$ 142,896,206</b>	<b>\$ 208,194,748</b>

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

**TABLE IV**

<b>Fiscal Year</b>					
<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$ -	\$ 478,717	\$ 507,277	\$ 1,220,509	\$ 2,035,489	\$ 1,351,973
-	2,135,000	2,233,000	3,538,000	5,611,000	4,049,750
-	39,821,169	42,951,888	45,962,311	49,904,046	51,554,002
-	21,704,248	37,287,784	27,599,602	18,869,538	9,661,367
1,734,879	-	-	-	-	-
50,591,988	-	-	-	-	-
<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>	<u>\$ 66,617,092</u>
\$ -	\$ 3,820,273	\$ 203,371	\$ 136,188	\$ 59,169	\$ 383,319
84,315,947	7,653,724	8,662,864	8,229,583	7,798,705	178,432,758
2,971,732	47,466,171	43,344,629	47,569,680	33,405,954	3,760,919
<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>\$ 182,576,996</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>	<u>\$ 249,194,088</u>

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

	Fiscal Year			
	2006	2007	2008	2009
Federal sources:				
Distributed by TEA	\$ 1,640,373	\$ 1,985,730	\$ 2,388,359	\$ 2,901,556
Distributed by other State of Texas Government Agencies	1,677	9,477	33,815	33,808
Distributed directly from the Federal Government	3,894,030	3,497,039	3,913,060	6,794,383
Total federal sources	<u>5,536,080</u>	<u>5,492,246</u>	<u>6,335,234</u>	<u>9,729,747</u>
State sources:				
Per capita and foundation school program act revenues	33,405,420	48,147,830	82,130,671	81,074,303
Program revenues distributed by TEA	1,297,241	1,431,086	1,239,341	1,772,973
Revenues from State of Texas Government Agencies	7,292,309	7,083,211	7,488,381	7,612,709
Total state sources	<u>41,994,970</u>	<u>56,662,127</u>	<u>90,858,393</u>	<u>90,459,985</u>
Local and intermediate sources:				
Real and personal property taxes	132,482,334	134,740,395	130,365,048	146,468,671
Tuition and fees	438,801	466,045	389,982	347,508
Other revenues	8,654,769	17,281,608	15,326,676	11,268,146
Cocurricular, enterprising services or activities	7,515,731	6,643,043	7,506,213	8,077,074
Intermediate sources	413	1,757	-	-
Total local and intermediate sources	<u>149,092,048</u>	<u>159,132,848</u>	<u>153,587,919</u>	<u>166,161,399</u>
Total revenues	<u>\$ 196,623,098</u>	<u>\$ 221,287,221</u>	<u>\$ 250,781,546</u>	<u>\$ 266,351,131</u>

TABLE V

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 3,500,740	\$ 19,511,673	\$ 11,831,059	\$ 7,296,537	\$ 6,164,527	\$ 5,989,017
-	3,423,621	4,404,830	5,140,284	6,739,147	8,139,928
17,567,415	679,717	198,346	253,235	235,365	261,491
21,068,155	23,615,011	16,434,235	12,690,056	13,139,039	14,390,436
78,839,121	93,111,147	88,298,739	83,578,692	96,100,114	98,972,062
1,631,654	1,749,313	10,509,894	9,791,808	14,011,593	12,759,172
8,600,792	9,409,975	51,501	-	22,800	970
89,071,567	104,270,435	98,860,134	93,370,500	110,134,507	111,732,204
161,844,911	165,451,751	172,484,714	174,381,741	182,037,145	197,413,380
316,339	353,426	198,843	131,243	133,891	112,518
8,210,040	6,279,085	9,626,893	24,715,810	8,083,241	6,339,829
8,172,591	9,298,060	8,360,630	5,437,179	7,993,222	8,519,517
-	-	-	-	-	-
178,543,881	181,382,322	190,671,080	204,665,973	198,247,499	212,385,244
\$ 288,683,603	\$ 309,267,768	\$ 305,965,449	\$ 310,726,529	\$ 321,521,045	\$ 338,507,884

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

	Fiscal Year			
	2006	2007	2008	2009
Instruction	\$ 91,164,573	\$ 104,424,666	\$ 123,238,031	\$ 137,966,424
Instructional Resources and Media Services	2,936,748	3,304,523	3,609,718	4,023,598
Curriculum and Instructional Staff Development	1,575,360	2,414,188	3,234,342	3,307,415
Instructional Leadership	1,983,745	2,254,022	2,388,084	2,330,351
School Leadership	8,824,912	10,281,519	11,626,540	12,607,682
Guidance, Counseling and Evaluation Services	5,466,104	6,483,117	7,247,584	8,359,238
Social Work Services	150,658	203,993	224,177	268,954
Health Services	1,102,324	1,532,247	1,767,584	1,999,997
Student (Pupil) Transportation	3,866,442	4,176,311	5,106,034	5,719,227
Food Services	7,852,329	8,253,263	9,679,025	9,862,758
Cocurricular/Extracurricular Activities	5,144,197	5,730,968	6,415,289	6,495,765
General Administration	4,110,583	4,645,167	5,006,260	5,615,508
Facilities Maintenance and Operations	19,985,810	19,715,511	22,382,711	18,104,552
Security and Monitoring Services	325,805	500,381	752,179	979,151
Data Processing Services	1,715,718	2,237,898	4,070,647	2,331,712
Community Services	429,011	438,107	469,717	765,056
Debt Service				
Principal	4,913,597	8,197,688	9,751,128	10,030,963
Interest	23,269,220	28,227,427	31,661,335	34,443,024
Bond Issuance Cost and Fees	2,462,538	2,025,772	-	1,509,659
Facilities Acquisition and Construction	69,660,220	30,876,722	78,024,833	77,956,170
Shared Services Agreement	-	-	-	3,811,277
Juvenile Justice Alternative Education Program	-	-	-	5,500
Payments to Tax Increment Fund	1,116,700	1,501,599	1,097,395	1,831,416
Other governmental charges	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 258,056,594</b>	<b>\$ 247,425,089</b>	<b>\$ 327,752,613</b>	<b>\$ 350,325,397</b>
Debt Service as a Percentage of Noncapital Expenditures	14.69%	16.21%	16.41%	16.09%

TABLE VI

Fiscal Year						
2010	2011	2012	2013	2014	2015	
\$ 143,731,660	\$ 147,728,382	\$ 137,478,868	\$ 144,563,470	\$ 156,612,149	\$ 176,132,985	
3,073,705	3,509,334	3,178,713	3,345,419	3,619,137	3,810,470	
3,398,086	2,868,473	2,130,562	2,465,712	3,654,330	4,837,526	
2,293,997	2,226,975	1,886,237	2,112,412	2,446,534	2,774,756	
12,614,563	13,210,075	12,555,229	13,671,533	15,186,047	15,768,172	
8,699,241	9,471,451	9,271,339	10,224,865	11,431,030	12,625,002	
263,532	278,615	155,656	202,973	148,189	182,939	
2,106,395	2,262,925	2,287,508	2,683,242	2,743,828	2,964,515	
6,223,306	6,807,858	5,447,852	5,687,815	6,807,163	6,686,403	
10,601,047	10,893,263	11,502,826	12,180,602	12,899,687	13,749,031	
7,311,068	8,269,409	7,015,477	8,158,341	9,827,485	10,210,050	
5,220,506	5,480,294	7,432,120	5,583,815	5,113,321	6,406,375	
18,753,283	19,377,794	17,722,083	19,531,372	21,029,781	23,500,150	
1,220,503	1,542,978	1,080,540	1,694,051	2,709,758	3,759,373	
1,852,169	3,675,083	4,590,653	4,390,347	4,891,652	5,540,617	
895,726	852,899	691,259	828,185	767,228	1,503,077	
9,650,999	12,756,706	12,694,742	14,508,842	23,934,768	23,278,028	
41,994,683	42,447,453	44,192,957	42,948,531	35,136,159	41,058,833	
464,129	167,667	87,034	950,783	226,588	6,744,314	
71,488,717	27,066,197	7,392,685	11,851,971	12,582,876	13,343,717	
3,945,201	3,329,680	3,410,020	3,059,151	3,425,122	2,887,489	
-	-	2,375	-	-	9,804	
1,925,666	1,750,904	1,732,427	1,973,187	2,055,966	2,294,948	
-	-	-	-	1,068,490	1,153,257	
<b>\$ 357,728,182</b>	<b>\$ 325,974,415</b>	<b>\$ 293,939,162</b>	<b>\$ 312,616,619</b>	<b>\$ 338,317,288</b>	<b>\$ 381,221,831</b>	
17.46%	18.92%	19.81%	19.08%	18.20%	18.08%	



**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			
	2006	2007	2008	2009
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ (61,433,496)	\$ (26,137,868)	\$ (76,971,067)	\$ (83,974,266)
<b>Other Financing Sources (Uses)</b>				
General Long-term Debt Issued	89,844,973	201,219,980	-	153,419,950
Sale of Real or Personal Property	6,838,452	-	-	-
Transfers In	2,412,851	4,819,805	7,093,543	6,198,732
Premium or Discount on Issuance of Bonds	2,966,015	9,059,177	-	7,084,810
Prepaid Interest	357,441	947,569	-	-
Lease of Mineral Rights	-	-	-	-
Other Resources	2,009	-	-	-
Transfers Out	(2,412,851)	(4,819,805)	(7,093,543)	(6,198,732)
Payment to Bond Refunding Escrow Agent	(91,847,042)	(66,007,787)	-	(11,231,952)
Other (Uses)	-	-	-	-
Total Other Financing Sources (Uses)	<u>8,161,848</u>	<u>145,218,939</u>	<u>-</u>	<u>149,272,808</u>
<b>Net Change in Fund Balances</b>	<u>\$ (53,271,648)</u>	<u>\$ 119,081,071</u>	<u>\$ (76,971,067)</u>	<u>\$ 65,298,542</u>

**TABLE VII**

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ (69,044,579)	\$ (16,706,647)	\$ 12,026,287	\$ (1,890,090)	\$ (16,796,243)	\$ (42,713,947)
30,809,991	9,445,000	2,710,000	85,419,998	45,650,000	425,692,588
-	-	-	-	-	-
-	-	-	-	-	3,285,775
1,159,821	530,449	200,974	15,269,804	3,645,068	66,744,576
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(3,285,775)
(31,505,435)	(9,804,046)	(2,825,750)	(99,734,652)	(49,070,797)	(318,213,030)
-	-	-	-	-	-
<u>464,377</u>	<u>171,403</u>	<u>85,224</u>	<u>955,150</u>	<u>224,271</u>	<u>174,224,134</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>	<u>\$ 131,510,187</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 <sup>a</sup> Value	Total Direct Tax Rate <sup>b</sup>	Estimated Actual Taxable <sup>c</sup> Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Real Property	Personal Property					
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%
2015	13,816,512,116	693,171,025	1,559,235,241	12,950,447,900	1.5400	14,509,683,141	89.25%

**Source:** Tarrant County Tax Appraisal District

**Notes:** <sup>a</sup>Market value less exemptions

<sup>b</sup>Per \$100 of assessed valuation

<sup>c</sup>Market value

**Keller Independent School District  
Property Tax Rates for Direct and Overlapping Governments  
Last Ten Fiscal Years**  
(rate per \$100 of assessed value)

**TABLE IX**

Fiscal Year	District Direct Rates			Overlapping Government Rates <sup>a</sup>				
	Operating	Debt Service	Total	Tarrant County	Tarrant Co. Hospital District	Tarrant County College	City of Colleyville	City of Fort Worth
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	0.14950	0.35590	0.85500
2015	1.0400	0.5000	1.5400	0.26400	0.22790	0.14950	0.35590	0.85500

Fiscal Year	Overlapping Government Rates <sup>a</sup>				
	City of Haltom City	City of Keller	City of North Richland	City of Southlake	City of Watauga
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
2015	0.69999	0.43719	0.61000	0.46200	0.59122

**Note:**

<sup>a</sup>Includes levies for operating and debt service costs

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

**TABLE X**

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Taxable Value	Taxable Assessed Value	Rank	Percentage of Taxable Value
ATC Investors LP	\$ 143,530,709	1	1.11%	\$ -	1	0.00%
FMR Texas LP	126,427,933	2	0.98%	73,760,691	3	1.01%
Kroger Co	125,322,237	3	0.97%	53,913,917	2	0.74%
Wal-Mart Stores Texas LP	76,056,931	4	0.59%	56,361,807		-
HCA Health Services of TX Inc.	67,988,347	5	0.52%	-		-
Hillwood Monterra LP	60,956,922	6	0.47%	-		-
FAA DFW Associates LLC	52,723,000	7	0.41%	-		-
North Beach TX Partners LLC	43,478,000	8	0.34%	-		-
Oncor Electric Delivery Co LLC	42,046,728	9	0.32%	-		-
Fidelity Investments Inc.	39,098,584	10	0.30%	-		-
Inland Western Watauga LP	-		-	44,573,300	4	0.61%
TXU Electric Delivery Co	-		-	38,155,635	5	0.52%
SW Fossil Creek Apt LP	-		-	28,000,000	6	0.38%
Corning Cable Systems LLC	-		-	27,464,594	7	0.38%
Amli residential Property	-		-	24,682,642	8	0.34%
PR Town Center LP	-		-	22,113,508	9	0.30%
GTE Southwest Inc.	-		-	21,178,103	10	0.29%
Subtotal	\$ 777,629,391		6.01%	\$ 390,204,197		4.57%
All other taxpayers	12,172,848,509		93.9954%	6,925,942,107		94.6665%
	<u>\$ 12,950,477,900</u>		<u>100%</u>	<u>\$ 7,316,146,304</u>		<u>99%</u>

Source: Tarrant Appraisal District

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

**TABLE XI**

Fiscal Year	Tax Year	Original Levy	Adjustments	Adjusted Levy	Collected in First Period		Collected in Subsequent Period	Total Collections	
					Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2006	2005	\$ 124,241,484	\$ 3,319,281	\$ 127,560,765	\$ 126,233,010	101.60%	\$ 1,675,941	\$ 127,908,951	100.27%
2007	2006	134,275,750	971,349	135,247,099	133,308,212	99.28%	1,717,289	135,025,501	99.84%
2008	2007	127,969,466	(105,401)	127,864,066	126,471,104	98.83%	1,288,424	127,759,528	99.92%
2009	2008	142,946,287	4,510,266	147,456,552	145,996,374	102.13%	1,294,910	147,291,284	99.89%
2010	2009	154,071,805	8,389,934	162,461,740	160,286,383	104.03%	1,808,527	162,094,911	99.77%
2011	2010	163,551,452	2,206,607	165,758,060	163,908,760	100.22%	1,457,685	165,366,445	99.76%
2012	2011	170,135,313	247,601	170,382,913	169,139,007	99.41%	834,410	169,973,416	99.76%
2013	2012	171,779,167	1,699,878	173,479,044	172,379,024	100.35%	535,862	172,914,886	99.67%
2014	2013	181,143,398	875,301	182,018,699	181,059,454	99.95%	57,318	181,116,772	99.50%
2015	2014	196,325,293	135,955	196,461,248	195,308,567	99.48%	n/a	n/a	n/a

**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**

<b>Fiscal Year</b>	<b>Bonded Debt</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income<sup>a</sup></b>	<b>Estimated Population</b>	<b>Per Capita<sup>a</sup></b>	<b>Ratio of Net Bonded Debt to Estimated Actual Property Value<sup>b</sup></b>
2006	\$ 528,705,018	\$ 528,705,018	40.99%	36,328	\$ 14,554	15.01
2007	682,726,268	682,726,268	48.34%	37,700	18,109	13.33
2008	673,489,537	673,489,537	55.13%	38,701	17,402	15.78
2009	812,210,202	812,210,202	58.62%	39,450	20,588	13.97
2010	801,400,945	801,400,945	51.12%	39,675	20,199	14.75
2011	787,273,317	787,273,317	44.74%	40,604	19,389	15.75
2012	763,228,988	763,228,988	39.89%	40,790	18,711	16.70
2013	745,139,167	745,139,167	39.94%	41,923	17,774	17.39
2014	735,787,755	735,787,755	38.91%	42,907	17,148	18.35
2015	901,631,722	901,631,722	46.81%	43,287	20,829	14.36

**Notes:**

<sup>a</sup>See Schedule XV for personal income, per capita and population data.

<sup>b</sup>See Schedule VIII for estimated actual property value.

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

**TABLE XIII**

<b>Governmental Unit</b>	<b>Total Tax Supported Debt as of 08/31/14<sup>a</sup></b>	<b>Estimated Percentage Applicable<sup>b</sup></b>	<b>Estimated Share of Direct and Overlapping Debt</b>
City of Colleyville	\$ 10,025,000	10.36%	\$ 1,038,590
City of Fort Worth	741,010,000	10.18%	75,434,818
City of Haltom City	39,030,000	4.25%	1,658,775
City of Hurst	54,108,000	1.28%	692,582
City of Keller	78,649,000	98.02%	77,091,750
City of North Richland Hills	99,919,027	11.41%	11,400,760
City of Southlake*	146,095,000	4.96%	7,246,312
City of Watauga	22,995,000	39.25%	9,025,538
Town of Westlake	27,239,250	51.31%	13,976,459
Tarrant County	333,795,000	9.40%	31,376,730
Tarrant Co. Hospital District	23,440,000	9.40%	2,203,360
Subtotal, Overlapping Debt			\$ 231,145,674
<b>District Direct Debt</b>			<u>901,631,722</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 1,132,777,396</u></u>
<b>Ratio of Total Direct and Overlapping Debt to Assessed Valuation</b>			<u><u>8.47%</u></u>
<b>Per Capita Overlapping Debt</b>			<u><u>\$ 5,340</u></u>

\* Used 2014's amount 2015 Debt not available at time of printing

a 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			
	2006	2007	2008	2009
Assessed value <sup>a</sup>	\$ 6,932,158,654	\$ 8,014,015,193	\$ 9,482,514,598	\$ 10,212,543,961
Debt limit <sup>b</sup>	693,215,865	801,401,519	948,251,460	1,021,254,396
Amount of debt applicable to debt limit:				
Total bonded debt	484,579,357	612,851,650	603,100,522	735,369,508
Less: Reserve for debt service	4,608,114	4,741,309	5,066,051	6,689,998
Total net debt applicable to limit	<u>479,971,243</u>	<u>608,110,341</u>	<u>598,034,471</u>	<u>728,679,510</u>
Legal debt margin	<u>\$ 213,244,622</u>	<u>\$ 193,291,178</u>	<u>\$ 350,216,989</u>	<u>\$ 292,574,886</u>
Total net debt applicable to the limit as a percentage of debt limit	69.24%	75.88%	63.07%	71.35%

**Notes:**

<sup>a</sup>Market value less exemptions

<sup>b</sup>This 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**

<b>Fiscal Year</b>					
<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$ 10,518,985,594	\$ 10,838,009,000	\$ 11,200,638,123	\$ 11,303,854,760	\$ 11,925,386,754	\$ 12,950,447,900
1,051,898,559	1,083,800,900	1,120,063,812	1,130,385,476	1,192,538,675	1,295,044,790
725,718,509	712,856,767	700,087,012	681,493,165	657,363,397	771,227,957
5,167,382	3,820,031	3,892,876	3,406,682	4,062,753	5,188,673
<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>766,039,284</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>	<u>\$ 529,005,506</u>
68.50%	65.42%	62.16%	59.99%	54.78%	59.15%

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

**TABLE XV**

<b>Calendar Year</b>	<b>Population<sup>a</sup></b>	<b>Personal Income<sup>b</sup></b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate<sup>c</sup></b>
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	1,567,717,950	39,514	6.50%
2011	40,604	1,759,817,964	43,341	8.50%
2012	40,790	1,913,254,950	46,905	7.30%
2013	41,923	1,865,489,654	44,498	6.40%
2014	42,907	1,890,825,676	44,068	4.40%
2015	43,287	1,926,184,926	44,498	2.90%

**Notes:**

All information above is for the Keller municipal area.

**Sources:**

<sup>a</sup>U.S. Census Bureau, North Central Texas Council of Governments

<sup>b</sup>U.S. Department of Commerce, Bureau Of Economic Analysis

<sup>c</sup>Texas Workforce Commission

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

**TABLE XVI**

Employer	2015			2007		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
American Airlines	5,000	1	15.23%	-	-	-
AMR Corporation	-	-	-	24,277	1	49.93%
Bell Helicopter	4,600	2	14.01%	6,048	2	12.44%
Fidelity Investments	4,500	3	13.71%	2,700	6	5.55%
Keller ISD	3,960	4	12.06%	3,032	5	6.24%
BNSF Railway	3,650	5	11.12%	3,100	4	6.38%
ATC Logistics	3,315	6	10.10%	-	-	-
Sabre Holdings	3,000	7	9.14%	3,100	3	6.38%
Gaylord Texan Resort	2,125	8	6.47%	1,500	9	3.09%
Walmart	1,378	9	4.20%	-	-	-
Federal Aviation Administration	1,300	10	3.96%	-	-	-
DFW Airport	-	-	-	1,713	7	3.52%
Motorola	-	-	-	1,700	8	3.50%
Healthmarkets	-	-	-	1,450	10	2.98%
	<u>32,828</u>		<u>100%</u>	<u>48,620</u>		<u>100%</u>

**Source:** City of Keller

**Note:** Information for principal employers within the District was not available for nine years ago so eight years ago was used.

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

**TABLE XVII**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Percentage Change 2005-2014
<b>Supervisory</b>											
Instructional administrators	71	121	151	141	155.1	155.1	125.1	125.1	135.1	171	142.9%
Noninstructional administrators	28	36	38	40	46.5	46.5	39.5	43.5	49.5	57.8	106.4%
Consultants/supervisors of instruction	8	14	13	12	19.5	19.5	9.5	8.5	12	24	200.0%
Principals	28	33	34	35	36	39	39	39	39	39	39.3%
Assistant Principals	45	52	63	66	62	65	66	66	66	67	48.9%
<b>Total supervisory</b>	<b>116.00</b>	<b>147.00</b>	<b>163.00</b>	<b>167.00</b>	<b>179.50</b>	<b>185.50</b>	<b>166.50</b>	<b>169.50</b>	<b>180.00</b>	<b>204.80</b>	<b>76.6%</b>
<b>Instruction</b>											
Elementary classroom teachers	866	960	1050	1092	1130	1120	1097	1117.33	1134.25	1200.5	38.6%
Secondary classroom teachers	641	705	732	752	822	884	798	787.44	901.75	961.5	50.0%
Other teachers (adult)	-	-	-	-	-	-	-	-	-	-	0.0%
Other professionals (instructional)	83	88	88	95	85	83	73	79	81	85.5	3.0%
Aides	283	320	297	260	301.75	303.5	277.5	283	302	333	17.7%
<b>Total Instruction</b>	<b>1,873.00</b>	<b>2,073.00</b>	<b>2,167.00</b>	<b>2,199.00</b>	<b>2,338.75</b>	<b>2,390.50</b>	<b>2,245.50</b>	<b>2,266.77</b>	<b>2,419.00</b>	<b>2,580.50</b>	<b>37.8%</b>
<b>Student Services</b>											
Guidance counselors	58	59	59	74.5	74.5	78.5	78	82	98	100	72.4%
Visiting teacher/social workers	1	3	1	1	2	2	2	2	2	3	200.0%
Psychologists	3	7	7	7	7	8	8	8	8	8	166.7%
Librarians	26	31	32	35	36	37	38	38	38	38	46.2%
Other professionals (noninstructional)	28	36	49	53	69.5	78	78.5	83.5	83.5	92.5	230.4%
Technicians	20	29	32	31	30	30	0	0	0	0	-100.0%
<b>Total student services</b>	<b>136.00</b>	<b>165.00</b>	<b>180.00</b>	<b>201.50</b>	<b>219.00</b>	<b>233.50</b>	<b>204.50</b>	<b>213.50</b>	<b>229.50</b>	<b>241.50</b>	<b>77.6%</b>
<b>Support and Administration</b>											
Clerical/secretarial	96	100	264	281	262	297	203.5	205.5	235	246	156.3%
Service workers	242	285	289	290	250	256	271	271	270	272	12.4%
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	231	262	269	275	271	318	318	318	323	333	44.2%
<b>Total support and administration</b>	<b>569.00</b>	<b>647.00</b>	<b>822.00</b>	<b>846.00</b>	<b>783.00</b>	<b>871.00</b>	<b>792.50</b>	<b>794.50</b>	<b>828.00</b>	<b>851.00</b>	<b>49.6%</b>
<b>Total</b>	<b>2,694.00</b>	<b>3,032.00</b>	<b>3,332.00</b>	<b>3,413.50</b>	<b>3,520.25</b>	<b>3,680.50</b>	<b>3,409.00</b>	<b>3,444.27</b>	<b>3,656.50</b>	<b>3,877.80</b>	<b>43.9%</b>

Source: Keller Independent School District records.

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

**TABLE XVIII**

<b>Fiscal Year</b>	<b>Peak Enrollment</b>	<b>Operating Expenditures</b>	<b>Cost per Pupil</b>	<b>Teaching Staff</b>	<b>Pupil-Teacher Ratio</b>	<b>Percentage of Students Receiving Free or Reduced-Price Meals</b>
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%
2015	33,619	278,400,408	8,281	2,151	15.6	23.26%

**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**

	Fiscal Year			
	2006	2007	2008	2009
<b>Schools</b>				
<b>Elementary</b>				
Buildings	16	18	19	21
Square feet	1,269,873	1,432,873	1,516,623	1,684,123
Capacity	11,948	13,470	14,170	15,570
Enrollment	10,795	11,853	12,228	12,330
<b>Intermediate/Middle</b>				
Buildings	8	10	10	10
Square feet	1,032,858	1,295,858	1,295,858	1,295,858
Capacity	8,831	10,710	10,710	10,710
Enrollment	5,929	6,435	8,388	10,021
<b>High</b>				
Buildings	4	4	4	4
Square feet	1,128,974	1,128,974	1,128,974	1,128,974
Capacity	7,500	7,500	7,500	7,500
Enrollment	7,149	7,617	7,956	8,467
<b>Administrative</b>				
Buildings	2	2	2	2
Square feet	84,566	84,566	84,566	84,566
<b>Athletics</b>				
Stadiums	11	11	11	11
Football/soccer/play fields	39	40	41	43
Running tracks	8	8	8	8
Baseball/softball	12	12	12	12
Natatorium	1	1	1	1

**TABLE XIX**

Fiscal Year					
2010	2011	2012	2013	2014	2015
21	22	22	22	22	22
1,684,123	1,744,123	1,744,123	1,744,123	1,744,123	1,744,123
15,570	16,170	16,170	16,170	16,170	16,170
12,774	12,805	13,292	13,033	13,019	12,713
10	11	11	11	11	11
1,295,858	1,478,683	1,478,683	1,478,683	1,478,683	1,478,683
10,710	11,910	11,910	11,910	11,910	11,910
10,119	10,393	10,656	10,595	10,518	10,366
5	5	5	5	5	5
1,578,974	1,578,974	1,578,974	1,578,974	1,613,974	1,613,974
10,000	10,000	10,000	10,000	10,000	10,000
8,675	9,272	9,635	9,795	10,226	10,540
2	3	3	3	3	3
84,566	119,566	119,566	119,566	119,566	119,566
12	13	13	13	13	13
44	45	45	45	45	45
9	10	10	10	10	10
13	14	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, 2015, 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 21, 2016.

### **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.

### **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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2015-01.

### **Response to the Finding**

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 21, 2016



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, 2015. 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, 2015.

### 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 21, 2016

**KELLER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2015**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
<i>ESEA Title I, Part A Improving Basic Programs</i>	84.010A	15610101220907	\$ 1,827,354
<i>IDEA-B Formula <sup>(1)</sup></i>	84.027A	156600012209076600	3,350,438
<i>IDEA-B Preschool Grant <sup>(1)</sup></i>	84.173A	156610012209076610	67,695
<i>Carl D. Perkins Basic Formula Grant</i>	84.048A	15420006220907	311,586
<i>ESEA Title II, Part A Teacher/Principal Training/Recruiting</i>	84.367A	15694501220907	207,385
<i>ESEA Title III, Part A English Language Acquisition- Summer LEP</i>	84.369A	69551402	9,959
<i>ESEA Title III, Part A English Language Acquisition</i>	84.365A	15671001220907	<u>214,600</u>
Total U.S. Department of Education			5,989,017
Passed through State Department of Agriculture:			
<i>National School Breakfast Program <sup>(2)</sup></i>	10.553	71401501	650,206
<i>National School Lunch Program <sup>(2)</sup></i>	10.555	71301501	3,749,772
<i>National School Lunch Program - Non-cash Assistance <sup>(2)</sup></i>	10.555	71301501	<u>779,174</u>
Total U.S. Department of Agriculture			<u>5,179,152</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,168,169</u>
School Health and Related Services (SHARS) <sup>(3)</sup>			2,960,776
Schools and Libraries Program (E-Rate) <sup>(3)</sup>			<u>261,491</u>
TOTAL FEDERAL REVENUES, RECONCILED TO EXHIBIT C-3			<u>\$ 14,390,436</u>

(1) Reported as Special Education Cluster, as required by Compliance Supplement June 2015

(2) Reported as Child Nutrition Cluster, as required by Compliance Supplement June 2015

(3) SHARS and E-Rate are not considered federal financial assistance subject to requirements in accordance with OMB Circular A-133

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, 2015, 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, 2015, the District received and disbursed food commodities totaling \$779,174.

**KELLER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2015**

**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:

Child Nutrition Cluster:

10.553	National School Breakfast Program
10.555	National School Lunch Program
10.555	National School Lunch Program – Non-cash Assistance

- Dollar threshold used to distinguish between type A and type B programs? \$335,045

Auditee qualified as low-risk auditee?  Yes  No



**KELLER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2015**

**SECTION II – OTHER MATTERS**

**2015-01:**

**Condition:** The District had uncollateralized cash at various times during the year.

**Criteria:** The Texas Education Agency compliance requirements along with the Public Funds Investment Act require that a financial institution secure deposits made by state or local governmental units by pledging securities held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least the bank balances less the FDIC insurance at all times.

**Cause:** Various transactions did not clear the bank as anticipated, were received after the bank's deadline to pledge collateral or the District's request to pledge collateral was not fulfilled until the following day.

**Effect:** The District was not in compliance with collateral requirements.

**Recommendation:** The District should continue to closely monitor their cash balance and activity to ensure sufficient collateral is present at all times.

**View of Responsible Officials:** See Corrective Action Plan

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE

**KELLER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2015**

**Finding 13-01**

**Other Matter:** The District had uncollateralized cash during 2013.

**Status:** See current year corrective action plan.

**KELLER INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2015**

**Finding 2015-01:**

The district transitioned to a new depository bank on August 17, 2015, partially due to the collateral issues described in “Section II – Other Matters”. Our former depository bank was of the opinion that next day collateralization was sufficient, which was at odds with the TEA compliance requirements and the Public Funds Investment Act.

The previous depository bank allowed the district to request collateralization only until 11:00 a.m. each day. When unanticipated transactions occurred after 11:00 a.m., the district had no recourse. Additionally, on three days, the district’s written request for collateralization were submitted in a timely manner, but the collateralization did not occur on the bank’s part.

The district’s new depository bank was chosen in part because the collateralization deadline was 4:00 p.m. Unlike the previous depository, our new bank monitors the district’s collateralization needs throughout the day and has pledged \$20 million of collateral on an on-going basis.

The Finance department monitors cash and collateralization needs every day, whether the district is open or closed. The transition to our new depository bank has been very successful and the department is confident that there will be no further collateralization issues.

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