

Keller Independent School District

Keller, Texas



Comprehensive
Annual
Financial Report

Year Ended June 30, 2019

Keller
Independent School District

Keller, Texas



Comprehensive
Annual
Financial Report

For the Year Ended June 30, 2019

Prepared by the Finance Department

R. Mark Youngs Chief Financial Officer
Kristin Williams, C.P.A. Director of Finance

Keller Independent School District
 Comprehensive Annual Financial Report
 Year Ended June 30, 2019
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Introductory Section

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Certificate of Board

Keller Independent School District	Tarrant	220-907
Name of Local Education Agency	County	County-District-Number

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

Approved <u>7</u>	Disapproved <u>0</u>
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for the year ended June 30, 2019, at a meeting of the Board of Trustees of such school district on the 18th day of November, 2019.



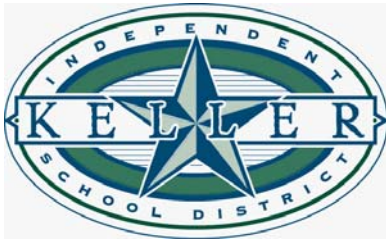
Signature of Board Secretary



Signature of Board President

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

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OFFICE OF THE SUPERINTENDENT

KELLER INDEPENDENT SCHOOL DISTRICT

350 KELLER PARKWAY
KELLER, TEXAS 76248
PHONE: 817-744-1000
FAX: 817-744-1261

November 18, 2019

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 June 30, 2019.

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 and Tidwell, L.L.P, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2019, 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 unmodified opinion that the district's financial statements for the year ended June 30, 2019 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 year ended June 30, 2019, 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.

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. 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 may not 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 normally scheduled on the fourth Monday 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 is almost built out, enrollment growth has slowed. Until the 2011-2012 year, enrollment was increasing in excess of 1,000 students per year. For the 2015-16 school year, enrollment increased by only 561 students, by 480 students in 2016-17, by 277 in 2017-18 and by 209 students in 2018-19. Enrollment for the 2019-20 school year is projected to increase by 150. Even so, Keller ISD is expected to remain the largest district in Northeast Tarrant County and the fourth largest district in Tarrant County as a whole. The district enrollment is expected to increase by approximately 1,047 students during the next five years, reaching 36,193 by 2023-24 and approaching 36,894 by the fall of 2029.

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. Housing development growth in the District is slowing as the district builds out of available land and as the price points of new homes rise. There were 34,752 home starts in the DFW area as of December 2018, which was 1,490 more starts than the same period in 2017. Keller ISD had 4,701 home sales in 2018, roughly 10% of which were new homes. According to the Texas A&M University real estate center, the 2018 Median Home sales price in the Keller metro area was \$425,000. This is an increase of 4% or \$17,000 over the same period for 2017 and \$145,000 or 52% increase over 2011.

Keller ISD is currently ranked 17th in the DFW Metroplex, with 568 annual closings, and annual housing starts of 488. Approximately 508 vacant developed lots and 1,563 lots for future development remain in the District. Groundwork is underway on approximately 540 lots in KISD. In addition, there are approximately 632 units of multi-family construction underway, with 3,360 future units planned. However, 293 of these units are in age-restricted communities that will produce no student yield.

Economic Conditions and Employment. According to the Bureau of Labor Statistics, the Dallas-Fort Worth area created more than 115,000 new jobs between August 2018 and August 2019. This is second only to New York City in number of jobs added during that period. The job growth rate for DFW of 3.1%

exceeded the national job growth rate of 1.4%. A number of corporate relocations and expansions contributed to the job growth including, State Farm, Toyota North America, Liberty Mutual, Facebook and Kubota Tractor.

The state's unemployment rate has been at or below the national rate for eleven consecutive years, according to the Bureau of Labor Statistics. As of August 2019, the unemployment rate in Keller was 2.9%, as opposed to 3.3% for the DFW metroplex, 3.4% for the state of Texas and 3.8% 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 near 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 4,339 teachers and support personnel to serve the district's 42 campuses. KISD serves as the district's third largest employer behind Fidelity Investments and BNSF Railway. Students from Keller, Fort Worth, Watauga, Southlake, Colleyville, Hurst, North Richland Hills, Westlake, and Haltom City attend classes at twenty-three elementary schools (PK-4), four intermediate schools (5-6), three intermediate/middle schools (5-8), four middle schools (7-8), four high schools (9-12), two Early Learning Centers, a Center for Advanced Learning (KCAL) and one alternative school. Besides the 42 brick and mortar campuses, the district utilizes 14 portable buildings, which provide approximately 26 additional classrooms. An additional two portables are used by the Facilities department for office space and two are used by the Transportation department as office space, training rooms and a break room.

The oldest campus in KISD is Keller Middle School (formerly Keller High School) which was built in 1962. Of the district's 42 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, two hybrid middle/intermediate campuses, two elementary campuses and two early learning centers have been opened. One intermediate school was renovated to form the new Keller Center for Advanced Learning. 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 (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 more flexible graduation program that allows students to pursue their interests. 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 Math.
 - Public Services – Education and Training, Government, Health Science, Hospitality and Tourism, Human Services, Law Enforcement and Security and Military Science.

- Business and Industry - Marketing, Finance, Agriculture, Architecture and Construction, Arts and Audio/Video Technology, Business Communications, Business Management and Administration, Transportation, and Distribution and Logistics.
- Arts and Humanities - English, Fine Arts, Social Studies and World Languages.
- Multidisciplinary Studies – Allows a student to select courses from the curriculum of each endorsement area and earn credits in a variety of advance courses from multiple content areas.

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. KISD's secondary schools offer students the opportunity to participate in College Board Advanced Placement (AP) and Pre-AP courses so that they may better prepare themselves for college. Because these classes are similar to college level classes, students are challenged to be more disciplined, structured and to perform at a higher academic level. Online learning opportunities are also provided to district students via the KISD Virtual Learning program, which is designed to address the needs of students by providing opportunities to complete foundation courses in CTE pathways, accelerate their completion of language acquisition courses, and prepare them for success in online coursework as they continue their education past high school.

Special programs that ensure success for all students include Special Education, Dyslexia, Student Intervention (including summer intervention), Advanced Academics, Early Childhood, Homebound, English as a Second Language, Bilingual programs for Spanish and Vietnamese students, Advancement via Individual Determination (AVID) and Career and Technical Education (CTE). Section 504 services are also provided as part of the Individuals with Disabilities Education Act to ensure that students with physical or mental disabilities may receive different educational services in a special or regular educational setting, depending on the student's need.

Through its Career and Technology Education program, KISD provides competency-based applied learning which contributes to academic knowledge, higher order thinking skills, problem solving skills, work attitudes, general employability skills, and occupationally specific skills needed for success in the workplace or in post-secondary education.

In August of 2016, the district opened its first career and technology education center – the Keller Center for Advanced Learning (KCAL). KCAL's focus is to prepare students for their post-secondary endeavors, by offering them the opportunity to take advanced level courses within their chosen endorsement. KCAL also provides for field-based experiences, such as job shadowing, internships and practicums, as well as offering opportunities for multiple types of professional certifications and licensures. KCAL offers courses in many programs of study, including Animation, Agricultural & Veterinary Studies, Architecture & Construction, Audio/Video Technology, Automotive Technology, Commercial Photography, Cosmetology, Graphic Design, Culinary Arts, Law Enforcement & Criminal Forensics, Health Sciences (including Clinical Rotations, CNA and EMT certification programs), STEM, and Information Technology (including certification programs in CISCO, Computer Maintenance, and Computer Programming). In conjunction with a College, Career and Readiness program and providing a collaborative, innovative educational experience at KCAL, the district is committed to preparing its students to be highly competitive in a global society.

Other student services provided by the district include health-related support programs, guidance and library/media services, bullying prevention programs, credit recovery, dropout 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 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, cyber-safety and digital citizenship lessons for students.

MAJOR INITIATIVES

The district recently underwent a Visioning process to define the District's focus in the coming years and to build on input from the KISD community. Beginning with the results of a community survey, KISD held four Educational Summits (one in each of the four high school feeder patterns), completed 120 in-depth interviews with representatives from six stakeholder groups (parents, students, administrators, teachers, former students and community members) and compiled District/Market Research that focused on the population, economic, social and technological identity of Keller ISD. The resulting Visioning Core Values were adopted by the Board of Trustees in May 2018 and are detailed below.

KELLER ISD – Intentionally Exceptional!

OUR VISION

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

OUR MISSION

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

OUR PRIORITIES

- ★ Increase Student Achievement
- ★ Excellence in Student, Parent and Community Relations
- ★ Excellence in Processes and Systems
- ★ Employee Excellence and Organizational Improvement
- ★ Excellence in Financial Stewardship

WE VALUE

- ★ Relationships as the foundation for how we teach, learn, work and play together in a safe, engaging and caring way;
- ★ Care for our teachers because the impact of their work prepares students for the future;
- ★ Passionate teaching dedicated to content and craft that inspires others;

- ★ Exploration and the pursuit of one's passion that leads to personal growth
- ★ Communication and collaboration that strengthens our unity;
- ★ Respect for the diversity of our school community through a culture of understanding and personalized learning opportunities.

OUR CORE FUNCTIONS:

- ★ Business
- ★ Finance
- ★ Educational Support
- ★ Governance
- ★ Media Services
- ★ Technology
- ★ Workforce

PORTRAIT OF A GRADUATE

A Keller Independent School District graduate will be expected to:

Demonstrate success in college or further study and for employment in a global society

- Initiate independent learning
- Understand world issues and current events
- Understand and use effective learning techniques to acquire and apply knowledge

Demonstrate social awareness

- Develop and maintain positive relationships
- Know and appreciate cultural and linguistic diversity
- Exhibit an appreciation of the arts and humanities
- Commitment to service

Exhibit strong personal qualities

- Identify personal goals
- Demonstrate value of self
- Understand and engage in activities that promote intellectual, physical, and emotional balance
- Demonstrate integrity and take personal responsibility

Communicate effectively

- Express ideas and information confidently and effectively in a variety of modes of communication
- Work in collaboration with others

Use technology as a tool

- Select appropriate tools and procedures
- Use technology to access, analyze, organize, and process information

Exhibit creative thinking, critical thinking, and problem solving

- Explore ideas and issues for understanding
- Draw well-reasoned conclusions and solutions
- Analyze and evaluate thinking with a view to improve it



MAJOR INITIATIVES AND ACCOMPLISHMENTS

Bond Proposal. Much of the 2018-19 fiscal year was dedicated to preparing a bond package with the assistance of community members, staff and students. The slate of projects was selected by a group of community members that composed KISD's Citizens Bond Advisory Committee (CBAC), which itself built off months of work by KISD's Long-Range Facility Planning.

"We brought together a group of community representatives to create this Bond proposal, and are excited that the rest of the community showed support for the projects their neighbors and peers selected," said Keller ISD Superintendent Dr. Rick Westfall. "Our community believes in providing exceptional educational opportunities, and we appreciate its trust and confidence in us as we begin these projects that will impact all of our 42 schools."

Keller ISD's 2019 Bond Proposal has its origins in the 2017-18 school year when the District invited thousands of stakeholders into a visioning process that resulted in a new set of District core values. Those core values served as the foundation for the District's Long-Range Facility Planning process, during

which more than 260 individuals reviewed ways in which Keller ISD could better align with those core values.

The Long-Range Facility Planning Committee helped develop a Long-Range Facility Plan for the District, which was adopted by the KISD Board of Trustees in the spring of 2019 and featured 66 projects which totaled nearly \$1.2 billion to be considered by the District over the next 10 years. The Board then convened the CBAC which prioritized projects into a bond package to put in front of KISD voters.

The result of all this work from the KISD community was a \$315 million bond package that could be executed without the need to raise KISD's tax rate. Included in the 2019 Bond Proposal is the replacement of four elementary campuses; technology, security, and mechanical upgrades across Keller ISD; major renovations to Fossil Hill Middle School and Keller Middle School; construction of an indoor extracurricular facility at each of the District's four high schools; and construction of an industrial trades and agri-science center. Voters approved the bond election on November 5, 2019.

State Accountability. Beginning with the 2017-18 school year, all multi-campus school districts and charters receive an accountability rating based on an A-F scale.

Districts receive a grade or rating based on performance in three areas:

- **Student Achievement** measures what students know and can do by the end of the year. It includes results from state assessments across all subjects for all students, on both general and alternate assessments, College, Career, and Military Readiness (CCMR) indicators, like AP and ACT results, and graduation rates.
- **School Progress** measures how much better students are doing on the STAAR test this year versus last year, and how much better students are doing academically relative to schools with similar percentages of economically disadvantaged students.
- **Closing the Gaps** looks at performance among student groups, including various racial/ethnic groups, socioeconomic backgrounds and other factors.

Districts earn an A (90–100) for exemplary performance when they serve most students well, encouraging high academic achievement and/or appropriate academic growth for almost all students. *Most students will be prepared for eventual success in college, a career, or the military.*

Keller ISD received an overall rating of B for the 2018-19 school year.

- Student Achievement rating of A
- School Progress rating of B
- Closing the gaps rating of B

Change of Fiscal Year Ending Date. So that the fiscal year would more closely mirror the school year, Keller ISD opted to change its fiscal year ending date from August 31 to June 30. The 2017-18 fiscal year became the transition year, meaning that the year consisted of only ten months – September 1, 2017 through June 30, 2018. The 2018-19 fiscal year then would begin on July 1, 2018 and continue for twelve months to June 30, 2019. Many of the financial results in this Comprehensive Annual Financial Report were affected by the shortened year, and are described more fully in the Management's Discussion and Analysis.

District Student and Staff Accomplishments:

Keller ISD Finance Awards

Keller ISD was recently awarded the Transparency Stars 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 third year the Transparency Stars award has been offered and is now the highest award given to public entities for financial transparency. Prior to that, Keller ISD earned the Gold Leadership Circle award for three consecutive years and the Platinum Leadership Circle award for one year.

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, 2018. This award is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment – one which Keller ISD has received for the past eleven 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, 2018. This prestigious award, which KISD has also received for eleven 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 76th 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. For the 2018-19 fiscal year based on 2017-18 financial information, the District received a rating of "Meets Standard" under Texas' Schools FIRST financial accountability rating system, demonstrating the quality of KISD's sound fiscal management. 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 ninth 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.

Other

- o Keller ISD ranks in the top 14% academically in the State of Texas, while ranking in the bottom 30% in spending.
- o Keller ISD had 21 National Merit finalists in the past two years.
- o Recognized as “Best Community for Music Education” by NAMM Foundation for three years running.
- o Received “Pre-K Partnership” Award from the Board of Child Care Associates.
- o Hillwood Middle School named “Texas School to Watch” .
- o Fossil Ridge High School earned AVID National Demonstration School Recognition.
- o The Keller High School Marching Band was selected to march in the Macy’s Thanksgiving Day Parade.

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 the 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,



Rick Westfall, Ed.D
Superintendent



R. Mark Youngs, MBA, 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, 2018

Christopher P. Morill

Executive Director/CEO



**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

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

Keller Independent School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended August 31, 2018.**

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



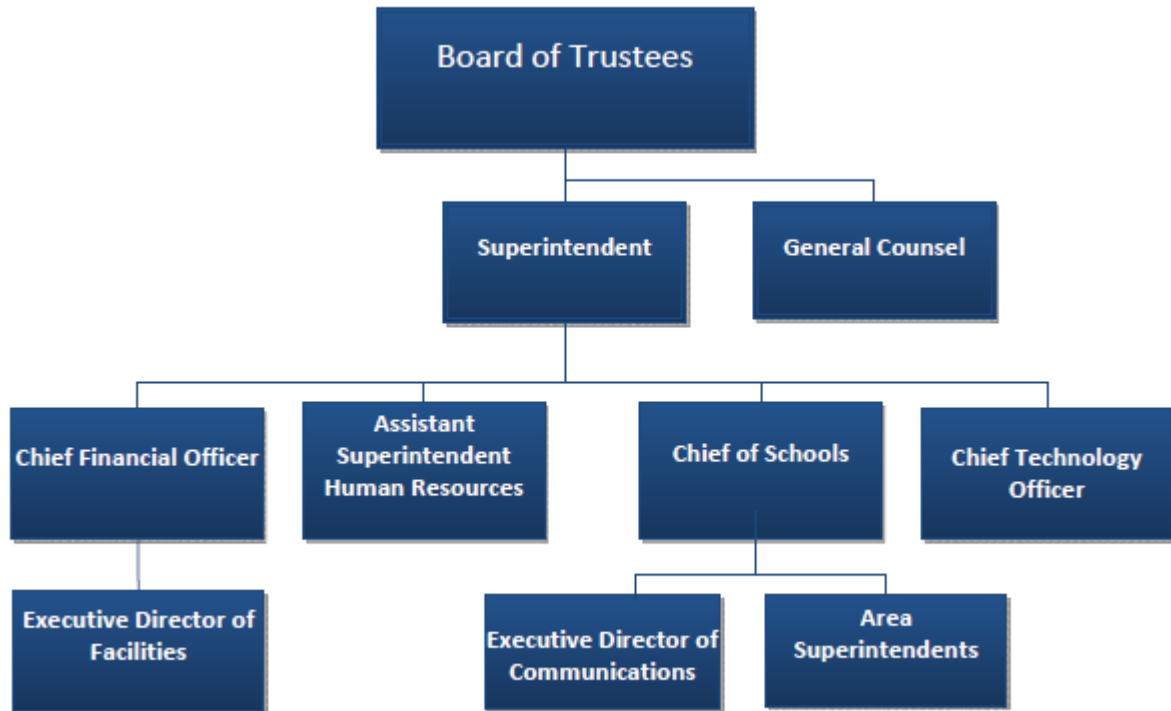
A handwritten signature in black ink that reads 'Charles E. Peterson, Jr.' The signature is written in a cursive style and is positioned above a horizontal line.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

A handwritten signature in black ink that reads 'John D. Musso'. The signature is written in a cursive style and is positioned above a horizontal line.

John D. Musso, CAE
Executive Director

Keller Independent School District 2018 – 2019 Organizational Chart



Keller Independent School District

School Board and Administrators

Board of Trustees

Cindy Lotton	President
Ruthie Keyes	Vice President
Chris Roof.....	Secretary
Karina Davis.....	Member
Brad Schofield.....	Member
Beverly Dixon.....	Member
Craig Allen.....	Member

Administration

Dr. Rick Westfall.....	Superintendent of Schools
Amanda Bigbee.....	General Counsel
R. Mark Youngs	Chief Financial Officer
Cecil McDaniel.....	Chief of Schools
Joe Griffin	Chief Technology Officer
Lindsay Anderson	Area Superintendent
Dr. Kevin Hood	Area Superintendent
Dr. Leanne Shivers	Area Superintendent
Cory Wilson.....	Area Superintendent
Dr. Tracy Johnson	Assistant Superintendent, Human Resources
Dustin Blank	Assistant Superintendent, Student Services
Shellie Johnson	Executive Director, Communications
Sara Koprowski.....	Executive Director, Curriculum & Instruction
Hudson Huff	Executive Director, Facility Services
Johjania Najera	Executive Director, Human Resources
Dr. Gena Koster	Executive Director, Special Education
Leslee Shepherd	Executive Director, Student Advancement
Rhonda Dominguez.....	Director, Analytics
Jennifer Price.....	Director, Assessment and Accountability
Eric Persyn.....	Director, Athletics
Jennifer Fleming	Director, AVID & Post-Secondary Resources
Jennifer Todd	Director, Counseling
Rob Wright.....	Director, CTE
Deborah Cartwright.....	Director, Data Compliance and Records Management
Dr. Carrie Pearson	Director, Early Childhood Program
Aaron Rister	Director, Educational Technology
Jerry Leafgreen.....	Director, Facility Management
Leigh Cook	Director, Federal Programs
Kristin Williams.....	Director, Finance
Kimberly Blann	Director, Fine Arts
Billy Kidd	Director, Grounds and Property Management
Tricia Atzger-John.....	Director, Health Services
Sandy Garza	Director, Human Resources
Greg Gaston	Director, Human Resources
Angie Nayfa.....	Director, Human Resources
Sheri Rich	Director, Human Resources Benefits
Marcene Weatherall	Director, Intervention Counseling
Mara Betancourt.....	Director, Language Acquisition
Matt Hill	Director, Media Services
LePaula Smith.....	Director, Operations & Distribution xvi
Faith Morbitzer	Director, Payroll
Lori Vechione	Director, Purchasing
Kevin Kinley.....	Director, Safety and Security
Vaughn Hamblen.....	Director, Systems Integration
David Smith	General Manager, Child Nutrition (Sodexo)
Jim Koons.....	General Manager, Transportation (Texas Central School Bus)

Financial Section

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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 June 30, 2019, 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 June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the ten months ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, 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 statement, compliance schedules – required by the Texas Education Agency, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements.

The combining statement, compliance schedules – required by the Texas Education Agency, 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, compliance schedules – required by the Texas Education Agency, 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.

Board of Trustees
Keller Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2019, 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.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 18, 2019

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Management's Discussion and Analysis

This section is the Keller Independent School District (District) (Keller ISD) management discussion and analysis of the annual financial report for the period ending June 30, 2019. It should be read in conjunction with the transmittal letter and the District's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The District had approximately \$415 million in expenses related to governmental activities, of which \$72.1 million were offset by program-specific charges for services or grants and contributions. General revenues of \$353 million partially offset the costs of these programs; resulting in an increase in net position of \$11,058,507. Expenses for governmental activities increased by approximately \$161 million, or 63.7%, from the previous year. This increase in expenditures occurred because the district changed its fiscal year ending date from August 31 to June 30 in the 2017-18 fiscal year. To effect the change, the 2017-18 fiscal year was a transitional year consisting of only ten months – September 1 through June 30. The 2018-19 fiscal year included expenditures for a full twelve months.

- General revenues accounted for \$353,606,975 or 83.1% of all fiscal year 2019 revenues. Program-specific revenues in the form of charges for services and grants and contributions accounted for \$72,097,443 of additional revenues. The 2019 charges for services and grants and contributions represent a \$78.4 million, or 1237.0% increase from 2018. In 2018, the district adopted Governmental Accounting Standards Board Statement No. 75 (GASB 75), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The adoption resulted in a current year negative allocation of (\$55,304,611), which reduced the 2018 charges for services and grants and contributions to a negative revenue amount of (\$6,339,807). This was a one-time event and these revenues have now returned to normal levels.
- General revenues increased by approximately \$9 million, or 2.61%, in 2019. This increase was due to the increase of the district's maintenance and operations property tax rate from \$1.04 to \$1.17, by means of a Tax Ratification Election held in September 2018.
- At June 30, 2019, the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflow of resources by (\$102,025,266) (Total Net Position). This was an increase in Total Net Position from the prior year of \$11,058,507, or 9.78%.
- At the close of the fiscal year, the combined governmental fund balance was \$162,155,789, a decrease of (\$74,318) from the prior year. Decreases in the Debt Service, Capital Projects and State Funded Grant funds offset the increases in the General, Child Nutrition and Local funds, resulting in a total fund balance almost unchanged from the prior fiscal year. The Debt Service fund balance decreased due to a decrease in the Interest and Sinking tax rate from \$0.48 to \$0.34. The fund balance of the Capital Projects fund decreased due to continued spending of bond dollars. The General Fund balance increased by \$10.4 million, or 16.8%, due partly to the increase in the Maintenance and Operations tax rate from \$1.04 to \$1.17 and partly to managed spending. Unassigned fund balance increased by \$6.07 million, or 55.5%. Fund balance equal to 17% of the 2020 general fund expenditure budget has been assigned within fund balance, as per Board policy.
- The District's total long-term liabilities increased by \$12,823,728, or 1.3%, from the previous fiscal year. Although bond accreted interest and premium on bond liabilities decreased significantly during the year, the Net Pension and OPEB liabilities increased by larger amounts.
- General Fund expenditures increased by \$38 million, or 14.7%, from the prior year. The district changed its fiscal year end date in the prior year (2017-18), resulting in a ten-month period only. The 2018-19 fiscal year was a full twelve-month period; therefore, expenditures increased from the prior year.

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 and deferred outflows, and 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 21-22 of this report.

Fund Financial Statements- A fund is a grouping of related accounts that maintain control over resources that are 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 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 24-30 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 appear on pages 31-33 of this report.

Fiduciary fund- Fiduciary funds 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 appear on page 34 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 35-65 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 68-73 of this report.

The Texas Education Agency (TEA) requires that certain reports are included in this report and those statements and schedules appear on pages 82-85.

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 (\$102,025,266).

**Table A-1
Net Position**

Governmental Activities			
	2018	2019	Percent Change 2018 to 2019
Current and other assets	\$ 156,743,989	\$ 171,448,443	9.38%
Capital assets (net)	730,376,844	710,277,680	-2.75%
Long term investments	21,700,000	4,000,000	-81.57%
Total assets	908,820,833	885,726,123	-2.54%
Deferred outflow of resources	58,822,790	100,444,189	70.76%
Current liabilities	41,615,698	41,444,487	-0.41%
Long-term liabilities	987,426,167	1,000,249,895	1.30%
Total liabilities	1,029,041,865	1,041,694,382	1.23%
Deferred inflow of resources	51,685,531	46,501,196	-10.03%
Net Position:			
Net investment in capital assets	\$ (25,801,873)	\$ (10,215,349)	-60.41%
Restricted for grants and food service	3,175,508	3,147,465	-0.88%
Restricted for debt service	64,742,002	55,850,447	-13.73%
Restricted for employee health claims	587,000	504,000	-14.14%
Unrestricted net position	(155,786,410)	(151,311,829)	-2.87%
Total net position	<u>\$ (113,083,773)</u>	<u>\$ (102,025,266)</u>	-9.78%

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 \$(10,215,349). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The increase in Total Net Position is attributed to further repayment of debt, including a bond refunding. The District's investment in its capital assets is reported net of related debt, but it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities

Governmental activities increased the District's net position by \$11,058,507. The total cost of all governmental activities this year was \$414,645,911. The amount that our taxpayers paid for these activities was \$270,520,759 or 65.24%.

Table A-2

Changes in District's Net Position

Governmental Activities			
	2018	2019	Percent Change 2018 to 2019
Revenues:			
Program Revenues:			
Charges for service	\$ 17,361,696	\$ 20,465,582	17.88%
Operating grants & contributions	(23,701,503)	51,631,861	-317.84%
General revenues:			
Property taxes	254,241,121	270,520,759	6.40%
State grants	86,335,746	74,207,101	-14.05%
Investment earnings	1,890,242	3,393,048	79.50%
Other	2,151,054	5,486,067	155.04%
Total government revenues	338,278,356	425,704,418	25.84%
Expenses:			
Instruction	134,863,562	233,124,013	72.86%
Instructional resources & media services	3,352,924	4,734,290	41.20%
Curriculum & instructional staff development	2,635,056	7,718,146	192.90%
Instructional leadership	1,902,578	4,359,489	129.14%
School leadership	11,426,864	22,460,628	96.56%
Guidance, counseling & evaluation services	6,810,827	18,435,694	170.68%
Social services	122,603	229,167	86.92%
Health services	3,479,593	5,483,065	57.58%
Student (pupil) transportation	8,399,095	10,331,746	23.01%
Food services	9,443,516	14,953,331	58.34%
Co-curricular/extra-curricular activities	8,108,679	13,141,858	62.07%
General administration	4,890,980	8,763,316	79.17%
Plant maintenance and operations	21,614,420	29,299,421	35.55%
Security and monitoring services	2,321,617	3,354,580	44.49%
Data processing services	3,831,814	4,847,519	26.51%
Community services	900,050	1,938,405	115.37%
Debt service - interest on long-term debt/fees	24,748,166	29,779,733	20.33%
Shared services agreement	241,570	299,964	24.17%
Juvenile Justice Alternative Education Program	12,513	10,062	-19.59%
Payments to tax increment fund	3,117,970	-	-100.00%
Non-operating expenses	1,089,363	1,381,484	26.82%
Total governmental expenses	253,313,760	414,645,911	63.69%
Increase (decrease) in net position	84,964,596	11,058,507	-86.98%
Beginning net position	(22,138,184)	(113,083,773)	410.81%
Prior period adjustment	(175,910,185)	-	-100.00%
Beginning net position, as restated	(198,048,369)	(113,083,773)	-42.90%
Ending net position	(113,083,773)	(102,025,266)	-9.78%

Property tax revenues are the single largest source of general income for the district. Property values continue to increase with 10.5% in growth for 2018 and 9.4% growth in 2019. Construction of new homes in the District's 51 square miles is now moderating after several years of rampant growth. Values rose significantly in 2018-19, but at a lesser rate than in the previous year. The housing market has remained strong in North Texas for several years even with property taxes consistently rising. However, there are signs that growth may now be slowing. The following graphs depict the District's sources of revenue for the years 2019 and 2018 as a percentage of total revenues.

Table A-3

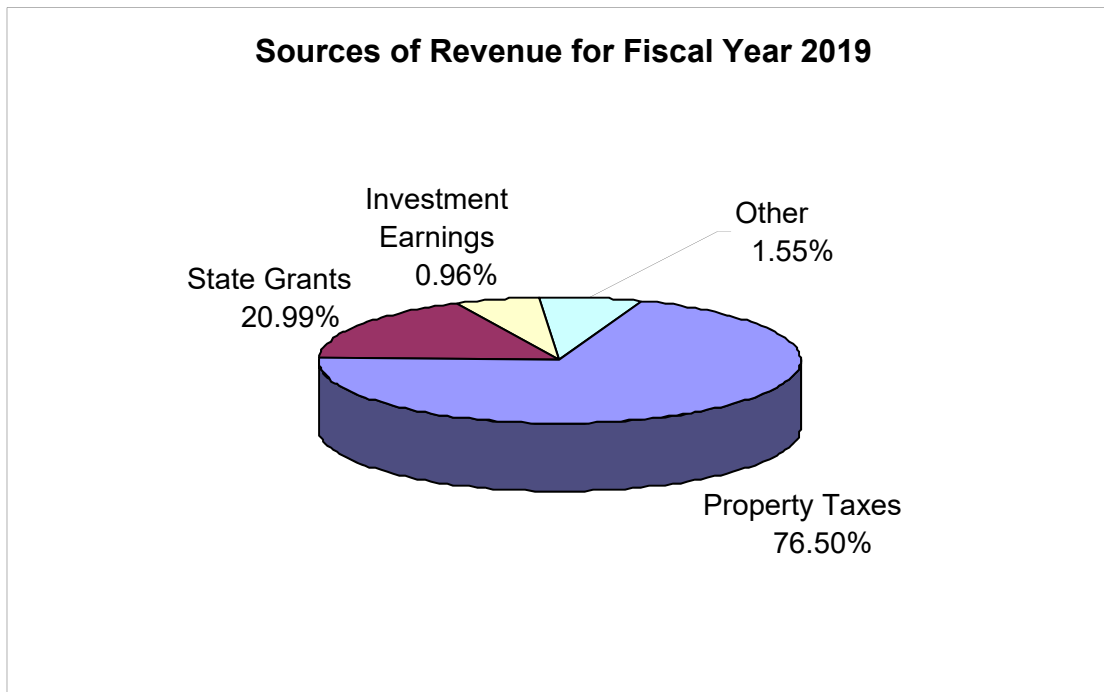


Table A-4

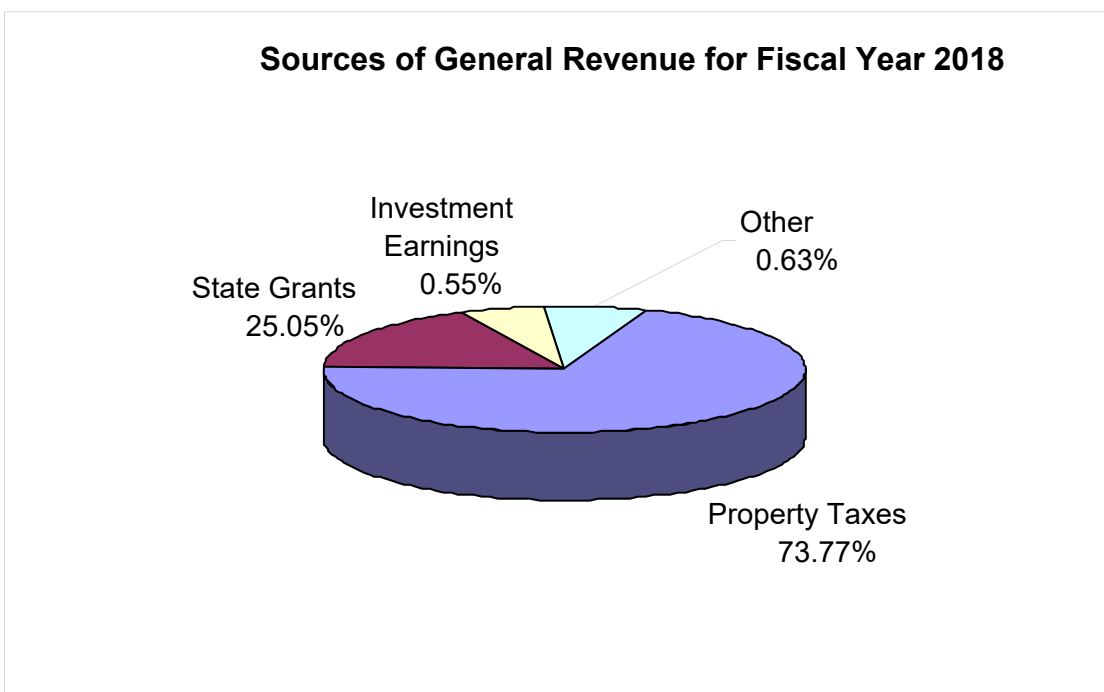


Table A-5 represents the cost of the District's largest programs as well as each program's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. The cost of all *governmental* activities this year was \$414,645,911.

**Table A-5
Costs of Services**

Major Function	Total Cost of Services			Net Cost of Services		
	2018	2019	Percent Change 2018 to 2019	2018	2019	Percent Change 2018 to 2019
Instruction, curriculum, and media services	\$ 140,851,542	\$ 245,576,449	74.35%	\$ 144,342,782	\$ 220,079,378	52.47%
Instructional and school leadership	13,329,442	26,820,117	101.21%	13,022,285	24,686,386	89.57%
Student support services, food service, and extra/co-curricular activities	36,364,313	62,574,861	72.08%	42,573,313	24,525,650	-42.39%
General administration	4,890,980	8,763,316	79.17%	4,846,875	8,014,428	65.35%
Plant maintenance, security and data processing	27,767,851	37,501,520	35.05%	26,566,265	33,773,406	27.13%
Community services	900,050	1,938,405	115.37%	980,034	1,625,439	65.86%
Debt service	24,748,166	29,779,733	20.33%	23,102,965	28,356,913	22.74%
Shared services agreement	241,570	299,964	24.17%	151,115	181,194	19.90%
Non-operating expenses	4,219,846	1,391,546	-67.02%	4,067,933	1,305,674	-67.90%
Total expenses	\$ 253,313,760	\$ 414,645,911	63.69%	\$ 259,653,567	\$ 342,548,468	31.93%

Total net expenses increased by 31.93% in 2018 from the previous year. The Student Support Services, Food Service, and Extra Co-Curricular Activities category decreased because of increased participation federal reimbursements in the School Lunch Program. Non-operating expenses decreased because the final payment of a Tax Increment Reinvestment Zone agreement was made in the prior year. All other expenses increased because only ten months of expenses were included in the 2017-18 fiscal year, as opposed to twelve months in the 2018-19 year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$162,155,789, a decrease from the previous year of (\$74,318) or (0.045)%. This decrease occurred mostly in the Debt Service and Capital Project funds and was caused by a combination of the expenditure of bond funds and the reduction of the Interest and Sinking tax rate from \$0.48 to \$0.34. The total General Fund balance increased by \$10.4 million, or 16.8%, from the previous year. This increase was partly due to the increase of the Maintenance and Operations tax rate to \$1.17 from \$1.04, and partly due to managed spending.

The fund balance of the Federally Funded Grant Fund increased in 2019 by \$877,123, or 28.33%. The increase occurred in the Child Nutrition fund and was attributable to an increased participation in food service activities outside of the National School Lunch program.

The fund balance of the Debt Service Fund decreased by (\$7.3) million, or (8.89%). Prior to the 2018-19 fiscal year, the Keller ISD voters passed a Tax Ratification Election increasing the Maintenance and Operations property tax rate by 13 cents while reducing the Interest and Sinking tax rate by 14 cents. This decrease led to an increase in fund balance for the general fund, and a decrease in the Debt Service fund balance.

The Capital Projects fund balance decreased by (\$2.95) million, or (31.78%), as a result of bringing the 2014 bond program to completion. All projects were completed by June 30, 2019. The State Funded Grant Fund balance decreased by (1.47 million) , or (173.46)%, due to a higher level of spending in the Instructional Material Allotment fund while awaiting reimbursement, and the Local Funds balance increased by \$364,050, or 7.56%, which was caused by both increased funding of the local Hudson Grant and deposits to the Campus Activity Fund.

The general fund balance has an unassigned fund balance of \$17,004,876. 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 (\$253,626) and deferred expenditures (\$931,711). Non-spendable fund balance in all other funds consists of inventory and prepaid items in the Federally Funded Grant Fund (Child Nutrition) of (\$51,119) and (4,587), and of prepaid items – (\$6,089) in the Debt Service fund, (\$518,320) in the State Funded Grant fund and (\$79,176) in the Local funds. Fund balance is restricted to pay debt service (\$74,931,136), for the capital acquisition program (\$6,337,514), and for food service (\$3,927,154). Grant funds are restricted in the Local Funds (\$373,694) and in the State Funded Grant Funds (-1,143,383). Commitments of fund balance include (\$4,726,580) in Local Funds for campus activity funds. Assignments of fund balance in the general fund are (\$54,163,590) and are for budgetary contingencies as per Board policy.

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 \$17,004,876, while the total fund balance was \$72,353,803. 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 5.73% of the total general fund expenditures, while total fund balance represents 24.38% 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 budgeted expenditures be assigned within fund balance for budgetary contingencies. This amount at 6/30/19 was \$54,163,590 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 increased by \$10,416,204, compared to an increase in the prior year of \$14,046,766. With a healthy general fund balance and a strong economic outlook, the Board of Trustees had, in some past years, approved deficit budgets to restore some of the budget reductions made in prior years due to the recession, fund new initiatives, and provide minimal pay increases for all district employees. KISD adopted deficit budgets for both 2016 and 2017 in the amount of (\$9,047,586) and (\$5,656,326) respectively. However, for 2018-19, the Board of Trustees adopted a balanced budget with an estimated surplus of \$479,074.

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 in the course of the budget year to the Board of Trustees for approval. These amendments are presented when a functional expenditure 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).

1. *Variances of original expenditure budget compared to amended budget.* The amended expenditure budget increased \$11,950,219 from the original budget. Major budget amendments contributing to this increase include (1) \$8.93 million for TRS on Behalf, (2) \$733,364 for additional Special Education staff, and (3) \$600,000 for student transportation.
2. *Variances of amended budget to actual expenditures.* Variations of amended budget to actual expenditures were minimal in 2018-19, with an overall variation of 2.44%. The largest variance was 11.73% in the Social Services function. A position was initially budgeted in the general fund for this function but was later changed to a grant. The next highest variations between amended budget and actual expenditures were 9.5% in function 61 (Community Services) and 8.71% in function 13 (Curriculum and Instructional Development). Coordinator positions at KCAL (Keller Center for Advanced Learning) remained vacant during most of the year and contributed to the variance in function 13. Position vacancies and turnover in the KEEP program (Keller Early Enrichment Program) caused the variance in function 61. Variances in all other functions were less than 9%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018 the District had invested approximately \$710 million in a broad range of capital assets, including land, equipment, and buildings. (See Table A-6) This amount represents a net decrease of (\$20.1) million or (2.75%) percent from the prior year.

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

	Governmental Activities		Percentage Change 2018 to 2019
	2018	2019	
Land	\$ 47,930,755	48,175,458	0.51%
Buildings and improvements	910,217,770	910,456,971	0.03%
Furniture and equipment	35,461,270	37,187,496	4.87%
Construction in progress	5,278,725	5,426,522	2.80%
Total Assets	998,888,520	1,001,246,447	0.24%
Less: accumulated depreciation	(268,511,676)	(290,968,767)	8.36%
Net Capital Assets	\$ 730,376,844	710,277,680	-2.75%

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

Long-Term Debt

As of June 30, 2019, the District had total bonded debt outstanding of \$666,492,847, a decrease of \$37,170,675, or 5.28%, from the previous year. The District also had accreted interest of \$15,225,129, a decrease of (\$4,306,791), or (22.05%), from the previous year.

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

	Governmental Activities		Percentage Change
	2018	2019	2018 to 2019
Bonds and Notes Payable			
General Obligations Bonds	\$ 703,663,522	\$ 666,492,847	-5.28%
Premium on bonds	96,056,652	91,841,866	-4.39%
Accreted interest	19,531,920	15,225,129	-22.05%
Total Bonds and Notes Payable	819,252,094	773,559,842	-5.58%
Other Liabilities			
Compensated Absences	811,458	842,555	3.83%
Net Pension Liability	63,258,197	103,082,683	62.96%
Claims Payable	3,674,569	3,585,570	-2.42%
OPEB Liability	100,429,849	119,179,245	18.67%
Total Other Liabilities	168,174,073	226,690,053	34.79%
Total Long-Term Debt	\$ 987,426,167	\$ 1,000,249,895	1.30%

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.

Additional 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 in 2019-2020 are budgeted to increase from 2018-2019 actual revenues by approximately \$11.6 million, or 3.79%. However, the effect of TRS on Behalf revenue of \$8.9 million is included in the 2018-19 amended budget and actual revenues but is not included in the 2019-20 adopted budget. If these expenses are removed from the equation, 2019-20 revenues are budgeted to increase from 2018-19 by approximately \$20.5, or 6.9 %.

In May 2019 the 86th Texas Legislature passed House Bill 3, which in their words was a “sweeping and historic school finance bill”. The bill was presented as providing more money for Texas classrooms, increasing teacher compensation, reducing recapture and cutting local property taxes for Texas taxpayers. The basic allotment for students was increased, as well as the weights for special education, compensatory education, bi-lingual programs and career and technology programs. Allotments were added for dyslexia, early education and school safety. Other allotments were eliminated, such as the high school allotment and the gifted and talented allotment (although districts were still required to provide this program). And perhaps most significantly, the district’s maintenance and operation property tax rate was compressed by the state from \$1.17 to \$1.0683.

In the end, the district received approximately an additional \$20 million of revenue from these changes. However, the additional revenue came with strings attached as districts were required to spend a certain percentage of their increased revenue for teacher raises and were required to provide full-day pre-kindergarten for all eligible four-year-old children in the district. The provisions and requirements of the bill became effective on 9/1/19.

The total General Fund expenditure budget for 2019-20 is \$318,609,350. This is an increase of \$21.8 million or 7.36% from actual 2018-19 expenditures. After removing the effects of TRS on Behalf expenses, the increase is actually \$32 million, or 11.19%. State mandated teacher raises were one cause of the increase in expenditures. The raises included not only teachers, but librarians, counselors and diagnosticians. Pay increases were budgeted for other district staff as well, but at a lower rate. State increases to various program allotments such as special education, compensatory education, career and technology and bi-lingual programs, dyslexia, and early education required that budgeted expenditures for these programs be included in the budget.

Significant amounts budgeted for 2019-20 are:

Additional regular and special education teaching positions/stipends	\$ 1,654,460
Pay increases for all staff, including required teacher raises	10,131,269
Increase in property/casualty insurance premiums	350,000
Increase in transportation costs for new routes to career/tech center	1,000,000
Increase in early education expenditures	2,166,472
Increase in career and technology expenditures	1,910,958
	\$17,213,159

The recognized sign of fiscal health for a school district is an appropriate 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. These funds are then assigned within fund balance to be used at the discretion of the Board of Trustees. 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.

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Basic Financial Statements

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Keller Independent School District
Statement of Net Position
June 30, 2019

Exhibit A-1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
ASSETS		
1110	Cash and temporary investments	\$ 142,236,957
1220	Property taxes receivable (delinquent)	5,243,010
1230	Allowance for uncollectible taxes	(524,301)
1240	Due from other governments	21,295,501
1290	Other receivables	819,936
1300	Inventories, at cost	304,745
1410	Prepaid items	1,568,595
	Capital assets:	
1510	Land	48,175,458
1520	Buildings and improvements, net	644,638,911
1530	Furniture and equipment, net	12,036,789
1580	Construction in progress	5,426,522
1810	Restricted cash	504,000
1910	Long-term investments	4,000,000
	Total assets	<u>885,726,123</u>
DEFERRED OUTFLOW OF RESOURCES		
1700	Deferred loss on refunding	31,504,170
1705	Deferred outflows - pension	54,838,272
1705	Deferred outflows - OPEB	14,101,747
	Total deferred outflows of resources	<u>100,444,189</u>
LIABILITIES		
2110	Accounts payable	2,807,981
2140	Interest payable	20,279,420
2150	Payroll deductions and withholdings payable	2,365,639
2160	Accrued wages payable	15,404,625
2180	Due to other governments	451
2210	Accrued expenses	456,512
2300	Unearned revenues	129,859
	Noncurrent liabilities:	
2501	Due within one year	33,362,095
2502	Due in more than one year	744,625,872
2540	Net pension liability	103,082,683
2545	NET OPEB liability	119,179,245
	Total liabilities	<u>1,041,694,382</u>
DEFERRED INFLOW OF RESOURCES		
2605	Deferred inflows - pension	8,813,848
2606	Deferred inflows - OPEB	37,687,348
	Total deferred inflows of resources	<u>46,501,196</u>
NET POSITION		
3200	Net investment in capital assets	(10,215,349)
3820	Restricted for grants and Food Service	3,147,465
3850	Restricted for debt service	55,850,447
3890	Restricted for employee health claims	504,000
3900	Unrestricted net position	(151,311,829)
	Total net position	<u>\$ (102,025,266)</u>

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

Keller Independent School District
Statement of Activities
Year Ended June 30, 2019

Exhibit B-1

Data Control Codes	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants & Contributions	Governmental Activities	
PRIMARY GOVERNMENT					
Governmental activities:					
0011	Instruction	\$ 233,124,013	\$ 7,293,084	\$ 15,751,953	\$ (210,078,976)
0012	Instructional resources and media services	4,734,290	127,277	513,773	(4,093,240)
0013	Curriculum and instructional staff development	7,718,146	186,182	1,624,802	(5,907,162)
0021	Instructional leadership	4,359,489	132,113	241,751	(3,985,625)
0023	School leadership	22,460,628	645,250	1,114,617	(20,700,761)
0031	Guidance, counseling, and evaluation services	18,435,694	452,917	3,468,810	(14,513,967)
0032	Social services	229,167	6,662	17,311	(205,194)
0033	Health services	5,483,065	119,051	182,439	(5,181,575)
0034	Student (pupil) services	10,331,746	348,373	652,746	(9,330,627)
0035	Food services	14,953,331	8,038,028	21,818,337	14,903,034
0036	Cocurricular/extracurricular activities	13,141,858	938,176	2,006,361	(10,197,321)
0041	General administration	8,763,316	251,149	497,739	(8,014,428)
0051	Plant maintenance and operations	29,299,421	1,576,384	1,374,348	(26,348,689)
0052	Security and monitoring services	3,354,580	95,639	294,471	(2,964,470)
0053	Data processing services	4,847,519	154,803	232,469	(4,460,247)
0061	Community services	1,938,405	47,139	265,827	(1,625,439)
0072	Debt service - interest on long term debt	29,779,733	-	1,422,820	(28,356,913)
0093	Shared services agreement	299,964	6,052	112,718	(181,194)
0095	Juvenile Justice Alternative Education Program	10,062	342	279	(9,441)
0099	Other governmental charges	1,381,484	46,961	38,290	(1,296,233)
[TP]	TOTAL PRIMARY GOVERNMENT	<u>\$ 414,645,911</u>	<u>\$ 20,465,582</u>	<u>\$ 51,631,861</u>	<u>\$ (342,548,468)</u>
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				\$ 209,616,823
DT	Property taxes, levied for debt service				60,903,936
SF	State grants, unrestricted				74,207,101
IE	Investment earnings				3,393,048
MI	Miscellaneous local and intermediate				5,486,067
TR	Total general revenues				<u>353,606,975</u>
CN	Change in net position				11,058,507
NB	Net position - beginning				<u>(113,083,773)</u>
NE	NET POSITION - ENDING				<u><u>\$ (102,025,266)</u></u>

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

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Keller Independent School District

Balance Sheet

Governmental Funds

June 30, 2019

Data Control Codes		10 General Fund	20 Federally Funded Grant Fund
	ASSETS		
1110	Cash and temporary investments	\$ 48,470,326	\$ 3,872,011
1220	Property taxes - delinquent	3,917,852	-
1230	Allowance for uncollectible taxes	(391,785)	-
1240	Due from other governments	18,535,686	2,723,865
1260	Due from other funds	18,458,316	-
1290	Other receivables	216,575	384,200
1300	Inventories, at cost	253,626	51,119
1410	Prepaid items	931,711	33,299
1910	Long-term investments	4,000,000	-
1000	Total assets	94,392,307	7,064,494
1700	DEFERRED OUTFLOWS OF RESOURCES	-	-
1000A	TOTAL ASSETS	\$ 94,392,307	\$ 7,064,494
	LIABILITIES		
2110	Accounts payable	\$ 1,925,384	\$ 116,124
2150	Payroll deduction and withholdings payable	2,365,639	-
2160	Accrued wages payable	14,678,144	699,683
2170	Due to other funds	912,168	2,224,708
2180	Due to other governments	-	-
2210	Accrued expenditures	220,140	-
2300	Unearned revenue	240	51,119
2000	Total liabilities	20,101,715	3,091,634
	DEFERRED INFLOWS OF RESOURCES		
2600	Deferred property taxes	1,936,789	-
	FUND BALANCES		
	Nonspendable:		
3410	Investments in inventory	253,626	51,119
3430	Prepaid items	931,711	4,587
	Restricted for:		
3480	Retirement of long term debt	-	-
3470	Capital acquisition program	-	-
3450	Food service	-	3,917,154
3450	Grant funds	-	-
	Committed for:		
3545	Campus activity fund	-	-
	Assigned for:		
3590	Other purposes	54,163,590	-
	Unassigned:		
3600	Reported in general fund	17,004,876	-
3000	Total fund balances	72,353,803	3,972,860
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 94,392,307	\$ 7,064,494

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

50 Debt Service Fund	60 Capital Projects Fund	30-42 State Funded Grant Funds	46-48 Local Funds	Total Governmental Funds
\$ 73,604,084	\$ 6,953,319	\$ 1,332,406	\$ 5,286,995	\$ 139,519,141
1,325,158	-	-	-	5,243,010
(132,516)	-	-	-	(524,301)
-	-	35,950	-	21,295,501
912,168	-	-	-	19,370,484
-	148,791	-	33,158	782,724
-	-	-	-	304,745
6,089	-	518,320	79,176	1,568,595
-	-	-	-	4,000,000
<u>75,714,983</u>	<u>7,102,110</u>	<u>1,886,676</u>	<u>5,399,329</u>	<u>191,559,899</u>
-	-	-	-	-
<u>\$ 75,714,983</u>	<u>\$ 7,102,110</u>	<u>\$ 1,886,676</u>	<u>\$ 5,399,329</u>	<u>\$ 191,559,899</u>
\$ -	\$ 622,405	\$ 899	\$ 124,940	\$ 2,789,752
-	-	-	-	2,365,639
-	-	12,103	14,695	15,404,625
-	-	2,498,737	-	5,635,613
-	-	-	451	451
4,697	142,191	-	1,293	368,321
-	-	-	78,500	129,859
<u>4,697</u>	<u>764,596</u>	<u>2,511,739</u>	<u>219,879</u>	<u>26,694,260</u>
773,061	-	-	-	2,709,850
-	-	-	-	304,745
6,089	-	518,320	79,176	1,539,883
74,931,136	-	-	-	74,931,136
-	6,337,514	-	-	6,337,514
-	-	-	-	3,917,154
-	-	(1,143,383)	373,694	(769,689)
-	-	-	4,726,580	4,726,580
-	-	-	-	54,163,590
-	-	-	-	17,004,876
<u>74,937,225</u>	<u>6,337,514</u>	<u>(625,063)</u>	<u>5,179,450</u>	<u>162,155,789</u>
<u>\$ 75,714,983</u>	<u>\$ 7,102,110</u>	<u>\$ 1,886,676</u>	<u>\$ 5,399,329</u>	<u>\$ 191,559,899</u>

Keller Independent School District
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 Year Ended June 30, 2019

Exhibit C-2

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 162,155,789
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 decrease net position.	(14,167,833)
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	1,001,246,447
Accumulated depreciation has not been recorded in the fund financial statements.	(290,968,767)
Bonds payable have not been included in the fund financial statements.	(666,492,847)
Net pension liability is not reported in the fund financial statements.	(103,082,683)
Net OPEB liability is not reported in the fund financial statements.	(119,179,245)
Accreted interest on capital appreciation bonds is not capitalized in the fund financial statements.	(15,225,129)
Premiums on the issuance of bonds are not capitalized in the fund financial statements.	(91,841,866)
Deferred loss on bond refunding has not been reflected in the fund financial statements.	31,504,170
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.	2,709,850
Deferred outflows of resources for pension related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements.	54,838,272
Deferred inflows of resources for pension related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements.	(8,813,848)
Deferred outflows of resources for OPEB related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements.	14,101,747
Deferred inflows of resources for OPEB related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements.	(37,687,348)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(842,555)
Interest is accrued on outstanding debt in the government-wide financial statements whereas in the fund financial statements interest expenditures are reported when due.	(20,279,420)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ (102,025,266)</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 June 30, 2019

Data Control Codes		10 General Fund	20 Federally Funded Grant Fund
REVENUES			
5700	Total local and intermediate sources	\$ 214,782,073	\$ 7,830,078
5800	State program revenues	84,241,911	614,301
5900	Federal program revenues	8,147,986	15,010,285
5020	Total revenues	307,171,970	23,454,664
EXPENDITURES			
Current:			
0011	Instruction	185,441,817	2,626,161
0012	Instructional resources and media services	3,734,705	4,889
0013	Curriculum and instructional staff development	4,421,642	1,772,075
0021	Instructional leadership	3,864,107	36,982
0023	School leadership	18,968,985	11,605
0031	Guidance, counseling and evaluation services	11,197,060	3,568,029
0032	Social work services	190,773	8,741
0033	Health services	3,500,307	3,158
0034	Student (pupil) transportation	10,132,199	195,649
0035	Food services	2,123	13,807,638
0036	Cocurricular/extracurricular activities	9,921,125	-
0041	General administration	7,358,863	-
0051	Facilities maintenance and operations	26,546,081	-
0052	Security and monitoring services	2,781,532	49,710
0053	Data processing services	4,553,142	-
0061	Community services	1,205,872	187,334
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	1,543,887	5,606
Intergovernmental:			
0093	Shared services agreement	-	299,964
0095	Juvenile Justice Alternative Education Program	10,062	-
0097	Payments to tax increment fund	-	-
0099	Other governmental charges	1,381,484	-
6030	Total expenditures	296,755,766	22,577,541
1100	Excess (deficiency) of revenues over (under) expenditures	10,416,204	877,123
OTHER FINANCING SOURCES (USES)			
7911	Issuance of refunding debt	-	-
7916	Premium or discount on issuance of bonds	-	-
8949	Payment to refunded bond escrow agent	-	-
	Total other financing sources (uses)	-	-
1200	Net change in fund balance	10,416,204	877,123
0100	Fund balance - September 1 (beginning)	61,937,599	3,095,737
3000	FUND BALANCE - JUNE 30 (ENDING)	\$ 72,353,803	\$ 3,972,860

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

Exhibit C-3

50 Debt Service Fund	60 Capital Project Fund	30-42 State Funded Grant Funds	46-48 Local Funds	Total Governmental Funds
\$ 62,570,049	\$ 312,141	\$ -	\$ 5,730,548	\$ 291,224,889
1,422,820	5,115	2,569,329	4,612	88,858,088
-	-	-	-	23,158,271
63,992,869	317,256	2,569,329	5,735,160	403,241,248
-	520,219	3,892,827	1,806,357	194,287,381
-	-	-	407,982	4,147,576
-	-	115,235	104,776	6,413,728
-	-	-	24,072	3,925,161
-	50,090	-	176,218	19,206,898
-	-	14,731	530,570	15,310,390
-	-	-	1,940	201,454
-	-	-	1,964	3,505,429
-	-	-	-	10,327,848
-	-	-	-	13,809,761
-	14,900	599	1,913,341	11,849,965
-	441,694	-	155,711	7,956,268
-	1,435,662	-	24,236	28,005,979
-	-	-	150,639	2,981,881
-	13,154	-	-	4,566,296
-	-	21,875	73,304	1,488,385
-	-	-	-	-
29,285,675	-	-	-	29,285,675
36,999,678	-	-	-	36,999,678
239,293	-	-	-	239,293
-	794,255	-	-	2,343,748
-	-	-	-	299,964
-	-	-	-	10,062
-	-	-	-	-
-	-	-	-	1,381,484
66,524,646	3,269,974	4,045,267	5,371,110	398,544,304
(2,531,777)	(2,952,718)	(1,475,938)	364,050	4,696,944
14,280,000	-	-	-	14,280,000
3,512,595	-	-	-	3,512,595
(22,563,857)	-	-	-	(22,563,857)
(4,771,262)	-	-	-	(4,771,262)
(7,303,039)	(2,952,718)	(1,475,938)	364,050	(74,318)
82,240,264	9,290,232	850,875	4,815,400	162,230,107
\$ 74,937,225	\$ 6,337,514	\$ (625,063)	\$ 5,179,450	\$ 162,155,789

Keller Independent School District
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 Year Ended June 30, 2019

Exhibit C-4

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$ (74,318)
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.	(811,933)
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 2019 capital outlays is to increase net position.	2,571,826
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.	(22,656,499)
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.	(14,491)
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.	29,285,675
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.	(14,280,000)
Current year payments to bond refunding escrow agent are shown as other uses in the fund financial statements but are shown as reductions in long term debt in the government-wide financial statements.	22,165,000
Current year change in accretion on capital appreciation bonds is not recorded in the fund financial statements, but is shown as a decrease in the accreted interest on the government-wide financial statements.	4,306,791
Premiums associated with bonds payable are reported as revenue on the fund financial statements when bonds are issued. Amounts are reported net of amortization on the government-wide financial statements.	(3,268,437)
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.	7,483,223
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.	(2,995,506)
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 a decrease to net position.	(7,410,138)
Changes in the net OPEB 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 a decrease to net position.	(1,610,955)
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.	(420,063)
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.	(31,097)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(1,429,022)
Current year deferred loss on refunding associated with bonds payable is reported net of amortization on the government-wide financial statements.	248,451
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 11,058,507

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

Keller Independent School District

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Year Ended June 30, 2019

Exhibit D-2

	<u>Governmental</u>
	<u>Internal</u>
	<u>Service</u>
	<u>Funds</u>
OPERATING REVENUES	
Local and intermediate sources	\$ 21,503,936
Total operating revenues	<u>21,503,936</u>
OPERATING EXPENSES	
Payroll costs	58,258
Professional and contracted services	2,550,991
Supplies	-
Claim settlement costs	19,764,442
Total operating expenses	<u>22,373,691</u>
Operating loss	(869,755)
NONOPERATING REVENUES	
State on-behalf revenue	2,315
Earnings from temporary deposits and investments	55,507
Total nonoperating revenues	<u>57,822</u>
Change in net position	(811,933)
Net position - September 1 (beginning)	<u>(13,355,900)</u>
TOTAL NET POSITION - JUNE 30 (ENDING)	<u><u>\$ (14,167,833)</u></u>

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

Keller Independent School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

Exhibit D-3

	<u>Governmental</u>
	<u>Internal</u>
	<u>Service</u>
	<u>Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 21,503,936
Cash payments to employees for services	(55,943)
Cash payments for insurance claims	(20,569,123)
	<hr/>
Net cash provided by operating activities	878,870
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	55,507
	<hr/>
Net cash provided by investing activities	55,507
	<hr/>
Net change in cash and cash equivalents	934,377
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 2,287,439
	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR,	 \$ 3,221,816
	<hr/> <hr/>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	(869,755)
Adjustments to reconcile operating loss to net cash used in operating activities:	
State on-behalf revenue	2,315
Change in assets and liabilities:	
Increase in accounts receivable	(25,670)
Decrease in accounts and claims payable	(84,866)
Increase in due to other funds	1,862,284
Decrease in accrued expenditures	(5,438)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	 \$ 878,870
	<hr/> <hr/>

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

Keller Independent School District
Statement of Assets and Liabilities
Fiduciary Fund
June 30, 2019

Exhibit E-1

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,050,372
Accounts receivable	5,327
Total assets	<u>\$ 1,055,699</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 52,273
Due to other governments	282
Due to student groups	1,003,144
Total liabilities	<u>\$ 1,055,699</u>

Keller Independent School District

Notes to 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 accounting principles generally accepted in the United States of America (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified by 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. 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. The District reports information on all of the District's non-fiduciary activities with most of the interfund activities removed. Net position is segregated into net investment 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 sources and other uses on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances 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.

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.

Keller Independent School District

Notes to Financial Statements

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/expenses 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 period 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, deferred outflows, current liabilities, deferred inflows and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, 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 most revenues available if they are collected within 60 days after period 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.

Keller Independent School District

Notes to Financial Statements

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 balance/net position, revenues and expenditures/expenses. 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.

The District reports the following major governmental funds:

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

The District also reported the following fund types:

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 Service Funds are a Worker's Compensation and Health Insurance fund.

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.

Keller Independent School District

Notes to Financial Statements

F. 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 June 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 June 30. 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 rolls outstanding encumbrances to the subsequent year and, for the most part, must be accommodated within the budget of the following year.

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

G. 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.

H. Investments

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.

Keller Independent School District

Notes to Financial Statements

External investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or Net Asset Value (NAV).

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The non-TRS pension trust fund investment is a fixed annuity contract and is reported at contract value (a cost-based measure).

I. 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.

J. 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.

K. 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.

L. 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 revenue from the Foundation School Program 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 June 30, 2019 will change.

M. Unearned revenue

Amounts reported as unearned revenue include funds received in advance of grant expenditures and amounts not yet earned on entitlements.

Keller Independent School District

Notes to Financial Statements

O. Property Taxes

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

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

The 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 \$1,936,789 and \$773,061 in the General Fund and Debt Service Fund, respectively.

P. 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 acquisition value at the date of donation.

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

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

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

Q. 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 Financial Statements

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.

R. 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 June 30, 2019 were the result of these types of reimbursements and are expected to be repaid within one year.
- Transfers in and out, as appropriate, which are shown as other financing sources or uses in the fund financial statements. There were no transfers during the year ended June 30, 2019.

S. 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.

T. 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 the item is actually used or consumed.

U. 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.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions after the measurement date are recognized in the subsequent year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

Keller Independent School District

Notes to Financial Statements

V. 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.

Note 2. Bonded Debt Payable

Bonded debt payable as of June 30, 2019 is as follows:

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 7/1/2018	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 6/30/2019
Unlimited Tax School Building and Refunding Bonds Series 1996A							
Final maturity 2022	3.60-5.90	\$ 59,539,931	\$ 8,567,245	\$ -	\$ -	\$ 2,331,113	\$ 6,236,132
Unlimited Tax School Building and Refunding Bonds Series 1997A							
Final maturity 2027	3.85-6.00	29,698,013	4,019,995	-	-	585,000	3,434,995
Unlimited Tax School Refunding Bonds Series 2006							
Final maturity 2029	4.00-5.00	89,844,973	1,839,973	-	-	-	1,839,973
Unlimited Tax School Building Bonds Series 2009							
Final maturity 2035	4.39-5.50	142,299,951	2,835,000	-	-	2,835,000	-
Unlimited Tax Refunding Bonds Series 2009							
Final maturity 2023	3.00-4.625	11,199,999	3,030,000	-	-	3,030,000	-
Unlimited Tax Refunding Bonds Series 2009A							
Final maturity 2032	3.50-4.50	22,419,992	22,331,857	-	22,165,000	8,703	158,154
Unlimited Tax Refunding Bonds Series 2010							
Final maturity 2030	2.00-4.125	8,389,999	6,535,000	-	-	265,000	6,270,000
Unlimited Tax Refunding Bonds Series 2011							
Final maturity 2029	2.00-4.00	9,370,000	6,460,000	-	-	685,000	5,775,000

Keller Independent School District

Notes to Financial Statements

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 7/1/2018	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 6/30/2019
Unlimited Tax Refunding Bonds Series 2012 Final maturity 2032	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	4,305,000	-	-	30,000	4,275,000
Unlimited Tax Refunding Bonds Series 2013 Final maturity 2031	1.50-5.00	81,080,000	78,015,000	-	-	2,800,000	75,215,000
Unlimited Tax Refunding Bonds Series 2014 Final maturity 2025	2.46	43,350,000	33,330,000	-	-	5,975,000	27,355,000
Unlimited Tax Refunding Bonds Series 2014A Final maturity 2029	2.00-5.00	56,565,000	56,165,000	-	-	3,530,000	52,635,000
Unlimited Tax Building Bonds Series 2015 Final maturity 2041	1.00-5.00	153,875,000	137,665,000	-	-	6,135,000	131,530,000
Unlimited Tax Refunding Bonds Series 2015 Final maturity 2033	2.00-5.00	98,675,000	96,235,000	-	-	485,000	95,750,000
Unlimited Tax Refunding Bonds Series 2015A Final maturity 2035	4.00-5.00	116,577,588	114,809,452	-	-	859	114,808,593
Unlimited Tax Refunding Bonds Series 2016A Final maturity 2032	2.00-5.00	70,915,000	69,680,000	-	-	-	69,680,000
Unlimited Tax Refunding Bonds Series 2016B Final maturity 2032	2.00-3.00	56,020,000	55,130,000	-	-	590,000	54,540,000
Unlimited Tax Refunding Bonds Series 2019 Final maturity 2031	2.00-5.00	14,280,000	-	14,280,000	-	-	14,280,000
Total bonded debt payable		\$ 1,071,150,444	\$ 703,663,522	\$ 14,280,000	\$ 22,165,000	\$ 29,285,675	\$ 666,492,847

Keller Independent School District

Notes to Financial Statements

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

Due Fiscal Year Ending June 30	Principal	Interest	Total
2020	\$ 16,916,120	\$ 42,489,355	\$ 59,405,475
2021	23,677,656	35,197,234	58,874,890
2022	25,059,071	34,314,183	59,373,254
2023	33,340,000	26,491,235	59,831,235
2024	35,460,000	25,012,765	60,472,765
2025-2029	194,900,000	99,196,876	294,096,876
2030-2034	206,220,000	50,610,925	256,830,925
2035-2039	85,710,000	19,961,850	105,671,850
2040-2042	45,210,000	1,826,200	47,036,200
	\$ 666,492,847	\$ 335,100,623	\$ 1,001,593,470

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

On June 18, 2019, the District issued \$14,280,000 in Unlimited Tax Refunding Bonds with interest rates between 2.00% and 5.00% to refund \$22,165,000 of Series 2009A Bonds with original maturities between 2021 and 2031 and interest rates between 3.75% and 4.50%. The refunding was undertaken to reduce the District's total debt service payments over the next 11 years by \$5,384,339 and to obtain an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$3,816,405.

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, July 1, 2018	\$ 811,458
New entrants and salary increments	87,167
Payments to participants	(56,070)
Balance, June 30, 2019	\$ 842,555

Keller Independent School District
Notes to Financial Statements

Note 4. Changes in Long-term Liabilities

Long-term activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds:	\$ 703,663,522	\$ 14,280,000	\$ 51,450,675	\$ 666,492,847	\$ 16,916,120
Accreted interest	19,531,920	1,641,029	5,947,820	15,225,129	6,544,731
Premium on bonds	96,056,652	3,268,437	7,483,223	91,841,866	8,072,882
Compensated absences	811,458	87,167	56,070	842,555	35,577
Claims payable	3,674,569	16,022,205	16,111,204	3,585,570	1,792,785
Net pension liability	63,258,197	39,824,486		103,082,683	-
OPEB Liability	100,429,849	18,749,396	-	119,179,245	-
Total governmental activities long-term liabilities	<u>\$ 987,426,167</u>	<u>\$ 93,872,720</u>	<u>\$ 81,048,992</u>	<u>\$1,000,249,895</u>	<u>\$ 33,362,095</u>

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

Note 5. Capital Asset Activity

Capital asset activity for the District for the year ended June 30, 2019 was as follows:

Primary government:

	Balance 7/1/2018	Additions	Transfers	Deletions	Balance 6/30/2019
Capital assets, not being depreciated:					
Land	\$ 47,930,755	\$ 244,703	\$ -	\$ -	\$ 48,175,458
Construction in progress	5,278,725	147,797	-	-	5,426,522
Total capital assets, not being depreciated	53,209,480	392,500	-	-	53,601,980
Capital assets, being depreciated:					
Buildings and improvements	910,217,770	239,201	-	-	910,456,971
Furniture and equipment	35,461,270	1,940,125	-	(213,899)	37,187,496
Total capital assets, being depreciated	945,679,040	2,179,326	-	(213,899)	947,644,467
Less accumulated depreciation on:					
Buildings and improvements	247,081,773	18,736,287	-	-	265,818,060
Furniture and equipment	21,429,903	3,920,212	-	(199,408)	25,150,707
Accumulated depreciation	268,511,676	22,656,499	-	(199,408)	290,968,767
Total capital assets, being depreciated, net	677,167,364	(20,477,173)	-	(14,491)	656,675,700
Governmental activities capital assets, net	<u>\$ 730,376,844</u>	<u>\$ (20,084,673)</u>	<u>\$ -</u>	<u>\$ (14,491)</u>	<u>\$ 710,277,680</u>

Keller Independent School District

Notes to Financial Statements

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

Instruction	\$ 16,500,659
Instructional resources and media services	241,831
Curriculum and staff development	42,008
Instructional leadership	68,180
School leadership	781,829
Guidance, counseling and evaluation services	258,688
Social services	516
Health services	1,587,550
Student transportation	3,898
Food services	327,308
Co-curricular/extracurricular activities	808,949
General administration	70,153
Plant maintenance and operations	1,163,652
Security and monitoring services	300,932
Data processing services	189,119
Community services	311,227
	<hr/>
Total depreciation expense	<u>\$ 22,656,499</u>

Note 6. Deposits and Investments

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

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

Maximum Authorized Maximum Investment Type	Maximum Percentage Maturity	Investment of Portfolio	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	none	none
Guaranteed investment contracts	5 years	none	none
Public funds investment pool	n/a	none	none

Keller Independent School District

Notes to Financial Statements

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

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Primary government	\$	146,740,957
Fiduciary funds		<u>1,050,372</u>
	\$	<u><u>147,791,329</u></u>

Cash and investments as of June 30, 2019 consist of the following:

Cash and temporary investments	\$	143,791,329
Long term investments		<u>4,000,000</u>
	\$	<u><u>147,791,329</u></u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

As of June 30, 2019, 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 below 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

This is the risk of loss attributed to the magnitude of the District’s investment in a single issuer (i.e. lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer.

Keller Independent School District

Notes to Financial Statements

Custodial Credit Risk

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

The 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 collateralized 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
- b. Security pledged as of the date of the highest combined balance on deposit was \$19,662,886
- c. Largest cash, savings and time deposit combined account balance amounted to \$15,431,926 and occurred during the month of November 2018
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000.

Investment in State Investment Pools

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

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.

LOGIC is governed by a 6-member board and is an AAAM rated investment program tailored to the investment needs of local governments within the state of Texas. LOGIC assists governments across Texas to 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 Financial Statements

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.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The Texpool Prime and TexasCLASS investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool.

The LOGIC investment pool transacts at a net asset value of \$1.00 per share, has weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. LOGIC has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Investment Pools are measured at amortized cost or net asset value (NAV) and are exempt from fair value reporting and are, therefore, excluded from the fair value hierarchy.

U.S. government agency and municipal bonds are valued using pricing models maximizing the use of observable inputs for similar securities.

Keller Independent School District

Notes to Financial Statements

The District's fair value measurements, investment balances and weighted average maturity of such investments, excluding the non-TRS pension Trust Fund, are as follows:

	Investments						Credit Risk
	Value at June	Level 1	Level 2	Level 3	Percent of	Weighted	
	30, 2019	Inputs	Inputs	Inputs	Total	Average	
				Investments	(Days)		
Investments measured at amortized cost							
Investment pools							
TexPool Prime	\$ 600,166	n/a	n/a	n/a	0%	35	AAAm
TexasCLASS	142,416,043	n/a	n/a	n/a	95%	50	AAAm
Investments measured at net asset value (NAV)							
Investment pools							
LOGIC	3,139,129	n/a	n/a	n/a	1%	34	AAAm
Investments by fair value level							
FNMA	4,000,000	-	4,000,000	-	3%	394	AA+
Total	<u>\$ 150,155,338</u>	<u>\$ -</u>	<u>\$ 4,000,000</u>	<u>\$ -</u>	<u>99%</u>	<u>59.66</u>	

Note 7. Defined Benefit Pension Plan

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 https://www.trs.texas.gov/TRS%20Documents/cafr_2018.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

Keller Independent School District

Notes to Financial Statements

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 2014 thru 2017. The 85th Texas Legislature, General Appropriation Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. Rates for the plan are as follows:

	Contribution Rates	
	2018	2019
Member	7.7%	7.7%
Non-employer contributing entity (state)	6.8%	6.8%
Employers	6.8%	6.8%
<u>Employer #0767</u>	<u>2019</u>	
Employer contributions	\$ 6,446,184	
Member contributions	17,847,294	
NECE on-behalf contributions	10,033,216	

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, 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.

Keller Independent School District

Notes to Financial Statements

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

- 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.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	6.907%
Long term expected investment rate of return	7.25%
Municipal bond rate	3.69% *
Last year ending August 31 in projection period	2116
Inflation	2.30%
Salary increases including inflation	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

* Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA

The actuarial methods and assumptions are primarily based on a study of actual experience for the four-year period ending August 31, 2017 and adopted on July 27, 2018.

Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2018 are summarized below:

Keller Independent School District

Notes to Financial Statements

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, 2018 are summarized below:

Asset Class	Target Allocation*	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
Global equity			
U.S.	18.0%	5.70%	1.04%
Non-U.S. developed	13.0%	6.90%	0.90%
Emerging markets	9.0%	8.95%	0.80%
Directional hedge funds	4.0%	3.53%	0.14%
Private equity	13.0%	10.18%	1.32%
Stable value			
U.S. treasuries	11.0%	1.11%	0.12%
Absolute return	0.0%	0.00%	0.00%
Stable value hedge funds	4.0%	3.09%	0.12%
Cash	1.0%	-0.30%	0.00%
Real return			
Global inflation linked bonds	3.0%	70.00%	0.02%
Real assets	14.0%	5.21%	0.73%
Energy and natural resources	5.0%	7.48%	0.37%
Commodities	0.0%	0.00%	0.00%
Risk parity:			
Risk parity	5.0%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility drag **			-0.79%
Total	100%		7.25%

* Target allocations are based on the FY2016 policy model

** The expected contributions to returns incorporates the volatility drag resulting from the conversion from arithmetic to geometric mean returns

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability.

	1% decrease in discount rate (5.907%)	Discount rate (6.907%)	1% increase in discount rate (7.907%)
District's proportionate share of the net pension liability	\$ 155,576,487	\$ 103,082,683	\$ 60,585,835

Keller Independent School District

Notes to Financial Statements

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

At June 30, 2019, the District reported a liability of \$103,082,683 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	\$ 103,082,683
State's proportionate share that is associated with District	164,036,233
Total	<u>\$ 267,118,916</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 thru August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net pension liability was 0.18728%, a decrease of 0.0106% from its proportionate share of 0.19784% measured as of August 31, 2017.

Changes since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- 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.
- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$23,645,343 and revenue of \$16,235,215 for support provided by the State.

Keller Independent School District

Notes to Financial Statements

At June 30, 2019, 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	\$ 642,533	\$ 2,529,242
Changes in actuarial assumptions	37,166,272	1,161,447
Differences between projected and actual investment earnings	-	1,955,920
Changes in proportion and difference between the employer's contributions and the proportionate share of the contributions	10,583,283	3,167,239
Contributions paid to TRS subsequent to the measurement dates	6,446,184	-
	<u>\$ 54,838,272</u>	<u>\$ 8,813,848</u>

Contributions paid to TRS subsequent to the measurement dates will be recognized in 2020 and are reported as deferred outflows of resources in the amount of \$6,446,184. 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 June 30	Pension Expense Amount
2020	\$ 10,934,153
2021	6,818,066
2022	5,667,822
2023	6,504,813
2024	5,943,069
Thereafter	3,710,317
	<u>\$ 39,578,240</u>

Note 8. Defined Other Post-Employment Benefit Plan

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

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

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Keller Independent School District

Notes to Financial Statements

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3).

Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

	<u>Medicare</u>	<u>Non Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree* and children	468	408
Retiree and family	1,020	999

* or surviving spouse

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2018</u>	<u>2019</u>
Active employees	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.25%
Employers/District	0.75%	0.75%
Federal/private funding remitted by Employers	1.25%	1.25%

The contribution amounts for the District's fiscal period 2019 are as follows:

	<u>2019</u>
Employer #0767	
Employer contributions	\$ 1,524,911
Member contributions	1,439,841
NECE on-behalf contributions	2,521,572

Keller Independent School District

Notes to Financial Statements

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the fiscal year 2018-19 biennium to continue to support the program. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Expected payroll growth
Rates of disability incidence	

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Discount rate	3.69%*
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost
Projected salary increases	3.05% to 9.05%**
Healthcare trend rates	Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year trend increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.
Election rates	Normal retirement 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.

**Includes inflation at 2.30%

Keller Independent School District

Notes to Financial Statements

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2018.

Asset Class	Target Allocation*	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
Global equity			
U.S.	18.0%	5.70%	1.04%
Non-U.S. developed	13.0%	6.90%	0.90%
Emerging markets	9.0%	8.95%	0.80%
Directional hedge funds	4.0%	3.53%	0.14%
Private equity	13.0%	10.18%	1.32%
Stable value			
U.S. treasuries	11.0%	1.11%	0.12%
Absolute return	0.0%	0.00%	0.00%
Stable value hedge funds	4.0%	3.09%	0.12%
Cash	1.0%	-0.30%	0.00%
Real return			
Global inflation linked bonds	3.0%	70.00%	0.02%
Real assets	14.0%	5.21%	0.73%
Energy and natural resources	5.0%	7.48%	0.37%
Commodities	0.0%	0.00%	0.00%
Risk parity:			
Risk parity	5.0%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility drag **			-0.79%
Totals	100%		7.25%

* Target allocations are based on the FY2016 policy model

** The expected contributions to returns incorporates the volatility drag resulting from the conversion from arithmetic to geometric mean returns

Keller Independent School District

Notes to Financial Statements

Discount Rate Sensitivity Analysis The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease (2.69%)	Discount Rate (3.69%)	1% Increase (4.69%)
District's proportionate share of the net OPEB liability	\$ 141,864,249	\$ 119,179,245	\$ 101,233,945

Healthcare Cost Trend Rates The following schedule shows the impact of the Net OPEB Liability if the healthcare cost trend rate used was 1% less than and 1% greater than the discount rate that was used (8.5%) in measuring the Net OPEB Liability.

	1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
District's proportionate share of the net OPEB liability	\$ 98,980,304	\$ 119,179,245	\$ 145,781,688

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2019, the District reported a liability of \$119,179,245 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 119,179,245
State's proportionate share that is associated with District	182,768,422
Total	<u>\$ 301,947,667</u>

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of August 31, 2017 and rolled forward to August 31, 2018. The employer's proportion of the net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2017 the employer's proportion of the collective net OPEB liability was .238688%, an increase of .0077421% from its proportionate share of 0.230946% measured as of August 31, 2018.

Keller Independent School District

Notes to Financial Statements

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.
- Change of benefit terms since the prior measurement date – please see the TRS 2018 TRS CAFR, page 68, Section B for a list of changes made effective September 1, 2017 by the 85th Texas legislature.

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$8,258,973 and revenue of \$6,648,018 for support provided by the State.

At June 30, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,324,399	\$ 1,880,823
Changes in actuarial assumptions	1,988,779	35,806,525
Differences between projected and actual investment earnings	20,843	-
Changes in proportion and difference between the employer's contributions and the proportionate share of the contributions	4,242,815	-
Contributions paid subsequent to the measurement dates	1,524,911	-
	\$ 14,101,747	\$ 37,687,348

Keller Independent School District

Notes to Financial Statements

The deferred outflow of resources relating to District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. The net amounts of the remaining balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Pension Expense Amount
2020	\$ (4,162,807)
2021	(4,162,807)
2022	(4,162,807)
2023	(4,166,748)
2024	(4,169,003)
Thereafter	(4,286,340)
	<u>\$ (25,110,512)</u>

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 periods ended August 31, 2017, June 30, 2018 and June 30, 2019, the subsidy payments received by the TRS-Care on behalf of the District were \$620,530, \$640,783 and \$805,645 respectively. These payments are recorded as equal revenues and expenditures in the governmental fund 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 attachment point was \$807.07 per employee per month for the 2017 calendar year.

Keller Independent School District

Notes to Financial Statements

Settled claims have not exceeded the aggregate coverage in any of the past three fiscal periods. Insurance coverage has not been reduced for the year from the prior year. Accrued claims payable of \$3,585,570 as of June 30, 2019, 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 periods ended June 30, 2019 and June 30, 2018 are as follows:

	2019	2018
Liability, beginning of year	\$ 3,674,569	\$ 3,709,579
Current year claims and changes in estimates	16,022,205	20,168,865
Claim payments	(16,111,204)	(20,203,875)
Liability, end of year	<u>\$ 3,585,570</u>	<u>\$ 3,674,569</u>

Note 10. Litigation

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. Management determined the outcome of any other ongoing legal proceedings will not have a material adverse effect on the accompanying financial statements. Therefore, in the opinion of the District, there are neither significant contingent liabilities related to the year ended June 30, 2019 nor future costs that will have a material effect on the financial statements of the District.

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 agreement ended on July 31, 2019.

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 June 30, 2019, the District has entered into long-term construction projects with an aggregate unexpended balance of \$101,685.

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 June 30, 2019 totaled \$3,460,517.

Keller Independent School District

Notes to Financial Statements

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

	Year Ending June 30,	
	<u>2020</u>	\$ 2,559,248
	2021	1,637,317
	2022	<u>100,645</u>
	Total	<u>\$ 4,297,210</u>

Note 12. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. Amounts due from federal and state governments as of June 30, 2019, are summarized below. All federal grants shown below are passed through the TEA or the Texas Department of Agriculture and are reported on the combined financial statements as Due from Other Governments.

Fund	Entitlements	Federal Grants	Total
General	\$ 18,535,686	\$ -	\$ 18,535,686
State funded grants	35,950	-	35,950
Federally funded grants	-	2,723,865	2,723,865
Total	<u>\$ 18,571,636</u>	<u>\$ 2,723,865</u>	<u>\$ 21,295,501</u>

Note 13. Interfund Balances and Activities

Interfund balances at June 30, 2019 consisted of the following individual fund balances:

Due to Fund	Due from Fund	Amount
Debt Service Fund	General Fund	\$ 912,168
General Fund	Federally Funded Grant	2,224,708
General Fund	State Funded Grant Funds	2,498,737
General Fund	Internal Service Fund	13,734,871
		<u>\$ 19,370,484</u>

Interfund balances relate to reclassification of revenue and amounts paid by one fund, primarily the General Fund, on behalf of another fund to be repaid in the normal course of business. All amounts due are scheduled to be repaid within one year.

Keller Independent School District

Notes to Financial Statements

Note 14. Other Receivables

Other receivables recorded in the fund level financial statements consisted of the following at June 30, 2019:

	General Fund	Federally Funded Grants	Capital Projects Fund	Local Funds	Total
Services rendered	\$ 127,211	\$ 384,200	\$ 148,791	\$ 33,158	\$ 693,360
E-rate receivable	89,364	-	-	-	89,364
Total	\$ 216,575	\$ 384,200	\$ 148,791	\$ 33,158	\$ 782,724

Note 15. Classification of Fund Balance

Fund Balance Classifications

The District classifies governmental fund balances as follows:

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.

Spendable Fund Balance

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.

- 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.
- 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.
- The fund balance of the capital projects fund reflects an amount restricted for construction and major renovation projects, and it usually represents unexpended proceeds from the sale of school building bonds.

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.

- Campus activity funds are considered committed by the governing body through adoption of board policy pertaining to the usage of these funds.

Keller Independent School District

Notes to Financial Statements

Assigned Fund Balance

Comprises amounts intended to be used by the District for specific purposes. 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.

- The District's Board of Trustees voted to assign fund balance equal to between 17% and 20% of the 2020 general fund expenditure budget for budgetary contingencies.

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.

Note 16. Instructional Materials Allotment

In May 2011, Senate Rule 6, repealed the technology allotment used by Texas schools and created an Instructional Materials Allotment (IMA) for the purchase of instructional materials, technology equipment, and technology related services. Under the IMA instructional material purchases must be made through TEA's online registration system. Instructional materials acquired through the IMA totaling \$2,305,644 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 June 30, 2019, the remainder of the textbooks, in possession of the District, have minimal value and are not otherwise reflected elsewhere in these statements.

Note 17. Subsequent Event

In November 2019, the District passed a \$315 million bond election to be used for capital improvements projects.

Note 18. New Accounting Pronouncements

In January 2017, GASB issued Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, GASB issued Statement No. 87, Leases. This Statement establishes standards for accounting and financial reporting for leases by lessees and lessors. This Statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities that were previously accounted for as operating leases. It establishes a single model for lease accounting based on the principle that leases are a financing of the right to use an underlying asset. Under this statement a lessee is required to recognize a lease liability and an intangible right-to-use asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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Required Supplementary Information

Keller Independent School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2019

Exhibit G-1

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES					
5700	Total local and intermediate sources	\$ 215,818,020	\$ 215,818,020	\$ 214,782,073	\$ (1,035,947)
5800	State program revenues	73,247,594	82,182,218	84,241,911	2,059,693
5900	Federal program revenues	3,665,558	3,665,558	8,147,986	4,482,428
5020	Total revenues	292,731,172	301,665,796	307,171,970	5,506,174
EXPENDITURES					
Current:					
0011	Instruction	181,118,276	187,564,782	185,441,817	2,122,965
0012	Instructional resources and media services	3,708,480	3,892,651	3,734,705	157,946
0013	Curriculum and instructional staff development	4,882,341	4,843,445	4,421,642	421,803
0021	Instructional leadership	3,842,751	4,223,781	3,864,107	359,674
0023	School leadership	18,330,123	18,972,191	18,968,985	3,206
0031	Guidance counseling and evaluation services	10,991,506	11,937,593	11,197,060	740,533
0032	Social services	183,053	216,129	190,773	25,356
0033	Health services	3,670,610	3,791,137	3,500,307	290,830
0034	Student (pupil) transportation	9,063,230	10,755,540	10,132,199	623,341
0035	Food services	3,000	2,200	2,123	77
0036	Cocurricular/extracurricular activities	9,629,604	10,515,554	9,921,125	594,429
0041	General administration	7,310,033	7,578,317	7,358,863	219,454
0051	Plant maintenance and operations	27,913,563	27,746,246	26,546,081	1,200,165
0052	Security and monitoring services	2,530,335	3,007,518	2,781,532	225,986
0053	Data processing services	4,533,669	4,825,687	4,553,142	272,545
0061	Community services	1,190,573	1,332,951	1,205,872	127,079
Capital outlay:					
0081	Facilities acquisition and construction	1,400,000	1,557,489	1,543,887	13,602
Intergovernmental:					
0095	Juvenile Justice Alternative Education Programs	2,600	10,083	10,062	21
0097	Payments to tax increment fund	519,328	-	-	-
0099	Other intergovernmental charges	1,429,023	1,429,023	1,381,484	47,539
6030	Total expenditures	292,252,098	304,202,317	296,755,766	7,446,551
1100	Excess (deficiency) of revenues over (under) expenditures	479,074	(2,536,521)	10,416,204	12,952,725
1200	Net change in fund balance	479,074	(2,536,521)	10,416,204	12,952,725
0100	Fund balances - July 1 (beginning)	61,937,599	61,937,599	61,937,599	-
3000	FUND BALANCES - JUNE 30 (ENDING)	\$ 62,416,673	\$ 59,401,078	\$ 72,353,803	\$ 12,952,725

The Notes to the Required Supplementary Information are an integral part of this statement.

Keller Independent School District

Notes to the 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 fund, 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 June 20th the District prepares a budget for the next succeeding fiscal period beginning July 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 July 1, the budget is legally enacted through resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment is approved before the fact, is reflected in the official minutes of the Board, and is not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. Significant amendments were made to the following functional areas:

Function	Increase (Decrease)
Instruction	\$ 6,446,506
Student (pupil) transportation	1,692,310
Guidance counseling and evaluation services	946,087
Cocurricular/extracurricular activities	885,950
School leadership	642,068
Security and monitoring services	477,183
Instructional leadership	381,030
Data processing services	292,018

4. Budgeted amounts are as amended by the Board. All budget appropriations lapse at period 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.

Keller Independent School District
 Schedule of the District's Proportionate Share of the
 Net Pension Liability
 Year Ended June 30, 2019

Exhibit G-2

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net Pension liability	0.187278593%	0.197838821%	0.189066080%	0.191179500%	0.126594400%
District's proportionate share of net pension liability	\$ 103,082,683	\$ 63,258,197	\$ 71,445,260	\$ 67,579,409	\$ 33,815,115
State's proportionate share of the net pension liability associated with the District	<u>164,036,233</u>	<u>95,088,683</u>	<u>113,063,023</u>	<u>107,396,378</u>	<u>88,871,869</u>
TOTAL	<u>\$ 267,118,916</u>	<u>\$ 158,346,880</u>	<u>\$ 184,508,283</u>	<u>\$ 174,975,787</u>	<u>\$ 122,686,984</u>
District's covered payroll	\$ 184,484,467	\$ 204,888,225	\$ 194,375,460	\$ 184,444,586	\$ 169,617,596
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	55.88%	30.87%	36.76%	36.64%	19.94%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

Note 1: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered by the measurement date as of August 31, 2018.

Note 2: Only five years of data is presented in accordance with GASB 68 as the data for the years other than 2019, 2018, 2017, 2016 and 2015 is not available.

Keller Independent School District
 Schedule of the District's Contributions
 Year Ended June 30, 2019

Exhibit G-3

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,871,147	\$ 3,544,262	\$ 4,209,448	\$ 3,841,258	\$ 3,597,578
Contribution in relation to the contractually required contribution	(3,871,147)	(3,544,262)	(4,209,448)	(3,841,258)	(3,597,578)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 220,697,913	\$ 184,484,467	\$ 204,888,225	\$ 194,375,460	\$ 184,444,586
Contributions as a percentage of covered payroll	1.75%	1.92%	2.05%	1.98%	1.95%

Note 2: Only five years of data is presented in accordance with GASB 68 as the data for the years other than 2019, 2018, 2017, 2016 and 2015 is not available.

Keller Independent School District

Exhibit G-4

Schedule of the District's Proportionate Share of the Net OPEB Liability of a Cost-Sharing Multiple-Employer OPEB Plan Teacher Retirement System of Texas Last Two Fiscal Years*

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.2386882843%	0.2309462243%
District's proportionate share of net OPEB liability	\$ 119,179,245	\$ 100,429,849
State's proportionate share of the net OPEB liability associated with the District	<u>182,768,422</u>	<u>162,272,613</u>
Total	<u>\$ 301,947,667</u>	<u>\$ 262,702,462</u>
District's covered payroll	\$ 184,484,467	\$ 204,888,225
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	65%	49%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

*Note: Only two years of data is presented in accordance with GASB Standard No. 75 as the data for the years other than 2019 and 2018 is not available.

Keller Independent School District
 Schedule of the District's Contributions
 Last Two Fiscal Years*

Exhibit G-5

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,741,007	\$ 1,454,711
Contribution in relation to the contractually required contribution	<u>(1,741,007)</u>	<u>(1,454,711)</u>
Contribution deficiency (excess)	\$ -	\$ -
District's covered payroll	\$ 220,697,913	\$ 184,484,467
Contributions as a percentage of covered payroll	0.79%	0.79%

*Note: Only two years of data is presented in accordance with GASB Standard No. 75 as the data for the years other than 2019 and 2018 is not available.

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Combining Statement

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Agency Funds

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Keller Independent School District
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2019

Exhibit H-1

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
STUDENT ACTIVITY ACCOUNT				
Assets				
Cash	\$ 710,253	\$ 295,025	\$ 203,959	\$ 801,319
Accounts receivable	2,611	5,445	2,729	5,327
Total assets	<u>\$ 712,864</u>	<u>\$ 300,470</u>	<u>\$ 206,688</u>	<u>\$ 806,646</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 38,970	\$ 1,792,404	\$ 1,800,310	\$ 46,876
Due to other governments	198	198	282	282
Due to student groups	673,696	2,025	87,817	759,488
Total liabilities	<u>\$ 712,864</u>	<u>\$ 1,794,627</u>	<u>\$ 1,888,409</u>	<u>\$ 806,646</u>
EMPLOYEE ACTIVITIES				
Assets				
Cash	\$ 217,408	\$ 413,288	\$ 381,643	\$ 249,053
Accounts receivable	84	-	84	-
Total assets	<u>\$ 217,492</u>	<u>\$ 413,288</u>	<u>\$ 381,727</u>	<u>\$ 249,053</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 3,351	\$ 100,487	\$ 102,533	\$ 5,397
Due to student groups	214,141	28,642	58,157	243,656
Total liabilities	<u>\$ 217,492</u>	<u>\$ 129,129</u>	<u>\$ 160,690</u>	<u>\$ 249,053</u>
TOTAL AGENCY FUNDS				
Assets				
Cash	\$ 927,661	\$ 708,313	\$ 585,602	\$ 1,050,372
Accounts receivable	2,695	5,445	2,813	5,327
Total assets	<u>\$ 930,356</u>	<u>\$ 713,758</u>	<u>\$ 588,415</u>	<u>\$ 1,055,699</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 42,321	\$ 1,892,891	\$ 1,902,843	\$ 52,273
Due to other governments	198	198	282	282
Due to student groups	887,837	30,667	145,974	1,003,144
Total liabilities	<u>\$ 930,356</u>	<u>\$ 1,923,756</u>	<u>\$ 2,049,099</u>	<u>\$ 1,055,699</u>

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Required TEA Schedules

Keller Independent School District
 Schedule of Delinquent Taxes Receivable
 Year Ended June 30, 2019

Years Ended June 30,	1	2	3	10
	Tax Rates		Assessed or Appraised Valuation	Delinquent Balance by Year/Period July 1, 2018
	Maintenance	Debt Service		
2010 and prior	Various	Various	Various	\$ 879,473
2011	1.040	0.491	10,838,009,000	154,260
2012	1.040	0.500	11,200,638,123	148,116
2013	1.040	0.500	11,303,854,760	142,096
2014	1.040	0.500	11,925,386,754	183,127
2015	1.040	0.500	12,950,447,900	163,676
2016	1.040	0.500	12,902,894,457	222,463
2017	1.040	0.480	14,963,935,148	382,811
2018	1.040	0.480	16,498,543,735	2,591,602
2019 (current)	1.170	0.340	18,404,740,923	-
Totals				<u>\$ 4,867,624</u>

Exhibit J-1

20	31	32	30	40	50
Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Total Collections	Adjustments	Delinquent Balance by Year/Period June 30, 2019
\$ -	\$ 6,030	\$ 2,095	\$ 8,125	\$ (68,199)	\$ 803,149
-	5,473	2,582	8,055	(74)	146,131
-	5,382	2,587	7,969	(74)	140,073
-	(5,958)	(2,864)	(8,822)	(31,975)	118,943
-	39,689	19,081	58,770	19,370	143,727
-	48,760	23,443	72,203	35,148	126,621
-	67,324	32,367	99,691	46,247	169,019
-	21,266	9,815	31,081	(78,563)	273,167
-	985,906	455,033	1,440,939	(1,124,930)	25,733
<u>269,305,252</u>	<u>207,177,759</u>	<u>60,294,984</u>	<u>267,472,743</u>	<u>1,463,938</u>	<u>3,296,447</u>
<u>\$ 269,305,252</u>	<u>\$ 208,351,631</u>	<u>\$ 60,839,123</u>	<u>\$ 269,190,754</u>	<u>\$ 260,888</u>	<u>\$ 5,243,010</u>

Keller Independent School District
 Budgetary Comparison Schedule
 Child Nutrition Fund
 Year Ended June 30, 2019

Exhibit J-2

Data Control Codes		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts (GAAP Basis)	Final Budget (Negative)
REVENUES					
5700	Total local and intermediate sources	\$ 8,448,105	\$ 8,448,105	7,830,078	\$ (618,027)
5800	State program revenues	355,008	355,008	366,283	11,275
5900	Federal program revenues	6,103,909	6,103,909	6,494,006	390,097
5020	Total revenues	14,907,022	14,907,022	14,690,367	(216,655)
EXPENDITURES					
0035	Food service	13,081,339	14,311,320	13,807,638	503,682
0081	Facility acquisition and construction	-	6,018	5,606	412
6030	Total expenditures	13,081,339	14,317,338	13,813,244	504,094
1200	Net changes in fund balances	1,825,683	589,684	877,123	287,439
0100	Fund balance - September 1 (beginning)	3,095,737	3,095,737	3,095,737	-
3000	FUND BALANCE - JUNE 30 (ENDING)	\$ 4,921,420	\$ 3,685,421	\$ 3,972,860	\$ 287,439

Keller Independent School District
 Budgetary Comparison Schedule
 Debt Service Fund
 Year Ended June 30, 2019

Exhibit J-3

Data Control Codes		Budgeted Amounts		Actual	Variance With
		Original	Final	Amounts (GAAP Basis)	Final Budget Positive or (Negative)
REVENUES					
5700	Total local and intermediate sources	\$ 64,070,312	\$64,070,312	\$ 62,570,049	\$(1,500,263)
5800	State program revenues	1,402,063	1,402,063	1,422,820	20,757
5020	Total revenues	65,472,375	65,472,375	63,992,869	(1,479,506)
EXPENDITURES					
Current:					
0071	Debt service	63,700,353	66,574,646	66,524,646	50,000
6030	Total expenditures	63,700,353	66,574,646	66,524,646	50,000
	Excess (deficiency) of revenues over (under) expenditures	1,772,022	(1,102,271)	(2,531,777)	(1,429,506)
OTHER FINANCING SOURCES (USES)					
7911	Issuance of bonds	-	14,280,000	14,280,000	-
7916	Premium or discount on issuance of bonds	-	3,512,595	3,512,595	-
8949	Payment to refunded bond escrow agent	-	(22,563,857)	(22,563,857)	-
7080	Total other financing sources (uses)	-	(4,771,262)	(4,771,262)	-
1200	Net change in fund balance	1,772,022	(5,873,533)	(7,303,039)	(1,429,506)
0100	Fund balance - September 1 (beginning)	82,240,264	82,240,264	82,240,264	-
3000	FUND BALANCE - JUNE 30 (ENDING)	<u>\$ 84,012,286</u>	<u>\$76,366,731</u>	<u>\$ 74,937,225</u>	<u>\$(1,429,506)</u>

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Statistical Section

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Statistical Section (Unaudited)

Keller Independent School District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Financial Trends	These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.
Revenue Capacity	These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax.
Debt Capacity	These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.
Demographic & Economic Indicators	These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities takes place.
Operating Information	These schedules contain service and infrastructure data to help the reader understand how the information in the governments relates to the financial report services the government provides and the activities it performs

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

Table I

	Fiscal Year				
	2010	2011	2012	2013 as restated	2014
Governmental activities					
Net investment in capital assets	\$ (39,790,063)	\$ (38,159,556)	\$ (43,992,374)	\$ (31,475,706)	\$ (25,308,063)
Restricted	6,575,067	6,749,910	7,812,705	7,588,984	6,759,290
Unrestricted	12,395,863	23,775,858	50,167,324	41,920,606	39,809,055
Total primary government net position	\$ (20,819,133)	\$ (7,633,788)	\$ 13,987,655	\$ 18,033,884	\$ 21,260,282

	Fiscal Year				
	2015	2016 as restated	2017 as restated	2018 ten month period	2019
Governmental activities					
Net investment in capital assets	\$ (22,871,720)	\$ (20,615,977)	\$ (14,625,003)	\$ (25,801,873)	\$ (10,215,349)
Restricted	3,889,959	10,109,546	21,433,525	68,504,510	59,501,912
Unrestricted	(10,832,736)	(19,715,591)	(28,946,706)	(155,786,410)	(151,311,829)
Total primary government net position	\$ (29,814,497)	\$ (30,222,022)	\$ (22,138,184)	\$ (113,083,773)	\$ (102,025,266)

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

	Fiscal Period			
	2010	2011	2012	2013
Expenses				
Governmental activities				
Instruction	\$ 160,197,180	\$ 159,641,776	\$ 149,547,022	\$ 158,093,657
Instructional Resources and Media Services	3,261,124	3,743,225	3,506,194	3,669,131
Curriculum and Staff Development	3,497,953	2,889,302	2,754,701	2,899,611
Instructional Leadership	2,310,199	2,269,740	2,091,486	2,465,543
School Leadership	13,594,932	14,478,924	14,317,804	15,324,170
Guidance, Counseling and Evaluation Services	9,129,293	10,101,315	10,056,213	10,963,668
Social Work Services	262,992	279,278	156,066	204,112
Health Services	2,252,365	2,458,895	3,099,151	3,306,124
Student (Pupil) Transportation	6,222,185	6,808,740	5,448,661	5,687,815
Food Services	10,538,803	10,974,335	12,085,660	12,452,594
Cocurricular/Extracurricular Activities	8,057,423	8,771,031	7,985,415	8,838,689
General Administration	5,837,704	5,584,569	8,082,486	6,178,573
Plant Maintenance and Operations	21,065,268	14,671,718	18,625,453	20,029,457
Security and Monitoring Services	1,468,225	1,675,711	1,299,191	1,591,648
Data Processing Services	3,379,340	4,380,257	5,227,588	4,960,996
Community Services	1,086,051	1,075,017	1,541,352	1,023,234
Debt Service - Interest on Long Term Debt	39,427,642	41,249,450	33,103,972	38,588,692
Facilities Acquisition and Construction	-	-	-	-
Shared Services Agreement	3,945,201	3,329,680	3,410,020	3,059,151
Juvenile Justice Alternative Ed Program	-	-	2,375	-
Payments to Tax Increment Fund	1,925,666	1,750,904	1,732,427	1,973,187
Other governmental charges	-	-	-	-
Total Primary Government Expenses	297,459,546	296,133,867	284,073,237	301,310,052
Program Revenues				
Charges for services				
Instruction	6,315,099	6,309,615	4,795,456	5,153,446
Instructional Resources and Media Services	119,037	164,173	108,282	103,893
Curriculum and Staff Development	94,857	113,478	73,913	89,283
Instructional Leadership	103,019	105,594	64,515	75,705
School Leadership	600,663	627,088	414,131	469,161
Guidance, Counseling and Evaluation Services	411,113	444,807	335,308	410,717
Social Work Services	5,016	13,266	5,153	6,989
Health Services	99,258	107,640	75,805	91,614
Student (pupil) services	42,653	-	182,176	195,915
Food Services	7,499,282	8,038,128	7,704,516	7,442,377
Cocurricular/Extracurricular Activities	727,064	380,766	839,066	909,624
General Administration	170,883	259,481	170,378	183,971
Plant Maintenance and Operations	825,571	917,800	1,238,443	1,372,248
Security and Monitoring Services	6,176	72,715	34,634	54,277
Data Processing Services	59,782	174,991	151,902	150,317
Community Services	548,056	646,909	29,857	35,978
Facilities Acquisition and Construction	-	-	-	-
Shared services agreement	-	158,544	112,888	96,181
Payments to Juvenile Justice Alternative Ed	-	-	79	-
Payments to tax increment fund	-	83,370	1,732,427	-
Other governmental charges	-	-	-	-
Operating Grants and Contributions	22,629,116	31,969,236	24,161,384	20,475,623
Total Primary Government Program Revenues	40,256,645	50,587,601	42,230,313	37,317,319
Net (Expense)/Revenue				
Total Primary Government Net Expense	\$ (257,202,901)	\$ (245,546,266)	\$ (241,842,924)	\$ (263,992,733)

Table II

Fiscal Period					
2014	2015	2016	2017	Ten Month Period 2018	2019
\$ 169,674,602	\$ 185,202,372	\$ 192,543,062	\$ 204,784,429	\$ 134,863,562	\$ 233,124,013
3,976,459	4,064,395	4,101,419	4,295,319	3,352,924	4,734,290
4,289,446	4,928,683	5,011,692	5,508,074	2,635,056	7,718,146
2,945,318	2,855,696	3,067,583	3,697,518	1,902,578	4,359,489
17,083,843	17,247,461	17,975,838	18,981,354	11,426,864	22,460,628
12,199,237	13,527,953	14,350,156	15,278,414	6,810,827	18,435,694
149,486	186,794	186,441	191,823	122,603	229,167
3,543,211	3,224,463	4,520,733	4,927,856	3,479,593	5,483,065
6,807,163	6,686,403	7,680,726	8,774,400	8,399,095	10,331,746
13,247,466	13,580,453	13,460,964	14,626,820	9,443,516	14,953,331
10,013,525	10,579,801	10,986,247	12,323,976	8,108,679	13,141,858
5,772,175	6,904,386	7,385,418	7,668,059	4,890,980	8,763,316
21,774,504	23,417,979	25,475,399	27,353,038	21,614,420	29,299,421
2,053,138	2,301,600	2,453,664	2,792,900	2,321,617	3,354,580
5,203,488	5,241,972	5,279,989	4,658,225	3,831,814	4,847,519
1,012,650	964,285	1,008,673	1,118,744	900,050	1,938,405
29,753,356	40,665,465	33,855,378	32,800,765	24,748,166	29,779,733
226,588	-	-	-	-	-
3,425,122	2,887,489	261,892	283,581	241,570	299,964
-	9,804	-	11,352	12,513	10,062
2,055,966	2,294,948	2,679,362	2,852,110	3,117,970	-
1,068,490	1,153,257	1,095,381	1,205,128	1,089,363	1,381,484
316,275,233	347,925,659	353,380,017	374,133,885	253,313,760	414,645,911
6,214,788	5,399,497	\$ 5,754,413	\$ 5,934,808	\$ 5,802,481	\$ 7,293,084
129,162	108,058	110,959	112,249	110,701	127,277
139,535	172,978	142,202	148,717	133,560	186,182
100,677	89,771	93,248	110,724	101,157	132,113
599,345	496,425	537,111	545,697	514,068	645,250
525,376	463,205	386,825	391,960	346,228	452,917
5,869	5,786	5,826	5,799	5,062	6,662
107,422	92,965	100,410	106,261	102,137	119,051
269,584	212,425	248,380	275,808	270,696	348,373
7,276,413	7,283,932	7,693,450	7,967,621	7,332,511	8,038,028
985,275	874,016	887,247	961,000	840,896	938,176
199,923	197,638	214,944	225,478	193,088	251,149
1,376,577	1,222,925	1,339,813	1,400,085	1,243,459	1,576,384
74,694	61,028	70,149	71,300	68,410	95,639
182,898	157,278	163,674	137,390	131,032	154,803
35,358	50,374	22,365	22,728	24,825	47,139
-	-	-	-	-	-
135,645	91,555	4,913	5,135	4,927	6,052
-	310	-	358	405	342
-	72,619	86,658	89,892	100,826	-
81,422	-	-	-	35,227	46,961
22,155,964	23,619,227	24,146,792	25,867,032	(23,701,503)	51,631,861
40,595,927	40,672,012	42,009,379	44,380,042	(6,339,807)	72,097,443
\$ (275,679,306)	\$ (307,253,647)	\$ (311,370,638)	\$ (329,753,843)	\$ (259,653,567)	\$ (342,548,468)

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

	Fiscal Period			
	2010	2011	2012	2013
Net (Expense)/Revenue				
Total primary government net expense	\$ (243,936,668)	\$ (257,202,901)	\$ (245,222,381)	\$ (241,842,924)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property Taxes, Levied for General Purposes	113,892,990	111,315,561	114,660,445	117,999,604
Property Taxes, Levied for Debt Service	48,657,348	53,168,610	55,758,482	56,616,666
State Aid - Formula Grants	78,839,121	92,872,674	88,208,113	83,578,692
Grants and Contributions not Restricted	4,686,451	-	-	-
Investment Earnings	583,181	364,742	436,411	503,704
Miscellaneous Local and Intermediate Revenue	1,706,719	686,139	4,400,916	16,555,404
Special Item - Gain on Sale of Capital Assets	-	-	-	-
Special Item - Lease of Mineral Rights	-	-	-	-
Total Primary Government	<u>248,365,810</u>	<u>258,407,726</u>	<u>263,464,367</u>	<u>275,254,070</u>
Change in Net Position				
Total Primary Government	<u>\$ 4,429,142</u>	<u>\$ 1,204,825</u>	<u>\$ 18,241,986</u>	<u>\$ 33,411,146</u>

Table III

Fiscal Period					
2014	2015	2016	2017	Ten Month Period 2018	2019
\$ (275,679,306)	\$ (307,253,647)	\$ (311,370,638)	\$ (329,753,843)	\$ (259,653,567)	\$ (342,548,468)
123,722,646	133,949,135	138,389,296	157,492,713	174,009,523	209,616,823
59,396,906	64,344,372	66,455,898	72,643,326	80,231,598	60,903,936
94,396,991	98,759,927	104,034,451	101,554,176	86,335,746	74,207,101
-	-	-	-	-	-
205,056	425,718	1,335,280	1,603,406	1,890,242	3,393,048
1,184,105	1,236,846	1,831,069	4,544,060	2,151,054	5,486,067
-	-	-	-	-	-
-	-	-	-	-	-
278,905,704	298,715,998	312,045,994	337,837,681	344,618,163	353,606,975
\$ 3,226,398	\$ (8,537,649)	\$ 675,356	\$ 8,083,838	\$ 84,964,596	\$ 11,058,507

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

	Fiscal Period			
	2010	2011	2012	2013
General Fund				
Nonspendable	\$ -	\$ 478,717	\$ 507,277	\$ 1,220,509
Assigned	-	2,135,000	2,233,000	3,538,000
Committed	-	39,821,169	42,951,888	45,962,311
Unassigned	-	21,704,248	37,287,784	27,599,602
Reserved	1,734,879	-	-	-
Unreserved	50,591,988	-	-	-
Total General Fund	\$ 52,326,867	\$ 64,139,134	\$ 82,979,949	\$ 78,320,422
All Other Governmental Funds				
Nonspendable	\$ -	\$ 3,820,273	\$ 203,371	\$ 136,188
Restricted	84,315,947	7,653,724	8,662,864	8,229,583
Committed	2,971,732	47,466,171	43,344,629	47,569,680
Total All Other Governmental Funds	\$ 87,287,679	\$ 58,940,168	\$ 52,210,864	\$ 55,935,451
Total Governmental Funds	\$ 139,614,546	\$ 123,079,302	\$ 135,190,813	\$ 134,255,873

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

Table IV

Fiscal Period					
2014	2015	2016, as restated	2017	Ten Month Period 2018	2019
\$ 2,035,489	\$ 1,351,973	\$ 1,373,721	\$ 1,450,479	\$ 1,325,161	\$ 1,185,337
5,611,000	4,049,750	1,698,788	-	-	54,163,590
49,904,046	51,554,002	50,361,656	45,174,517	49,682,857	-
18,869,538	9,661,367	380,305	1,265,837	10,929,581	17,004,876
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 76,420,073</u>	<u>\$ 66,617,092</u>	<u>\$ 53,814,470</u>	<u>\$ 47,890,833</u>	<u>\$ 61,937,599</u>	<u>\$ 72,353,803</u>
\$ 59,169	\$ 383,319	\$ 426,326	\$ 177,007	\$ 1,229,377	\$ 659,291
7,798,705	178,432,758	74,088,698	35,584,663	94,768,957	84,416,115
33,405,954	3,760,919	3,975,069	3,976,935	4,294,174	4,726,580
<u>\$ 41,263,828</u>	<u>\$ 182,576,996</u>	<u>\$ 78,490,093</u>	<u>\$ 39,738,605</u>	<u>\$ 100,292,508</u>	<u>\$ 89,801,986</u>
<u>\$ 117,683,901</u>	<u>\$ 249,194,088</u>	<u>\$ 132,304,563</u>	<u>\$ 87,629,438</u>	<u>\$ 162,230,107</u>	<u>\$ 162,155,789</u>

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

	Fiscal Period			
	2010	2011	2012	2013
Federal sources:				
Distributed by TEA	\$ 3,500,740	\$ 19,511,673	\$ 11,831,059	\$ 7,296,537
Distributed by other State of Texas Government Agencies	-	3,423,621	4,404,830	5,140,284
Distributed directly from the Federal Government	17,567,415	679,717	198,346	253,235
Total federal sources	<u>21,068,155</u>	<u>23,615,011</u>	<u>16,434,235</u>	<u>12,690,056</u>
State sources:				
Per capita and foundation school program act revenues	78,839,121	93,111,147	88,298,739	83,578,692
Program revenues distributed by TEA	1,631,654	1,749,313	10,509,894	9,791,808
Revenues from State of Texas Government Agencies	8,600,792	9,409,975	51,501	-
Total state sources	<u>89,071,567</u>	<u>104,270,435</u>	<u>98,860,134</u>	<u>93,370,500</u>
Local and intermediate sources:				
Real and personal property taxes	161,844,911	165,451,751	172,484,714	174,381,741
Tuition and fees	316,339	353,426	198,843	131,243
Other revenues	8,210,040	6,279,085	9,626,893	24,715,810
Cocurricular, enterprising services or activities	8,172,591	9,298,060	8,360,630	5,437,179
Intermediate sources	-	-	-	-
Total local and intermediate sources	<u>178,543,881</u>	<u>181,382,322</u>	<u>190,671,080</u>	<u>204,665,973</u>
Total revenues	<u>\$ 288,683,603</u>	<u>\$ 309,267,768</u>	<u>\$ 305,965,449</u>	<u>\$ 310,726,529</u>

Table V

Fiscal Period					
2014	2015	2016	2017	Ten Month Period 2018	2019
\$ 6,164,527	\$ 5,989,017	\$ 7,242,164	\$ 7,161,700	\$ 6,553,911	\$ 8,516,279
6,739,147	8,139,928	8,633,753	9,730,182	6,296,438	14,533,462
235,365	261,491	198,293	211,422	132,306	108,530
13,139,039	14,390,436	16,074,210	17,103,304	12,982,655	23,158,271
96,100,114	98,972,062	104,126,784	101,649,010	88,067,530	74,302,830
14,011,593	12,759,172	11,713,165	12,606,639	13,447,284	14,521,500
22,800	970	25,995	43,252	64,356	33,758
110,134,507	111,732,204	115,865,944	114,298,901	101,579,170	88,858,088
182,037,145	197,413,380	205,078,837	229,551,099	253,912,389	270,940,822
133,891	112,518	149,256	175,164	246,952	752,011
8,083,241	6,339,829	8,650,206	10,102,598	8,604,489	10,321,714
7,993,222	8,519,517	8,138,867	8,553,507	8,675,593	9,210,342
-	-	-	-	-	-
198,247,499	212,385,244	222,017,166	248,382,368	271,439,423	291,224,889
\$ 321,521,045	\$ 338,507,884	\$ 353,957,320	\$ 379,784,573	\$ 386,001,248	\$ 403,241,248

Keller Independent School District

Governmental Funds Expenditures and Debt Service Ratio

Last Ten Fiscal Periods

(modified accrual basis of accounting)

	Fiscal Period			
	2010	2011	2012	2013
Instruction	\$ 143,731,660	\$ 147,728,382	\$ 137,478,868	\$ 144,563,470
Instructional Resources and Media Services	3,073,705	3,509,334	3,178,713	3,345,419
Curriculum and Instructional Staff Development	3,398,086	2,868,473	2,130,562	2,465,712
Instructional Leadership	2,293,997	2,226,975	1,886,237	2,112,412
School Leadership	12,614,563	13,210,075	12,555,229	13,671,533
Guidance, Counseling and Evaluation Services	8,699,241	9,471,451	9,271,339	10,224,865
Social Work Services	263,532	278,615	155,656	202,973
Health Services	2,106,395	2,262,925	2,287,508	2,683,242
Student (Pupil) Transportation	6,223,306	6,807,858	5,447,852	5,687,815
Food Services	10,601,047	10,893,263	11,502,826	12,180,602
Cocurricular/Extracurricular Activities	7,311,068	8,269,409	7,015,477	8,158,341
General Administration	5,220,506	5,480,294	7,432,120	5,583,815
Facilities Maintenance and Operations	18,753,283	19,377,794	17,722,083	19,531,372
Security and Monitoring Services	1,220,503	1,542,978	1,080,540	1,694,051
Data Processing Services	1,852,169	3,675,083	4,590,653	4,390,347
Community Services	895,726	852,899	691,259	828,185
Debt Service				
Principal	9,650,999	12,756,706	12,694,742	14,508,842
Interest	41,994,683	42,447,453	44,192,957	42,948,531
Bond Issuance Cost and Fees	464,129	167,667	87,034	950,783
Facilities Acquisition and Construction	71,488,717	27,066,197	7,392,685	11,851,971
Shared Services Agreement	3,945,201	3,329,680	3,410,020	3,059,151
Juvenile Justice Alternative Education Program	-	-	2,375	-
Payments to Tax Increment Fund	1,925,666	1,750,904	1,732,427	1,973,187
Other governmental charges	-	-	-	-
Total Expenditures	\$ 357,728,182	\$ 325,974,415	\$ 293,939,162	\$ 312,616,619
Debt Service as a Percentage of Noncapital Expenditures	16.09%	17.46%	18.92%	19.81%

Table VI

Fiscal Period						
	2014	2015	2016	2017	2018	2019
\$	156,612,149	\$ 176,132,985	\$ 173,991,768	\$ 181,295,806	\$ 172,972,519	\$ 194,287,381
	3,619,137	3,810,470	3,803,914	3,962,790	3,850,094	4,147,576
	3,654,330	4,837,526	4,860,782	5,271,019	4,697,466	6,413,728
	2,446,534	2,774,756	2,938,823	3,540,550	3,153,336	3,925,161
	15,186,047	15,768,172	16,711,207	17,552,941	16,097,699	19,206,898
	11,431,030	12,625,002	13,631,399	14,314,729	12,272,128	15,310,390
	148,189	182,939	180,126	184,001	167,087	201,454
	2,743,828	2,964,515	3,117,838	3,383,307	3,161,040	3,505,429
	6,807,163	6,686,403	7,706,062	8,770,502	8,395,846	10,327,848
	12,899,687	13,749,031	13,696,544	14,221,227	11,765,349	13,809,761
	9,827,485	10,210,050	10,476,096	11,455,275	9,820,122	11,849,965
	5,113,321	6,406,375	6,834,724	7,333,075	6,174,313	7,956,268
	21,029,781	23,500,150	24,775,021	26,197,867	22,418,785	28,005,979
	2,709,758	3,759,373	3,331,315	2,457,156	2,187,128	2,981,881
	4,891,652	5,540,617	5,064,464	4,428,534	4,106,340	4,566,296
	767,228	1,503,077	712,357	789,662	796,482	1,488,385
	23,934,768	23,278,028	20,642,572	21,744,471	3,297,392	29,285,675
	35,136,159	41,058,833	43,595,799	42,011,645	16,529,435	36,999,678
	226,588	6,744,314	1,224,732	10,261	8,330	239,293
	12,582,876	13,343,717	105,979,279	53,030,920	5,068,272	2,343,748
	3,425,122	2,887,489	261,892	283,581	241,570	299,964
	-	9,804	-	11,352	12,513	10,062
	2,055,966	2,294,948	2,679,362	2,852,110	3,117,970	-
	1,068,490	1,153,257	1,095,381	1,205,128	1,089,363	1,381,484
\$	<u>338,317,288</u>	<u>\$ 381,221,831</u>	<u>\$ 467,311,457</u>	<u>\$ 426,307,909</u>	<u>\$ 311,400,579</u>	<u>\$ 398,544,304</u>
	19.08%	18.20%	14.53%	17.00%	6.48%	16.85%

Keller Independent School District

Other Financing Sources and Uses and Net Change in Fund Balances

Governmental Funds

Last Ten Fiscal Periods

(modified accrual basis of accounting)

	Fiscal Period			
	2010	2011	2012	2013
Excess of Revenues Over (Under) Expenditures	\$ (69,044,579)	\$ (16,706,647)	\$ 12,026,287	\$ (1,890,090)
Other Financing Sources (Uses)				
General Long-term Debt Issued	30,809,991	9,445,000	2,710,000	85,419,998
Transfers In	-	-	-	-
Premium or Discount on Issuance of Bonds	1,159,821	530,449	200,974	15,269,804
Transfers Out	-	-	-	-
Payment to Bond Refunding Escrow Agent	(31,505,435)	(9,804,046)	(2,825,750)	(99,734,652)
Other (Uses)	-	-	-	-
Total Other Financing Sources (Uses)	-	149,272,808	464,377	171,403
Net Change in Fund Balances	\$ (76,971,067)	\$ 65,298,542	\$ (68,580,202)	\$ (16,535,244)

Table VII

Fiscal Period					
2014	2015	2016	2017	Ten Month Period 2018	2019
\$ (16,796,243)	\$ (42,713,947)	\$ (113,354,137)	\$ (46,523,336)	\$ 74,600,669	\$ 4,696,944
45,650,000	425,692,588	126,935,000	-	-	14,280,000
-	3,285,775	-	-	-	-
3,645,068	66,744,576	25,527,395	-	-	3,512,595
-	(3,285,775)	-	-	-	-
(49,070,797)	(318,213,030)	(152,246,597)	-	-	(22,563,857)
-	-	331,695	1,848,211	-	-
85,224	955,150	547,493	1,848,211	-	(4,771,262)
<u>\$ 12,111,511</u>	<u>\$ (934,940)</u>	<u>\$ (112,806,644)</u>	<u>\$ (44,675,125)</u>	<u>\$ 74,600,669</u>	<u>\$ (74,318)</u>

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

Table VIII

Fiscal Period	Assessed Value		Less: Tax-Exempt Property	Total Taxable Assessed ^a Value	Total Direct Tax Rate ^b	Estimated Actual Taxable ^c Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Real Property	Personal Property					
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%
2016	14,147,290,643	715,396,851	1,959,793,037	12,902,894,457	1.5400	14,862,687,494	86.81%
2017	16,295,187,107	785,317,276	2,116,569,235	14,963,935,148	1.5200	17,080,504,383	87.61%
2018	17,714,662,204	954,120,636	2,170,239,105	16,498,543,735	1.5200	18,668,872,840	88.37%
2019	19,812,180,062	1,048,396,664	2,456,835,803	18,404,740,923	1.5100	20,861,576,726	88.22%

Source: Tarrant County Tax Appraisal District

Notes: ^aMarket value less exemptions

^bPer \$100 of assessed valuation

^cMarket value

Keller Independent School District

Table IX

Property Tax Rates for Direct and Overlapping Governments

Last Ten Fiscal Periods

(rate per \$100 of assessed value)

Fiscal Year	District Direct Rates			Overlapping Government Rates ^a				
	Operating	Debt Service	Total	Tarrant County	Tarrant Co. Hospital District	Tarrant County College District	City of Colleyville	City of Fort Worth
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
2016	1.0400	0.5000	1.5400	0.26400	0.22790	0.14950	0.35590	0.85500
2017	1.0400	0.4800	1.5200	0.25400	0.22790	0.14473	0.33913	0.83500
2018	1.0400	0.4800	1.5200	0.24400	0.22443	0.14006	0.33383	0.80500
2019	1.1700	0.3400	1.5100	0.23400	0.22443	0.13607	0.32080	0.78500

Fiscal Year	Overlapping Government Rates ^a				
	City of Haltom City	City of Keller	City of North Richland Hills	City of Southlake	City of Watauga
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
2016	0.69999	0.43719	0.61000	0.46200	0.61872
2017	0.69999	0.43000	0.61000	0.46200	0.61841
2018	0.66818	0.42750	0.59000	0.49500	0.60179
2019	0.65300	0.41325	0.58500	0.44700	0.60179

Note:

^aIncludes levies for operating and debt service costs

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

Table X

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Taxable Value	Taxable Assessed Value	Rank	Percentage of Taxable Value
ATC MF No.4 LP/ATC MF NO2 LP/AT	\$ 175,600,000	1	0.95%			
Wal-Mart Stores Texas LP	161,832,861	2	0.88%	56,670,966	3	0.54%
Kroger Co	147,742,367	3	0.80%	70,433,809	2	0.67%
FMR Texas LP	133,497,184	4	0.73%	151,600,355	1	1.44%
ATC Investors LP	92,486,214	5	0.41%			
DSL Landlord II LLC	76,191,983	6	0.50%			-
Corning Optical Communications	75,189,847	7	0.41%			-
Hillwood Monterra Lp	74,500,000	8	0.40%			-
HCA Health Services of TX Inc	66,929,534	9	0.36%			
North Beach TX Partners LLC	56,550,000	10	0.31%			-
Alliance Town Center LP			-	39,009,200	4	0.37%
Oncor Electric Delivery Co LLC			-	38,867,988	5	0.37%
Tri County Electric Co-op Inc			-	24,539,130	6	0.23%
Inland Western Watauga LP			-	23,625,312	7	0.22%
GTE Southwest Inc			-	22,397,880	8	
Watercolor Partners LP			-	22,347,000	9	0.21%
Alliance Gateway Ltd			-	22,186,960	10	0.21%
Subtotal	1,060,519,990		5.75%	471,678,600		4.26%
All other taxpayers	17,344,220,933		94.24%	10,047,306,994		95.52%
	<u>\$ 18,404,740,923</u>		<u>100%</u>	<u>\$ 10,518,985,594</u>		<u>100%</u>

Source: Tarrant Appraisal District

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

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
2010	2009	154,071,805	8,389,934	162,461,739	160,286,383	104.03%	1,808,527	162,094,911	99.77%
2011	2010	163,551,452	2,206,607	165,758,059	163,908,760	100.22%	1,457,685	165,366,445	99.76%
2012	2011	170,135,313	247,601	170,382,914	169,139,007	99.41%	834,410	169,973,416	99.76%
2013	2012	171,779,167	1,699,878	173,479,045	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%	41,507	195,350,075	99.43%
2016	2015	195,978,901	7,605,408	203,584,309	202,734,808	103.45%	444,331	203,179,139	99.80%
2017	2016	222,329,840	6,320,423	228,650,263	227,431,763	102.29%	130,693	227,562,456	99.52%
2018	2017	244,073,351	8,964,698	253,038,049	250,904,866	102.80%	1,273,780	252,178,646	99.66%
2019	2018	269,305,252	1,771,509	271,076,761	267,472,743	99.32%	1,916,625	269,389,368	99.38%

Source: Tarrant County Tax Office

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

Keller Independent School District

Table XII

Outstanding Debt by Type

Last Ten Fiscal Periods

Governmental Activities

Fiscal Year	Bonded Debt	Total Primary Government	Percentage of Personal Income ^a	Estimated Population	Per Capita ^a	Ratio of Net Bonded Debt to Estimated Actual Property Value ^b
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	47.68%	43,287	20,829	14.36
2016	867,851,273	867,851,273	46.81%	44,050	19,702	17.13
2017	834,031,187	834,031,187	35.09%	45,749	18,231	20.48
2018	819,252,095	819,252,095	33.36%	46,672	17,553	22.79
2019	773,559,842	773,559,842	29.98%	47,458	16,300	26.96

Notes:

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

^bSee Schedule VIII for estimated actual property value.

Note: 2018 was a ten month period

Keller Independent School District

Direct and Overlapping Governmental Activities Debt
As of June 30, 2019

Table XIII

Governmental Unit	Total Tax Supported Debt as of 06/30/19	Estimated Percentage Applicable ^b	Estimated Share of Direct and Overlapping Debt
City of Colleyville	\$ 4,155,000	10.36%	\$ 430,458
City of Fort Worth	720,132,333	10.18%	\$ 73,309,471
City of Haltom City	51,512,425	4.25%	\$ 2,189,278
City of Hurst	55,244,364	1.28%	\$ 707,128
City of Keller	60,009,819	98.02%	\$ 58,821,625
City of North Richland Hills	142,919,028	11.41%	\$ 16,307,061
City of Southlake	27,079,670	4.96%	\$ 1,343,152
City of Watauga	41,100,000	39.25%	\$ 16,131,750
Town of Westlake	67,680,000	51.31%	\$ 34,726,608
Tarrant County	266,375,000	9.40%	\$ 25,039,250
Tarrant Co. Hospital District	17,735,000	9.40%	\$ 1,667,090
Subtotal, Overlapping Debt			\$ 230,672,871
District Direct Debt			773,559,842
Total Direct and Overlapping Debt			\$ 1,004,232,713
Ratio of Total Direct and Overlapping Debt to Assessed Valuation			5.46%
Per Capita Overlapping Debt			\$ 4,861

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 Periods

	Fiscal Period			
	2010	2011	2012	2013
Assessed value ^a	\$ 10,518,985,594	\$ 10,838,009,000	\$ 11,200,638,123	\$ 11,303,854,760
Debt limit ^b	1,051,898,559	1,083,800,900	1,120,063,812	1,130,385,476
Amount of debt applicable to debt limit:				
Total bonded debt	725,718,509	712,856,767	700,087,012	681,493,165
Less: Reserve for debt service	5,167,382	3,820,031	3,892,876	3,406,682
Total net debt applicable to limit	<u>720,551,127</u>	<u>709,036,736</u>	<u>696,194,136</u>	<u>678,086,483</u>
Legal debt margin	<u>\$ 331,347,432</u>	<u>\$ 374,764,164</u>	<u>\$ 423,869,676</u>	<u>\$ 452,298,993</u>
Total net debt applicable to the limit as a percentage of debt limit	68.50%	65.42%	62.16%	59.99%

Notes:

^aMarket value less exemptions

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

Table XIV

Fiscal Period					
2014	2015	2016	2017	2018	2019
\$ 11,925,386,754	\$ 12,950,447,900	\$ 12,902,894,457	\$ 14,963,935,148	\$ 16,498,543,735	\$ 18,404,740,923
1,192,538,675	1,295,044,790	1,290,289,446	1,496,393,515	1,649,854,374	1,840,474,092
657,363,397	771,227,957	728,705,385	706,960,914	703,663,522	666,492,847
4,062,753	5,188,673	8,548,914	19,542,506	82,234,220	74,931,136
653,300,644	766,039,284	720,156,471	687,418,408	621,429,302	591,561,711
\$ 539,238,031	\$ 529,005,506	\$ 570,132,975	\$ 808,975,107	\$ 1,028,425,072	\$ 1,248,912,381
54.78%	59.15%	55.81%	45.94%	37.67%	32.14%

Keller Independent School District
 Demographic and Economic Statistics
 Last Ten Fiscal Periods

Table XV

<u>Calendar Year</u>	<u>Population^a</u>	<u>Personal Income^b</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate^c</u>
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%
2016	44,050	2,000,530,750	45,415	3.50%
2017	45,749	2,376,843,546	51,954	3.44%
2018	46,672	2,455,740,624	52,617	2.90%
2019	47,458	2,580,196,544	54,368	3.00%

Notes:

All information above is for the Keller municipal area.

Sources:

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

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

^cTexas Workforce Commission

Note: 2018 was a ten month period

Keller Independent School District
Principal Employers
Current Period and Nine Years Ago

Table XVI

Employer	2019			2010		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Fidelity Investments	5,400	1	13.78%	2,700	5	1.97%
BNSF Railway	4,900	2	12.50%	2,500	7	1.83%
Keller ISD	4,339	3	11.07%	3,750	6	2.74%
Walmart	4,010	4	10.23%	3,492		2.55%
AMR Corporation	4,000	5	10.21%	79,000	1	57.69%
Bell Tech Services	4,000	6	10.21%	7,000	4	5.11%
Sabre Holdings	3,545	7	9.04%	9,000	3	6.57%
ATC Logistics	3,000	8	7.65%	-		
Genco	3,000	9	7.65%	8,800		6.43%
Amazon	3,000	10	7.65%	-		
GameStop	-			17,000	2	12.41%
Gaylord Texas Resort	-		-	1,900	8	1.39%
DFW Administration	-		-	1,800	9	1.31%
	-		-	-		
	-		-	-		
	<u>39,194</u>		<u>100%</u>	<u>136,942</u>		<u>100%</u>

Source: North Central Council of Governments

Note: Data for only top 9 major employers available for 2009

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

Table XVII

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Percentage Change 2010-2019
Supervisory											
Instructional administrators	15.5	15.5	12.5	12.5	13.5	17	18	21	21	20	29.0%
Noninstructional administrators	46.5	46.5	39.5	43.5	49.5	57.8	60.25	66.25	71.25	74	59.1%
Consultants/supervisors of instruction	19.5	19.5	9.5	8.5	12	24	25	41	49	56.5	189.7%
Principals	36	39	39	39	39	39	40	42	42	42	16.7%
Assistant Principals	62	65	66	66	66	67	69	70	78	80	29.0%
Total supervisory	179.50	185.50	166.50	169.50	180.00	204.80	212.25	240.25	261.25	272.50	51.8%
Instruction											
Elementary classroom teachers	1130	1120	1097	1117.33	1134.25	1200.5	1228.5	1260	1254	1254.25	11.0%
Secondary classroom teachers	822	884	798	787.44	901.75	961.5	979.67	1060.81	1086.86	1120.22	36.3%
Other teachers (adult)	-	-	-	-	-	-	-	-	-	-	0.0%
Other professionals (instructional)	85	83	73	79	81	85.5	89	80.4	80.4	84.1	-1.1%
Aides	301.75	303.5	277.5	283	302	333	342	367.5	381.5	413.5	37.0%
Total Instruction	2,338.75	2,390.50	2,245.50	2,266.77	2,419.00	2,580.50	2,639.17	2,768.71	2,802.76	2,872.07	22.8%
Student Services											
Guidance counselors	74.5	78.5	78	82	98	100	108	111	105	109	46.3%
Visiting teacher/social workers	2	2	2	2	2	3	3	3	3	3	50.0%
Psychologists	7	8	8	8	8	8	8	8	9	10	42.9%
Librarians	36	37	38	38	38	38	38	39	40	40	11.1%
Other professionals (noninstructional)	69.5	78	78.5	83.5	83.5	92.5	97	98	100	99	42.4%
Technicians	30	30	0	0	0	0	0	4	10	10	-66.7%
Total student services	219.00	233.50	204.50	213.50	229.50	241.50	254.00	263.00	267.00	271.00	23.7%
Support and Administration											
Clerical/secretarial	262	297	203.5	205.5	235	246	252.25	261.75	265.75	279.25	6.6%
Service workers	250	256	271	271	270	272	268	274	277	282	12.8%
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	271	318	318	318	323	333	334	346	353	362	33.6%
Total support and administration	783.00	871.00	792.50	794.50	828.00	851.00	854.25	881.75	895.75	923.25	17.9%
Total	3,520.25	3,680.50	3,409.00	3,444.27	3,656.50	3,877.80	3,959.67	4,153.71	4,226.76	4,338.82	23.3%

Source: Keller Independent School District records.

Note: 2018 was a ten month period

Keller Independent School District
 Operating Statistics
 Last Ten Fiscal Periods

Table XVIII

<u>Fiscal Year</u>	<u>Peak Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost per Pupil</u>	<u>Teaching Staff</u>	<u>Pupil-Teacher Ratio</u>	<u>Percentage of Students Receiving Free or Reduced-Price Meals</u>
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%
2016	34,180	288,671,453	8,446	2,216	15.4	23.26%
2017	34,660	304,045,079	8,772	2,321	14.9	24.20%
2018	34,937	281,191,332	8,049	2,350	14.9	25.87%
2019	34,888	327,984,400	9,401	2,374	14.7	27.90%

Note 1: 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.

Note 2: 2018 was a ten month period

Source: Nonfinancial information from district records.

Keller Independent School District

Building Information Last Ten School Years

Schools	School Year			
	2010	2011	2012	2013
Elementary				
Buildings	21	22	22	22
Square feet	1,684,123	1,744,123	1,744,123	1,744,123
Capacity	15,570	16,170	16,170	16,170
Enrollment	12,774	12,805	13,292	13,033
Intermediate/Middle				
Buildings	10	11	11	11
Square feet	1,295,858	1,478,683	1,478,683	1,478,683
Capacity	10,710	11,910	11,910	11,910
Enrollment	10,119	10,393	10,656	10,595
High				
Buildings	5	5	5	5
Square feet	1,578,974	1,578,974	1,578,974	1,578,974
Capacity	10,000	10,000	10,000	10,000
Enrollment	8,675	9,272	9,635	9,795
Administrative				
Buildings	2	3	3	3
Square feet	84,566	119,566	119,566	119,566
Athletics				
Stadiums	12	13	13	13
Football/soccer/play fields	44	45	45	45
Running tracks	9	10	10	10
Baseball/softball	13	14	14	14
Natatorium	1	1	1	1

Table XIX

School Year					
2014	2015	2016	2017	2018	2019
22	22	22	25	25	25
1,744,123	1,744,123	1,744,123	1,933,237	1,933,237	1,933,237
16,170	16,170	16,170	17,170	17,170	17,170
13,019	12,713	12,915	13,064	13,103	13,103
11	11	11	11	11	11
1,478,683	1,478,683	1,478,683	1,756,873	1,756,873	1,756,873
11,910	11,910	11,910	11,910	11,910	11,910
10,518	10,366	10,426	10,533	10,679	10,679
5	5	5	6	6	6
1,613,974	1,613,974	1,613,974	1,946,615	1,946,615	1,946,615
10,000	10,000	10,000	12,300	12,300	12,300
10,226	10,540	10,839	11,063	11,155	11,155
3	3	3	3	3	3
119,566	119,566	139,299	138,983	138,983	138,983
13	13	13	13	11	11
45	45	45	45	47	47
10	10	10	10	10	10
14	14	14	14	14	14
1	1	1	1	1	1

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Federal Awards Section

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**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 (the District), as of and for the year ended June 30, 2019, 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 November 18, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Board of Trustees
Keller Independent School District

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 District'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
November 18, 2019

**Independent Auditor's Report on Compliance for Each
Major Federal Program and Report on Internal Control over
Compliance in Accordance with the Uniform Guidance**

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 (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 18, 2019

Keller Independent School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Exhibit K-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
<i>ESSA Title I, Part A Improving Basic Programs</i>	84.010A	19610101220907	\$ 2,238,253
<i>IDEA-B Formula ⁽¹⁾</i>	84.027A	196600012209076600	4,907,503
<i>IDEA-B Preschool Grant⁽¹⁾</i>	84.173A	196610012209076610	102,195
<i>IDEA-B High Cost Fund/Evaluation Capacity⁽¹⁾</i>	84.027A	2265431911015	60,000
<i>Carl D. Perkins Basic Formula Grant</i>	84.048A	19420006220907	265,098
<i>ESSA Title II, Part A Teacher/Principal Training/Recruiting</i>	84.367A	19694501220907	518,811
<i>ESSA Title III, Part A English Language Acquisition- Summer LEP</i>	84.369A	69551802	13,768
<i>ESSA Title III, Part A English Language Acquisition</i>	84.365A	19671001220907	289,055
<i>ESSA Title III, Part A-Immigrant</i>	84.365A	19671003220907	25,631
<i>ESSA Title IV, Part A, Subpart 1</i>	84.424A	19680101220907	61,612
<i>Texas Education for Homeless Children and Youth</i>	84.196A	194600057110042	<u>34,353</u>
Total U.S. Department of Education			8,516,279
Passed through State Department of Agriculture:			
<i>National School Breakfast Program ⁽²⁾</i>	10.553	71401401	991,354
<i>National School Lunch Program ⁽²⁾</i>	10.555	71301401	4,675,996
<i>National School Lunch Program - Non-cash Assistance ⁽²⁾</i>	10.555	71301401	<u>826,656</u>
Total U.S. Department of Agriculture			<u>6,494,006</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 15,010,285</u>
School Health and Related Services ⁽³⁾			8,039,456
School and Libraries Program ⁽³⁾			<u>108,530</u>
TOTAL FEDERAL REVENUES, RECONCILED TO EXHBIT C-3			<u>\$ 23,158,271</u>

(1) Reported as Special Education Cluster, as required by Compliance Supplement August 2019, totaling \$652,898.

(2) Reported as Child Nutrition Cluster, as required by Compliance Supplement August 2019

(3) SHARS and E-Rate are not considered federal financial assistance subject to requirements in accordance with Uniform Guidance

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 June 30, 2019, 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 June 30, 2019, the District received and disbursed food commodities totaling \$826,656.

Note 4: Uniform Guidance allows non-federal entities such as the District the opportunity to elect to charge a de minimis rate of the percent of modified direct costs as its indirect cost rate that may be used indefinitely. The district chose not to utilize the de minimis rate.

Keller Independent School District
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2019

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 No
- 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 No

An unmodified opinion was issued on compliance for major programs.

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? 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

84.010A ESSA Title 1, Part A Improving Basic Programs

- Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee? Yes No

Keller Independent School District

Schedule of Findings and Questioned Costs - Continued
For the Year Ended June 30, 2019

Section II – Financial Statement Findings

There were no matters reported

Section IV – Federal Award Findings and Questioned Costs

There were no matters reported.

Keller Independent School District
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2019

Finding 2018-001

Condition: The District expended amounts in excess of budgeted appropriations for the period ended June 30, 2018.

Status: Corrected

Finding 2018-002

Condition: Improper classification of participants selected during Verification of Free and Reduce Price Application.

Status: Corrected

Prepared by Management