

Keller Independent School District

Keller, Texas



Comprehensive Annual Financial Report

For the Fiscal Year Ended August 31, 2012

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Comprehensive Annual Financial Report

For the Fiscal Year Ended August 31, 2012

Prepared by the Finance Department

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Kristin Williams, C.P.A.

Deputy Superintendent
Director of Finance

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INTRODUCTORY SECTION

**KELLER INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD**

Keller Independent
School District
Name of Local Education Agency

Tarrant
County

220-907
County-District-Number No.

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

approved disapproved
 7 0

for the year ended August 31, 2012 at a meeting of the Board of Trustees of such school district on the 18th day of January, 2013.



Signature of Board Secretary



Signature of Board President

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

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OFFICE OF THE SUPERINTENDENT

KELLER INDEPENDENT SCHOOL DISTRICT

350 KELLER PARKWAY

KELLER, TEXAS 76248

PHONE: 817-744-1000

FAX: 817-744-1261

January 17, 2013

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) (KISD) for the fiscal year ended August 31, 2012.

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

The financial statements of the District have been audited by Weaver, L.L.P, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended August 31, 2012, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The District includes all funds of its governmental operations that are controlled by or dependent upon the District as determined on a basis of financial accountability. Financial accountability includes appointment of the organization's governing body, imposition of will, and fiscal dependency. The District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity". The accompanying financial statements include only those funds of the District, as there are no other organizations for which it has financial accountability.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act as amended in 1996 by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements for the administration of federal awards. The results of the District's single audit for the fiscal year ended August 31, 2012, 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 Single Audit Section of this report.

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

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

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

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

Governing Body

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

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

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

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

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

Economic Conditions and Outlook

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

The Keller Independent School District, strategically situated in the northeast section of Tarrant County, lies within one of the fastest growing areas in Texas. Keller's 51 square miles lies 17 miles due north of downtown Fort Worth. As Keller ISD approaches build out, enrollment growth is slowing. Until the 2011-2012 year, enrollment was increasing in excess of 1,000 students per year. The enrollment increase in 2011-12 was only 344 students and the projected increase for 2012-13 is 265. Keller ISD is expected to remain the largest district in Northeast Tarrant County through build-out and the fourth largest district in Tarrant County as a whole. The District enrollment is expected to exceed 35,000 by the fall of 2018.

AREA DEVELOPMENT

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

Alliance Town Center.

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

Housing. Major housing developments that contribute to the fast growth of the District are slowing but are still at a greater pace than national housing start data. Keller ISD is currently ranked third in the DFW Metroplex, with 865 projected housing starts and 833 projected closings by the end of 2012, while foreclosures have declined 10.6% since 12/31/11. Approximately 2,900 vacant developed lots and lots for future development remain in the District's top ten developments; however, this only accounts for about 60% of all available land in the District. Marshall Ridge, Keller's last large master planned community, has 351 completed homes, with 179 remaining for immediate construction and 438 available for future development. KISD opened Ridgeview Elementary in August, 2011, mainly due to the development of Marshall Ridge.

Contributing to the growth of the area are multi-family units that could contribute approximately 15,000 units in the future to KISD. No more than 3,200 units, however, are scheduled to be completed in any quarter through 2014. Of these multi-family units some will be upscale lifestyle apartments that will have minimal effect on the District's student population but will increase taxable property values. Monterra at Hillwood is an example of this type of apartment community. Monterra's Phase I has produced 288 units with a completion of all phases producing 1,000 units. The apartment occupancy rate in Keller ISD is currently 94%.

Employment. The northeast Tarrant County job outlook has improved significantly from 8.5% unemployment in 2010 to 6.9% at the end of 2012. This is the lowest unemployment rate for Tarrant County since April 2009. The national average was 8.1% at the close of 2012. Keller continues to out-perform the state and national economy with a healthy 5.4% unemployment rate.

EDUCATION

KELLER INDEPENDENT SCHOOL DISTRICT

The Keller Independent School District (KISD) has grown from an enrollment of 13,692 students in 1997-1998 to a peak enrollment of 33,130 in 2011-2012, an increase of 141% in the last fourteen years. The District projects enrollment at 33,395 for the 2012-13 school year.

The District employs 3,383 teachers and support personnel to serve the District's 39 campuses. KISD serves as the District's fifth largest employer behind AMR Corporation (American Airlines), GameStop, Sabre Holding and Bell Helicopter. Students from Keller, Fort Worth, Watauga, Southlake, Colleyville, Hurst, North Richland Hills, Westlake, and Haltom City attend classes at twenty-two elementary schools (PK-4), five intermediate schools (5-6), one intermediate/middle school (5-8), five middle schools (7-8), four high schools (9-12), one Early Learning Center and one alternative school. Besides the 39 regular schools, the District utilizes 20 portable buildings, which provide approximately 40 additional classrooms.

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

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

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

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

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

Students who are enrolled in Health Science Technology Education on the high school campuses start as student interns, rotating through virtually every department at Baylor Regional Medical Center at Grapevine Hospital. As second year students they advance to clinics and doctor offices in our community. Another innovative program is Ready, Set, Teach. It is offered on the high school campuses to students interested in the teaching profession. Students work in elementary and middle schools to learn effective teaching methods.

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

In 2011-12, the Board of Trustees implemented a “Pay for Ride” transportation system. All regular education students in the District are eligible to apply for pay for ride busing. Bilingual or Pre-K students attending these programs at a campus other than their home campus receive free transportation between these campuses. Free transportation is also provided for all Special Education students. Students who are assigned to special education transportation are transported from Admission, Review and Dismissal specified pickup points without regard for minimum distance from school.

MAJOR INITIATIVES

FOCUS & DIRECTION:

KELLER ISD – Intentionally Exceptional!

OUR VISION

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

MISSION STATEMENT

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

VALUES

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

DISTRICT STRATEGIC GOALS:

Goal 1.1:

Address student needs through innovative educational strategies.

Goal 1.2:

Initiate and support individualized student engagement and learning.

Goal 1.3:

Align instructional processes and educational resources to meet rigorous standards.

Goal 1.4:

Utilize familiar and accessible technologies to transform the teaching/learning process.

Goal 2.1:

Enhance student, parent and community outreach opportunities.

Goal 2.2:

Implement effective communication practices throughout the District.

Goal 2.3:

Enhance relationships with students.

Goal 3.1:

Embed mission, motive, vision, and values in all operational processes.

Goal 3.2:

Improve methods to provide exceptional customer service.

Goal 3.3:

Create a student interactive decision-making process.

Goal 3.4:

Prioritize technology funding to equalize, automate, and innovate District programs and facilities.

Goal 3.5:

Ensure all facilities are environmentally friendly.

Goal 3.6:

Ensure operational initiatives are sustainable.

Goal 4.1:

Employ qualified, diverse staff.

Goal 4.2:

Provide an attractive salary and benefits package for all staff.

Goal 4.3:

Create high-quality, innovative professional development plans.

Goal 4.4:

Expand initiatives to create a positive work environment.

Goal 4.5:

Develop a succession management process for all key leadership positions.

Goal 5.1:

Educate the public on school finance.

Goal 5.2:

Identify added measures for fiscal soundness.

Goal 5.3:

Manage fiscal resources to accommodate growth.

Goal 5.4:

Actively pursue supplemental funding.

Goal 5.5:

Maintain financial efficiency at all levels.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Capital Projects On November 4, 2008, voters approved a bond program to finance facility needs through 2013. On April 28, 2009, the District issued \$142,299,951 of unlimited tax school building bonds. KISD opened a fourth high school in August of 2009 and a hybrid intermediate/middle school and Early Learning Center in August 2010. Ridgeview Elementary School was opened in August, 2011. Remaining funds are slated to purchase land for a 23rd elementary school in fiscal year 2012. There is currently no date of construction for this campus. A bond election will be required for the construction costs of this campus when the construction date is determined. All other projects in the bond program are complete.

Keller ISD continues to retire existing debt at a steady pace. The District was able to refund bonds in 2012 to reduce total debt service payments over the next 20 years (see Note 2 in the footnotes to the Financial Statements). Although enrollment has slowed, District personnel continually work with the community through the Citizens' Bond Oversight Committee to review the facility needs of the District. This Board-appointed committee makes recommendations to the Board of Trustees for needs that will be addressed through additional debt issuance, while minimizing the financial impact on the taxpayer. As new construction slows and significantly fewer bonds are issued, the District's annual debt requirements will decrease as well. This would eventually lead to decreases in the debt service portion of the tax rate.

Performance Improvement System Keller ISD uses the Baldrige Framework for Performance Excellence. The superintendent and senior leaders selected the Model for Performance Excellence and Continuous Improvement in 2008. Senior leaders meet weekly to guide the system in the implementation of the Baldrige Initiative. The Baldrige Performance Criteria served as the foundation for a strategic planning effort in October 2009. Ongoing systems to embed continuous improvement practices into the daily work of employees include the refinement of the appraisal system, the interactive learning plan for administrators at monthly meetings and the expansion of a trained cadre of teachers to share the models on campuses. The Board of Trustees policy contains a statement adopting the Baldrige framework for continuous improvement. Their actions, the planning at the District and campus level and all performance appraisals are aligned to support the District's goals.

Accountability The 2011-12 academic year introduced the new state assessment program entitled State of Texas Assessments of Academic Readiness (STAAR). STAAR replaced the TAKS testing for grades 3 through grade 9. Students in grades 10 and 11 continued to test under the TAKS methodology.

The Texas Education Agency is developing a new accountability system based on the STAAR tests as well as other indicators. There are no state accountability ratings for the 2011-12 school years.

The grade 3 through 8 STAAR test results compared to the state STAAR test results are as follows:

		State	KISD
Grade 3	Reading	92.00%	96.13%
	Math	86.00%	92.35%
Grade 4	Reading	87.00%	93.00%
	Math	89.00%	92.00%
Grade 5	Reading	87.00%	93.68%
	Math	86.00%	90.63%
Grade 6	Reading	85.00%	95.39%
	Math	82.00%	93.64%
Grade 7	Reading	89.00%	96.28%
	Math	78.00%	92.64%
Grade 8	Reading	89.00%	97.04%
	Math	78.00%	90.54%

Students taking Biology, Algebra I, World Geography, English I Reading and English I Writing were tested using end of course examinations. The results compared to the state results were as follows:

	Biology	Algebra I	World Geography	English I Reading	English I Writing
State	87%	83%	81%	68%	55%
Keller ISD	94%	93%	93%	85%	73%

Students in the 10th and 11th grade were tested using TAKS examinations with the following results compared to the state results for the same tests.

		State	KISD
Grade 10	Reading	91.00%	96.00%
	Math	74.00%	83.38%
	Social Studies	94.00%	98.12%
	Science	75.00%	87.00%
Grade 11	Reading	93.00%	98.13%
	Math	91.00%	95.05%
	Social Studies	98.00%	99.81%
	Science	94.00%	97.67%

Keller ISD SAT and ACT scores outpace the state and national average.

2012 SAT SCORES				
	Critical Reading	Writing	Math	Composite
District	517	496	533	1546
State	474	461	499	1434
Nation	496	488	514	1498

Overall the District's SAT composite score for 2012 was 1,546 while the state's average was 1,434, a 112 point difference.

Nationwide students scored a 1,498, which was 48 points below KISD's score.

2012 ACT SCORES					
	English	Math	Reading	Science	Composite
District	22.1	23.2	23.1	22.6	22.9
State	19.6	21.4	20.8	20.8	20.8
Nation	20.5	21.1	21.3	20.9	21.1

The District's composite ACT score was 22.9 as compared to a state average of 20.8 and national average of 21.1.

District Student and Staff Accomplishments:

KISD Earns 3rd Straight 5-Star Rating for Financial Efficiency

Keller ISD has earned Five Stars, the highest rating, on the 2012 Financial Allocation Study of Texas (FAST) for the third consecutive year. KISD is one of only 15 districts in the state to receive this distinction three years in a row, and is one of only two districts in Tarrant County to make this year's list. KISD is the only district in the county to earn five stars in each of the past three years.

KISD in 'netTrekker Search' Digital Learning Awards Top 100

Keller ISD finished among the Top 100 in Knovation's new netTrekker Search Digital Learning Awards Program. As one of the Top 100, Keller ISD is being recognized for its outstanding usage of the netTrekker Search tool during the 2011-12 school year, as well as for empowering educators with digital resources that create engaging, differentiated learning experiences, while motivating students to learn independently.

Keller ISD Finance Awards

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded Keller ISD with:

- The Certificate of Achievement for Excellence in Financial Reporting for fiscal year ending August 2011. Keller ISD has received this honor for the past five years.
- The Distinguished Budget Presentation Award for the 2011-12 annual budget. Keller ISD has earned this award for the past four consecutive years.

The Association of School Business Officials (ASBO) has awarded Keller ISD with:

- The Certificate of Excellence in Financial Reporting by for its Comprehensive Annual Financial Report (CAFR) for fiscal year ending August 2011. This is the fifth consecutive year the District has received this prestigious award.
- The Meritorious Budget Award for the 2011-12 annual budget. Keller ISD also earned this award for the 2008-09 and 2010-11 budget cycles.

Indoor Air Quality National Model of Sustained Excellence Award

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

2010 Clean Air Award - National Air Filtration Association

Keller ISD was awarded the 2010 Clean Air Award by the National Air Filtration Association (NAFA). KISD was one of 24 recipients, as well as one of two school districts, to be honored. NAFA initiated the Clean Air Award in 1995 to recognize the efforts of facility managers and building owners who go above the “recommended minimums” and put into place “best practice” maintenance. The Clean Air Award is based upon innovative technology, the use of proper air filtration, and the benefits realized by initiating these measures.

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

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

KISD Security ranks among nation's top 500 organizations

Keller ISD was named among the 500 most secure organizations for the third year in a row by *Security Magazine*, a national publication. The November 2011 issue of the monthly national security publication ranked the District as the 19th most secure organization in the Education: K-12 category. The Security 500’s rankings are based on a number of factors, including security spending, the number of security officers, innovative security strategies and peer/customer feedback.

Purchasing Department earns TASBO Award of Merit with Recognized Status

The Keller ISD Purchasing Department has earned the Texas Association of School Business Officials (TASBO) Award of Merit for Purchasing and Operations with Recognized Status for the second year in a row. The award recognizes school districts’ achievement in implementing best practices in the area of purchasing and is awarded to school districts and Education Service Centers statewide that are committed to following professional standards in the acquisition of goods and services.

College Board Recognizes KISD on AP District Honor Roll

The College Board recognized Keller ISD as one of 539 school districts in the United States and Canada to place on the 2012-13 Annual AP District Honor Roll. The Honor Role is based on three years of AP data: 2010, 2011, and 2012. Over that span, Keller ISD increased the number of students participating in AP from 1429 to 1743, while improving the percentage of students earning AP Exam scores of 3 or higher from 61% in 2010 to 66% in 2012.

Campuses Earn HealthierUS School Challenge Bronze Level Award

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

Seven Students Named 2013 National Merit Semifinalists

Officials of the National Merit Scholarship Corporation (NMSC) announced the names of approximately 16,000 Semifinalists in the 58th annual National Merit Scholarship Program, which included seven Keller ISD students – two from Central High School and five from Keller High School. These academically talented high school seniors have an opportunity to continue in the competition for some 8,300 National Merit Scholarships worth more than \$32 million that will be offered next spring. To be considered for a Merit Scholarship award, Semifinalists must fulfill several requirements to advance to the Finalist level of the competition.

Two TCHS Students Qualify as National Achievement Semifinalists

Two Keller ISD students, both from Timber Creek High School, have qualified as Semifinalists in the 2013 National Achievement Scholarship Competition. The National Achievement Scholarship Program is an academic competition established in 1964 to provide recognition for outstanding Black American high school students. More than 160,000 students entered the 2013 National Achievement Scholarship Program by requesting consideration in the competition when they took the 2011 PSAT/NMSQT as high school juniors. From the Semifinalist pool, some 1,300 will advance to the Finalist level, and the 800 National Achievement Scholarship winners will be selected from that group of outstanding students.

Campuses Earn HealthierUS School Challenge Bronze Level Award

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

FRHS, KHS Receive College Readiness Recognition

Both Fossil Ridge High School and Keller High School have received the '2012 College Readiness Award' from the Texas ACT Council for increasing the number of students taking the ACT Assessment over the past five years and significantly increasing their level of achievement and college readiness.

Graduation 2012

In the Spring of 2012, Keller ISD awarded diplomas to more than 2,000 graduates—the biggest graduating class in the District's history and one that included 132 AP Scholars, 15 National Hispanic Recognition Scholars, a National Achievement Scholarship Finalist, and eight National Merit Finalists, while earning more than \$55 million in scholarship offers.

TCHS, FRHS Named as AVID National Certified Schools

Both Timber Creek High School and Fossil Ridge High School were recognized as AVID National Certified Schools for the 2010-11 school years. AVID is an internationally recognized college-readiness program that is offered at both Timber Creek HS and Fossil Ridge HS. It is designed to increase the number of students who attend four-year colleges and universities. AVID students are enrolled in their school's toughest classes such as advanced placement, and they receive support for their rigorous course loads in an elective class with structured tutorials.

Central and Fossil Ridge Receive Project Lead The Way Certification for STEM Education Program

Students from certified PLTW schools may receive college admissions preference, college credit, and scholarships at PLTW affiliate universities. Central High School and Fossil Ridge High School received national certification for its Project Lead the Way (PLTW) program that has been offered since 2009. This is the second time the schools have gone through the national certification process to validate its program. PLTW, a nonprofit organization and the nation's leading provider of STEM (science, technology, engineering, and mathematics) education programs, offers a rigorous world-class curriculum that allows students to apply what they are learning in math and science class to real-life engineering and technology projects.

TASA Selects 39 Administrators for Future-Ready Superintendents Leadership Institute

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

State Teachers of the Year

For two consecutive years, Keller ISD was home to State Teachers of the Year by the Texas Education Agency. Hidden Lakes Elementary teacher Grant Simpson was the 2008 State Elementary Teacher of the Year, and in 2007, Fossil Ridge High School teacher Nika Maples was the State Secondary Teacher of the Year. Most recently, Trinity Meadows Intermediate teacher Donalyn Miller was named as the 2010 Region XI Elementary Teacher of the Year and TEA State Finalist.

TSMS Teacher Featured by Fort Worth, Texas Magazine

Fort Worth, Texas Magazine named Trinity Springs Middle School teacher Kelly Leach one of its "Top Teachers" for 2012. Ms. Leach, a special education teacher, said she has high standards for her students and gets joy from watching them accomplish things through hard work and determination. She is beginning her second decade of serving as a teacher.

"American Teacher" Documentary Features TSMS Teacher

Erik Benner, a Texas History teacher and coach at Trinity Springs Middle School, was one of four teachers featured in the documentary "American Teacher," a film by Oscar-winner Vanessa Roth and narrated by Matt Damon. The documentary discussed the many demands that teachers face today. Erik was filmed both teaching in his classroom and coaching on the field at TSMS. He also traveled to New York, where he participated in an "Education Nation" panel discussion led by Al Roker and Jenna Bush.

Parkwood Hill's Earthkeepers Named Among Top Recycling Sites in the Nation

Parkwood Hill Intermediate's Earthkeepers Recycling Program was named as one of the top 100 recycling sites nationwide. The PHIS Earthkeeper's Crew competed with over 9,600 recycling participants sponsored by Terracycle. Their efforts included collecting over 45,000 chip bags, which ultimately raised \$700 for Parkwood Hill's student activity fund.

Willis Lane Elementary Earns National 'Green Ribbon Schools' Recognition

Green Ribbon Schools recognized Willis Lane Elementary among 63 schools in 13 states for achieving the online community's highest level of participation during the 2011-2012 school year for publishing at least four projects around green building, recycling, conservation, the outdoors, health, nutrition and fitness on www.greenribbonschools.org.

KMS Student Wins National Future Chef Competition

Keller Middle School 7th Grade student Lorenzo Laohoo is the 2012 winner of Sodexo's National Future Chefs competition. Lorenzo collected the most votes of the Top 5 finalists from across the country for his healthy, kid-friendly dish, "Saturday Asian Breakfast." In March, Lorenzo won the local Keller ISD competition by placing first in the Judge's Choice Category, then he was named a finalist after winning the Regional competition in April. Future Chefs, in its second year, is part of student nutrition provider Sodexo's commitment to promoting well-being in support of classroom achievement. It was created to get students thinking about making healthy food choices in life, while encouraging them to get creative in the classroom.

Heritage 2nd Grader Finalist in National Braille Challenge

Heritage Elementary 2nd Grade student Presley Jorgensen is one of 60 finalists in The Braille Challenge, a national contest for reading and writing in braille. Presley's accomplishments earned her the right to compete in the Braille Challenge Finals in Los Angeles. More than 900 contestants competed in the preliminary round from 42 states and two Canadian provinces.

Keller ISD Fine Arts, Athletics, and CTE Achievements

KISD is dedicated to developing well-rounded students, and in 2011-12 had more than 10,000 students in grades 7 through 12 will participate in extracurricular activities. In athletics, 34 high school sports teams advance to the postseason—10 of those winning district championships—and 71 student-athletes recognized at the state level.

The District has also long been recognized for its exceptional fine arts offerings. One of Keller ISD's high schools has reached the State One-Act Play finals in four of the last five years, with three of the four high schools making an appearance. During the 2011-12 school year, 45 KISD students qualified for and participated in the State Visual Arts Scholastic Event, or VASE, Competition; while 18 band and choir performers were selected as 2011 Texas All-State Musicians by the Texas Music Educators Association.

Three Marching Bands Represent Keller ISD at State

Keller ISD sent three bands to the State Marching Band Finals for the first time in District history. Bands from Central High, Fossil Ridge High, and Keller High competed at the Alamodome in San Antonio after finishing in the top four at the Area Competition in October. All three bands put forth exceptional performances. Keller High fell just short of the finals, finishing 11th in the preliminary round. Fossil Ridge came in 27th place and Central finished 30th.

TSMS, ISMS Bands Earn National Recognition

Both the Trinity Springs Middle School and Indian Springs Middle School bands received honors in the 2012 *Mark of Excellence – National Wind Band Honors Contest*. The Trinity Springs Middle School Honors Band is a winner for the second time in the school's history, earning a National Winner distinction this year. The Indian Springs Middle School band program is a winner in both the Wind Band and Jazz Band categories, earning Commended Winner distinctions this year. This is ISMS bands' fifth time to be acknowledged a winner in this contest. ISMS is one of only two middle school jazz bands this year to receive this honor.

KISD Students Named to ACDA Honor Choir

Keller ISD's middle school choral programs had 11 students selected as members of the 2013 American Choral Directors Association Honor Choir – four from Hillwood Middle School, three from Trinity Springs Middle School, and two each from Keller Middle School and Fossil Hill Middle School. Students from across the country auditioned to fill only 320 spots in the ACDA Honor Choir. Students named to the choir will have the honor of representing their schools by performing with entire the Middle School/Junior High Honor Choir at the ACDA Convention in Dallas in March 2013.

KHS Student Wins 3rd Place at 26th Congressional District Art Contest

High school students from Keller High and Timber Creek High recently participated in Congressman Michael Burgess' Annual 26th Congressional District Art Contest. Only 20 students in the 26th Congressional District were selected as finalists, and KISD had three of those 20. A Keller High student won 3rd place overall; while four Timber Creek High School students took home the following awards: Best of School Award, Juror's Award, and two Honorable Mention Awards.

CHS Junior Finalist for U.S. Army, Pro Football HOF Award

The U.S. Army and the Pro Football Hall of Fame have named Central High School junior Hunter Morrow one of 10 finalists for their Award of Excellence. The program highlights the achievements of student-athletes across the country, and recognizes high school sophomore- or junior-level high school athletes, not only for their athletic achievement, but also for excellence in academics and community engagement.

CHS Wrestler Greg Wilson wins 3rd Straight State Title

Central High School senior wrestler Greg Wilson wrapped up his successful high school career with a 3rd consecutive State Title on February 25 in Austin. Wilson finished the season a perfect 62-0. He also holds the state record for consecutive victories with 177. He's accepted a scholarship to wrestle at the University of Oklahoma.

FRHS athlete Sheldon Neuse named 2012 Christian Athlete of the Year

Lay Witness for Christ International has named Fossil Ridge junior Sheldon Neuse as the 2012 Christian Male Athlete of the Year. Neuse, who plays football and baseball for the Panthers, was selected from thousands of applicants out of the approximately 2.5 million eligible student athletes.

Special Olympics State Achievement

Keller ISD's Special Olympics Program allows student-athletes to participate in sports during the fall, winter and spring seasons, as well as the opportunity to learn the concept of true teamwork. In 2011-12, KISD had 39 athletes compete in Bowling, 85 in Track and Field, and 54 in Basketball. Keller ISD advanced 47 outstanding athletes – 24 in Basketball and 23 in Track and Field – to the State Special Olympics hosted by the University of Texas at Arlington over Memorial Day Weekend.

CTE National Competitors

Keller ISD's Career and Technology Education programs had great success at the State Tournaments this past Spring with several students advancing on to National Completions:

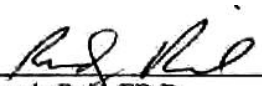
- BPA: Keller High School & Fossil Ridge High School
- HOSA: Fossil Ridge High School & Central School
- DECA: Keller High School
- FBLA: Central High School & Timber Creek School

OTHER INFORMATION

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

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


Respectfully submitted,



Randy Reid, ED.D
Superintendent



R. Mark Youngs, RTSBA
Deputy Superintendent



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

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moivell

President

Jeffrey R. Emer

Executive Director

Association of School Business Officials International



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

Keller Independent School District

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended August 31, 2011*

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



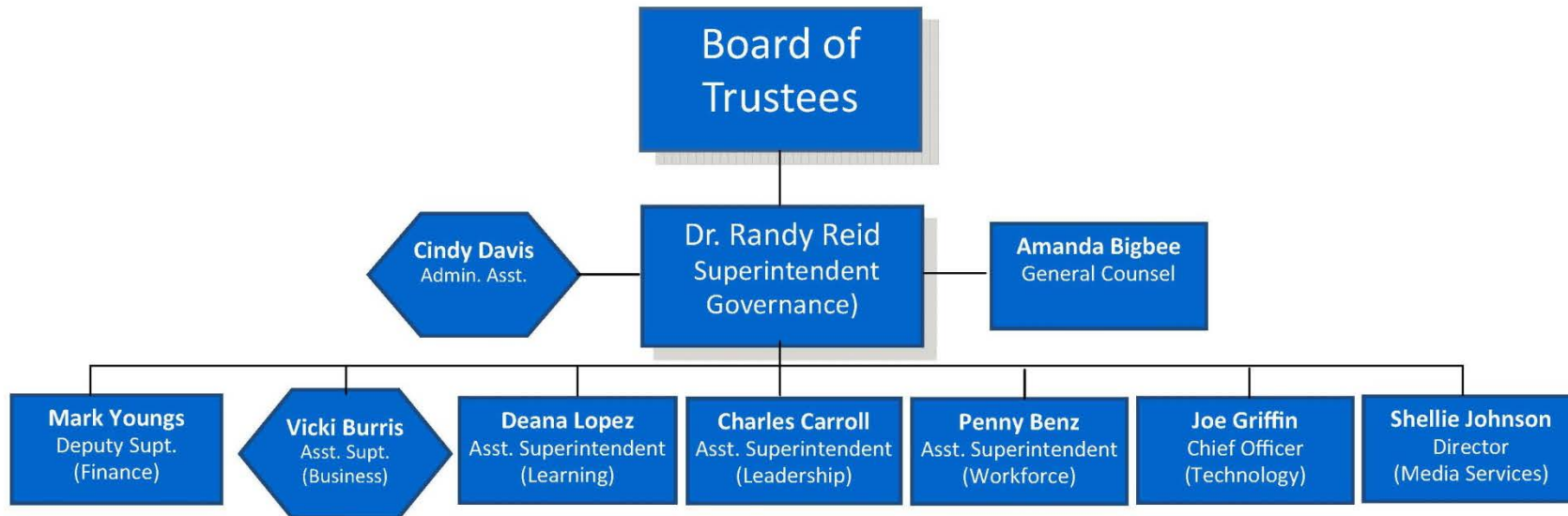
A handwritten signature in black ink, appearing to read 'Brian L. Mee'.


Brian L. Mee, SFO, RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso'.

John D. Musso, CAE, RSBA
Executive Director

Keller ISD Organizational Chart



 = half-time positions

KELLER INDEPENDENT SCHOOL DISTRICT
School Board and Administrators

Board of Trustees

Kevin Stevenson.....President
Craig Allen..... Vice President
Cindy LottonSecretary
Lara Lee Hogg.....Member
Ruthie Keys.....Member
Brad SchofieldMember
Jim Stitt.....Member

Administration

Dr. Randy Reid.....Superintendent of Schools
Amanda Bigbee.....In-house Counsel
R. Mark Youngs.....Deputy Superintendent
Deana Lopez.....Assistant Superintendent, Curriculum & Instruction
Penny Benz.....Assistant Superintendent, Human Resources
Charles Carroll.....Assistant Superintendent, Leadership
Joe Griffin.....Chief Technology Officer
Shelley Johnson.....Director, Communications

Principals

David Hinson.....Central High School
David Hadley.....Fossil Ridge High School
Jeff Bradley.....Keller High School
Todd Tunnell.....Timber Creek High School
Kenneth Anderson.....Keller Learning Center
Todd Lacey.....Fossil Hill Middle School
Kathleen EckertHillwood Middle School
Sandy Troutt.....Indian Springs Middle School
Sandra Chapa.....Keller Middle School
Carrie Jackson.....Timberview Middle School
Lindsay Anderson.....Trinity Springs Middle School
Tedna Taylor.....Bear Creek Intermediate
Dinardo Bazile.....Chisholm Trail Intermediate
Kathy Knowles.....Parkwood Hill Intermediate
Gary Mantz.....South Keller Intermediate
Susan Mackey.....Trinity Meadows Intermediate
Tony Johnson.....Basswood Elementary
Lisa Young.....Bette Perot Elementary
Stacy Blevins.....Bluebonnet Elementary
Angie Nayfa.....Caprock Elementary
Anne Seaberry.....Eagle Ridge Elementary
Laura Lockhart.....Florence Elementary
Joel Aguilar-Villanueva.....Freedom Elementary
David Rische.....Friendship Elementary
Christy Johnson.....Heritage Elementary
Melanie Graham.....Hidden Lakes Elementary

Cathy Gillum.....Independence Elementary
 Kristen Erickson.....Keller-Harvel Elementary
 Janet Travis.....Liberty Elementary
 Steve Hurst.....Lone Star Elementary
 Dr. Jackie Green-August.....North Riverside Elementary
 Leslee Shepherd.....Park Glen Elementary
 Doreen Krebs.....Parkview Elementary
 Cory Wilson.....Ridgeview Elementary
 Anna Renfro.....Shady Grove Elementary
 Amy Erb.....Whitley Road Elementary
 Cheryl Hudson.....Willis Lane Elementary
 Linda Lammers.....Woodland Springs Elementary
 Karin Mahlenkamp.....Keller Early Learning Center

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Keller Independent School District
Keller, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keller Independent School District (the District) as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted by the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 52 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 principally of inquiries of management about the methods of measurement and presentation of the required supplementary information for consistency with management's responses to the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements, the required TEA schedules and statistical section on pages 54 through 94 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules on pages 54 through 66 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the additional financial information on pages 67 through 93 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Weaver and Tidwell, L.L.P.

Fort Worth, Texas
January 18, 2013

Keller Independent School District

Management's Discussion and Analysis

Year Ended August 31, 2012

This section is the Keller Independent School District (District) management discussion and analysis of the annual financial report for the period ending August 31, 2012. It should be read in conjunction with the transmittal letter and the District's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District had approximately \$284 million in expenses related to governmental activities, which is a decrease of (\$12) million from the prior year; of which \$42.2 million of these expenses were offset by program-specific charges for services or grants and contributions. General revenues of \$263.4 million partially offset the costs of these programs, resulting in a \$21.6 million increase in net assets. Expenses for governmental activities decreased by approximately (\$12) million, or (4.07%), from the previous year. This reduction in expenses was due mainly to a series of budget reductions enacted in response to prevailing economic conditions as well as reduced state funding. Expenses for capital projects declined in 2012 as the majority of construction projects were completed.
- General revenues accounted for \$263,464,367, or 86.2% of all fiscal year 2012 revenues. Program-specific revenues in the form of charges for services and grants and contributions accounted for \$42,230,313 or 13.8% of total fiscal year 2012 revenues. The 2012 charges for services and grants and contributions represent an (\$8,681,173) or (17%) decrease from 2011. The reduction in these revenues was due primarily to the loss of stimulus funding as those programs ended.
- At August 31, 2012, the District's assets exceeded its liabilities by \$13,987,655 (Net Assets). Unrestricted Net Assets totaled \$50,167,324.
- At the close of the fiscal year the combined governmental fund balance was \$135,190,813, an increase of \$12,111,511 from the prior year. This increase occurred mainly in the General Fund, due mostly to a significant decrease in expenditures and approximately \$5 million in additional property tax revenue. The General Fund unassigned fund balance increased by \$15,583,536. Assignments of fund balance total \$2.2 million and include athletic turf (\$440,000), student transportation (\$1,025,000), the athletic long term plan (\$202,000) and the fine arts long term plan (\$566,000). In addition, fund balance equal to 20% of the 2013 general fund expenditure budget has been committed, as per Board policy.
- The District's total long term liabilities decreased by (\$24,022,260), or (3.04%), from the previous fiscal year. The key factors in this increase were debt maturities and a bond refunding that occurred on April 15, 2012.
- General Fund expenditures decreased by (\$6.8) million or (3.32%) from the prior year. The decrease is mainly due to the budget reductions approved by the Board of Trustees in the 2012 budget. Again, the budget reductions were necessary to offset reduced state funding and lower expected property values due to the prevailing economic conditions. In addition, \$8.6 million in federally funded stimulus funds which the district had previously used to offset personnel costs were no longer available. However, the district did receive \$4.8 million from the Education Jobs program in 2012 which was used for personnel costs. The expenditures funded by the Education Jobs program are reflected in the Federally Funded Grant Fund, which relieved the general fund of the cost.

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

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

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

The government-wide financial statements can be found on pages 13-14 of this report.

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

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

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

The basic governmental fund financial statements can be found on pages 15-20 of this report.

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

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

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

The basic fiduciary fund financial statement can be found on page 24 of this report.

Notes to the Financial Statements- The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 25-51 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also includes certain *required supplementary information* that further explains and supports the financial statements.

Required supplementary information can be found on pages 52-53 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Combining statements can be found on pages 54-62.

The Texas Education Agency (TEA) requires that certain reports are included in this report.

These statements and schedules can be found on pages 63-66.

Government-wide Financial Statements

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of Keller ISD, assets exceeded liabilities by \$13,987,655.

**Table A-1
Net Assets**

	Governmental Activities		Percent Change 2011 to 2012
	2011	2012	
Current and other assets	\$ 157,683,321	\$ 158,497,060	0.51%
Capital assets (net)	645,207,590	634,115,342	(1.71%)
Total assets	\$ 802,890,911	\$ 792,612,402	(1.28%)
Current liabilities	\$ 22,569,094	\$ 14,691,402	(34.90%)
Long-term liabilities	787,955,605	763,933,345	(3.04%)
Total liabilities	\$ 810,524,699	\$ 778,624,747	(3.93%)
Net assets:			
Invested in capital assets, net of related debt	\$ (38,159,556)	\$ (43,992,374)	(15.28%)
Restricted for Food Service	3,573,193	4,604,517	28.86%
Restricted for Debt Service	2,811,717	2,808,188	(0.12%)
Restricted for Employee Health Claims	365,000	400,000	9.58%
Unrestricted Net Assets	23,775,858	50,167,324	111.00%
Total Net Assets	\$ (7,633,788)	\$ 13,987,655	283.23%

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 \$(43,992,374). 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 Assets is due primarily to the reduction of long-term debt through annual principal payments and a refunding. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities

Governmental activities increased the District's net assets by \$21,621,443. The total cost of all *governmental activities* this year was \$284,073,237. The amount that our taxpayers paid for these activities was \$170,418,927 or 59.99%.

Table A-2
Changes in the District's Net Assets

	Governmental Activities		Percentage Change 2011 to 2012
	2011	2012	
Revenues:			
Program Revenues:			
Charges for services	\$18,942,250	\$18,068,929	(4.61%)
Operating grants & contributions	31,969,236	24,161,384	(24.42%)
General Revenues:			
Property taxes	164,484,171	170,418,927	3.60%
State grants	92,872,674	88,208,113	(5.02%)
Investment earnings	364,742	436,411	19.64%
Other	686,139	4,400,916	541.40%
Total Governmental Revenues	309,319,212	305,694,680	(1.17%)
Expenses:			
Instruction	159,641,776	149,547,022	(6.32%)
Instructional Resources & Media Services	3,743,225	3,506,194	(6.33%)
Curriculum & Instructional Staff Development	2,889,302	2,754,701	(4.65%)
Instructional Leadership	2,269,740	2,091,486	(7.85%)
School Leadership	14,478,924	14,317,804	(1.11%)
Guidance, Counseling & Evaluation Services	10,101,315	10,056,213	(0.44%)
Health and Social Work Services	2,738,173	3,255,217	18.88%
Student (pupil) Transportation	6,808,740	5,448,661	(19.97%)
Food Services	10,974,335	12,085,660	10.12%
Co-Curricular/Extracurricular Activities	8,771,031	7,985,415	(8.95%)
General Administration	5,584,569	8,082,486	44.72%
Plant Maintenance & Operations	14,671,718	18,625,453	26.94%
Security and Monitoring Services	1,675,711	1,299,191	(22.46%)
Data Processing Services	4,380,257	5,227,588	19.34%
Community Services	1,075,017	1,541,352	43.37%
Debt Service-interest on long-term debt	41,249,450	33,103,972	(19.74%)
Shared services agreement	3,329,680	3,410,020	2.41%
Non-operating expenses	1,750,904	1,734,802	(0.91%)
Total Governmental Expenses	296,133,867	284,073,237	(4.07%)
Increase (Decrease) in Net Assets	13,185,345	21,621,443	63.98%
Beginning Net Assets	(20,819,133)	(7,633,788)	63.33%
Ending Net Assets	<u>\$(7,633,788)</u>	<u>\$13,987,655</u>	283.23%

Property tax revenues are the single largest source of income for the district. Property values increased 3.34% in 2012 from the previous year. Construction of new homes in the District's 51 square miles is now beginning to moderate after several years of rampant growth. The following graphs depict the District's sources of revenue for the years 2012 and 2011 as a percentage of total revenues.

Table A-3

Sources of Revenue for Fiscal Year 2012

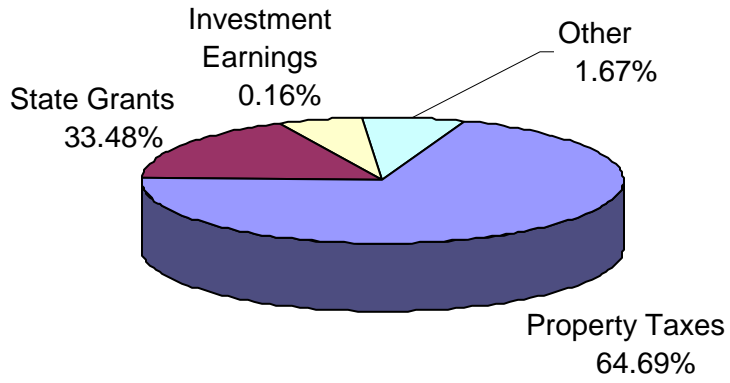


Table A-4

Sources of Revenue for Fiscal Year 2011

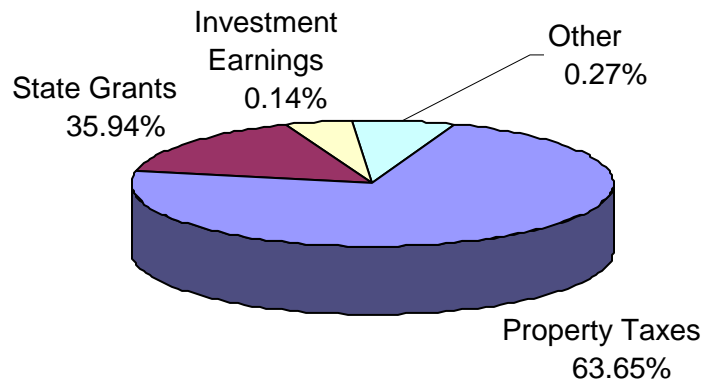


Table A-5 represents the cost of the District's largest programs as well as each program's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. The cost of all *governmental* activities this year was \$284,073,237.

**Table A-5
Costs of Services**

Major Function	Total Cost of Services			Net Cost of Services		
	2011	2012	Percent Change 2011 to 2012	2011	2012	Percent Change 2011 to 2012
Instruction, Curriculum, and Media Services	\$166,274,303	\$155,807,917	(6.29%)	\$137,070,587	\$135,607,951	(1.06%)
Instructional and School Leadership	16,748,664	16,409,290	(2.02%)	15,627,665	15,711,846	0.53%
Student Support Services, Child Nutrition, and Co- Curricular Activities	39,393,594	38,831,166	(1.42%)	22,440,460	22,337,267	(0.45%)
General Administration	5,584,569	8,082,486	44.72%	5,187,175	7,793,848	50.25%
Plant Maintenance, Security, and Data Processing	20,727,686	25,152,232	21.34%	19,225,597	23,654,666	23.03%
Community Services	1,075,017	1,541,352	43.37%	271,082	1,392,682	413.74%
Debt Service	41,249,450	33,103,972	(19.74%)	40,610,824	32,051,283	(21.07%)
Shared services agreement	3,329,680	3,410,020	2.41%	3,138,578	3,291,088	4.85%
Non-operating expenses	1,750,904	1,734,802	(0.91%)	1,650,413	2,293	(99.86%)
Total Expenses	\$296,133,867	\$284,073,237	(4.07%)	\$245,222,381	\$241,842,924	(1.37%)

Total net expenses decreased (1.37%) in 2012 from the previous year. Net expenses in the General Administration function increased significantly due to a mid-year decision by the Board of Trustees to offset the cost of rising health insurance premiums to the employees by paying the additional cost from the Health Insurance Internal Service fund. The Plant Maintenance, Security and Data Processing function recorded an increase in net expenses of 23.03%, which was due primarily to the addition in 2012 of a contract with Dell Services for managed technology services and to the acquisition of new servers and other technology equipment. Community Services reflected an extremely large percentage increase in net expenses; however, this was the result of the allocation of depreciation expense and of the Internal Service Fund allocation.

Debt Service net expenses decreased by (21.07%) due to the payment of debt and a bond refunding in 2012. The non-operating expenses consist mainly of a payment for the district's Tax Increment Zone. Since the district is reimbursed for this payment, the net effect to the district is zero. This payment is now reflected differently in Table A-5 to more accurately reflect the inflows and outflows of the function. Thus, for fiscal year 2012 only, the table reflects a large percentage decrease in this function.

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 \$135,190,813, an increase of \$12,111,511. The increase occurred mainly in the general fund, with an increase of \$18.8 million. Reasons for this increase are discussed below. The fund balance of the Capital Project funds decreased by (\$8.3) million due to construction projects completed during the year. Increases to all other funds were minimal. There were no other decreases of fund balance.

The general fund balance has an unassigned fund balance of \$37,287,784. 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 consists of inventory (\$191,105) and deferred expenditures (519,543). Fund balance is restricted to pay debt service (\$3,889,404), for food service (\$4,604,517) and for grant funds (\$168,943). Commitments of fund balance include \$39,757,813 for the capital acquisition program, \$3,586,816 for the campus activity fund, and \$42,951,888 in the general fund for budgetary contingencies as per Board policy. Fund balance is assigned for repurchase of bus equipment (\$1,025,000), for athletic field turf (\$440,000), and for the fine arts and athletic long term plans (\$768,000).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$37,287,784, while the total fund balance was \$82,979,949. 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 18.77% of the total general fund expenditures, while total fund balance represents 41.77% of that same amount. It is important to note that in addition to the unassigned amount of fund balance, KISD Board policy requires that an amount equal to 17-20% of the subsequent year's budget expenditures be committed within fund balance for budgetary contingencies. This amount at 8/31/12 was \$42,951,888, 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 \$18,840,815, compared to an increase in the prior year of \$11,812,267. KISD adopted a budget for 2012 that included a general fund surplus, or return to fund balance of \$6.6 million. Other key factors for the increase to fund balance in 2012 were the following:

- An additional \$4.3 million in property tax revenue was received due to an unexpected change in property values mid-year. Delinquent tax payments, penalties and interest exceeded projections by another \$1 million.
- The District was awarded a settlement in a lawsuit over roofing damage from a hail storm. \$2.86 million of that settlement was received in the 2012 fiscal year.
- The District also received \$1.68 million more than expected in state Foundation and Per Capita revenue. The additional amount consisted of funds resulting from a property value audit, settle-up payments from the state, and adjustments for enrollment fluctuations.
- General fund expenditures declined in 2011-12 because the Board of Trustees, anticipating reduced state funding, adopted a budget for 2012 that included approximately \$12 million in budget reductions. When the funding situation later proved not as dire as expected, the Board added back some of the items that had been cut; however, actual expenditures in the General Fund were still \$(6.8) million less than the prior year.

General Fund Budgetary Highlights

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

In addition, at the end of every fiscal year, school districts across the state also make their year-end amended budgets to ensure all functional categories will have favorable balances. If unfavorable functional balances are reported in the audit at the close of the fiscal year, the result is a letter issued by the Texas Education Agency stipulating the legal requirements for budgeting. The District did not exceed the functional budget in any category in the 2011-12 fiscal year.

1. *Variances of original expenditure budget compared to amended budget.* The amended expenditure budget increased \$16,552,756 from the original budget. Major budget amendments contributing to this increase include: (1) \$6.5 million for TRS on Behalf, (2) \$403,125 for a new time clock system, (3) \$313,000 for a gifted and talented learning lab, (4) \$150,000 to resurface a high school track, (5) \$2.3 million for repair of roofs damaged by a severe hail storm, (6) \$500,000 for marching band uniforms and athletic uniforms, (7) \$1.4 million to offset health insurance premium increases for employees, (8) \$450,000 for technology and (9) \$610,000 to subsidize the Pay for Ride transportation system

2. *Variances of amended budget to actual expenditures.* For fiscal year 2012, the district received approximately \$4.8 million from the Education Jobs Foundation, a federal entity. The funds were budgeted in the general fund. Information received at a later date required that all expenditures for EduJobs be accounted for in a specially identified grant fund. As the grant fund did not require a legally adopted budget, the budget for those expenditures remained in the general fund although the related expenditures can be found in the Federally Funded Grant Fund. As a result, the Instruction function (11) appears to have underspent by \$9.79 million, or 7.3% of amended budget.

In the Facilities Acquisition and Construction function (81), approximately \$2.3 million was appropriated mid-year for repairs to various campus roofs that had been damaged in a severe hail storm. The funds were appropriated when the district received \$2.8 million as a partial settlement of the insurance claim for the roofs. Although the district anticipated spending the \$2.3 million that was appropriated in 2012, the work went more slowly than planned, leaving excess budget in this function. The funds will be re-appropriated in the 2013 fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012 the District had invested approximately \$634 million in a broad range of capital assets, including land, equipment, and buildings. (See Table A-6) This amount represents a net decrease of (\$11.09) million or (1.71) percent from the prior year.

Table A-6
District's Capital Assets

	Governmental Activities		Percent Change 2011 to 2012
	2011	2012	
Land	\$34,754,656	\$36,685,377	5.55%
Buildings & improvements	733,259,183	735,531,794	0.30%
Furniture & equipment	21,161,075	21,847,082	3.24%
Construction in progress	<u>0</u>	<u>1,913,374</u>	100.00%
Total Assets	789,174,914	795,977,627	0.86%
Less: accumulated depreciation	<u>(143,967,324)</u>	<u>(161,862,285)</u>	(12.42%)
Net Capital Assets	<u>\$645,207,590</u>	<u>\$634,115,342</u>	(1.71%)

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

Long-term Debt

At the end of August 31, 2012 the District had total bonded debt outstanding of \$700,087,012, a decrease of (\$12,769,755), or a (1.79%) decrease from the previous year. The District also had accreted interest of \$45,363,459, a decrease of (\$10,506,103), or a (18.80%) decrease from the previous year.

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

	Governmental Activities		
	2011	2012	Percent Change 2011 to 2012
Bonds and Notes Payable			
General Obligation Bonds	\$712,856,767	\$700,087,012	(1.79%)
Premium on bonds	28,075,423	26,822,617	(4.46%)
Accreted Interest	55,869,562	45,363,459	(18.80%)
Total Bonds and Notes Payable	796,801,752	772,273,088	(3.07%)
Other Liabilities			
Compensated Absences	682,288	704,357	3.23%
Deferred loss on bond refunding	(9,528,535)	(9,044,100)	5.08%
Total Other Liabilities	(8,846,247)	(8,339,743)	5.72%
Total long-term debt	<u>\$787,955,505</u>	<u>\$763,933,345</u>	(3.04%)

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

Bond Ratings

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General fund revenues are budgeted to decrease (5.31%) from 2011-2012 actual revenue. The decrease is primarily attributable to a significant decrease in state funding as well as the end of the funding provided by the Education Jobs Foundation. Changes made to the funding formula in 2006-07 virtually eliminated any increase in school funding for Texas school districts since 2005-06. Although hopes were high that the meeting of the 82nd legislature would bring about positive changes to the funding formula, the State of Texas quickly announced that state revenues were insufficient to maintain the current level of educational funding, much less increase it. The State declared its intention to slash billions from school funding over the biennium.

In the 2012 fiscal year, the district implemented expenditure reductions of approximately \$12 million in response to the anticipated state revenue reductions. In combination with the budgeted expenditure reductions, the district received funding for the 2012 year only under the EduJobs program of \$4.8 million, which ultimately allowed the district to adopt a budget for 2011-12 with an anticipated surplus to the general fund of \$6.9 million.

The budget process for 2012-13 was undertaken with the knowledge that state funding would be reduced even further in this second year of the biennium. However, the surplus to the general fund balance provided for in the 2011-12 budget, along with higher than expected property tax revenues, allowed the district to reinstate many of the budget cuts enacted in the previous year. The Board of Trustees determined that the general fund balance was healthy enough to use a portion of it for reinstatements and additions that were thought to be critical to the mission of the district. The Board decided to add \$455,000 to the budget for additional teachers, supplies and equipment for the projected 265 additional students. Some non-discretionary items were identified that were required to be added to the budget, such as increases in property/casualty insurance, increases in utility costs and increases in existing contracts. These costs amounted to a \$2.577 addition to the expenditure budget. And finally, \$7.785 million was added to the budget for discretionary items, such as a 3% salary increase for staff, a subsidy to the Health Insurance Fund, and various reinstatements.

The final result was that the Board of Trustees adopted a budget for 2012-13 with a deficit of (\$12,116,219), to be funded from the general fund balance.

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Finance Department at 350 Keller Parkway, Keller, Texas 76248, or visit the Keller ISD website at www.kellerisd.net.

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BASIC FINANCIAL STATEMENTS

**KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2012**

<u>Data Control Codes</u>		<u>Governmental Activities</u>
ASSETS		
1110	Cash and cash equivalents	\$ 144,936,766
1110	Restricted cash	400,000
1220	Property taxes receivable (delinquent)	2,736,478
1230	Allowance for uncollectible taxes	(684,119)
1240	Due from other governments	3,167,394
1290	Other receivables	566,751
1300	Inventories, at cost	191,105
1410	Deferred expenses	519,543
1420	Capitalized bond and other debt issuance costs	6,663,142
	Capital Assets	
1510	Land	36,685,377
1520	Buildings, net	585,866,008
1530	Furniture and equipment, net	9,650,583
1580	Construction in progress	<u>1,913,374</u>
1000	Total assets	792,612,402
LIABILITIES		
2110	Accounts payable	5,653,207
2140	Interest payable	1,664,034
2150	Payroll deductions and withholdings payable	624,508
2160	Accrued wages payable	911,963
2180	Due to other governments	2,395
2210	Accrued expenses	728,157
2300	Unearned revenues	5,107,138
	Noncurrent liabilities	
2501	Due within one year	20,236,799
2502	Due in more than one year	<u>743,696,546</u>
2000	Total liabilities	778,624,747
NET ASSETS		
3200	Investment in capital assets, net of related debt	(43,992,374)
3840	Restricted for food service	4,604,517
3850	Restricted for debt service	2,808,188
3490	Restricted for employee health claims	400,000
3900	Unrestricted net assets	<u>50,167,324</u>
3000	Total net assets	<u><u>\$ 13,987,655</u></u>

**KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Operating Grants & Contributions	Governmental Activities
Primary Government					
GOVERNMENTAL ACTIVITIES					
0011	Instruction	\$ 149,547,022	\$ 4,795,456	\$ 13,844,668	\$ (130,906,898)
0012	Instructional resources and media services	3,506,194	108,282	1,016,715	(2,381,197)
0013	Curriculum and instructional staff development	2,754,701	73,913	360,932	(2,319,856)
0021	Instructional leadership	2,091,486	64,515	135,057	(1,891,914)
0023	School leadership	14,317,804	414,131	83,741	(13,819,932)
0031	Guidance, counseling, and evaluation services	10,056,213	335,308	1,849,672	(7,871,233)
0032	Social services	156,066	5,153	276	(150,637)
0033	Health services	3,099,151	75,805	9,156	(3,014,190)
0034	Student (pupil) services	5,448,661	182,176	125,804	(5,140,681)
0035	Food services	12,085,660	7,704,516	4,564,258	183,114
0036	Cocurricular/extracurricular activities	7,985,415	839,066	802,709	(6,343,640)
0041	General administration	8,082,486	170,378	118,260	(7,793,848)
0051	Plant maintenance and operations	18,625,453	1,238,443	38,995	(17,348,015)
0052	Security and monitoring services	1,299,191	34,634	25,382	(1,239,175)
0053	Data processing services	5,227,588	151,902	8,210	(5,067,476)
0061	Community services	1,541,352	29,857	118,813	(1,392,682)
0072	Debt service - interest on long term debt	33,103,972	-	1,052,689	(32,051,283)
0093	Shared services agreement	3,410,020	112,888	6,044	(3,291,088)
0095	Payments to Juvenile Justice Alternative Education Program	2,375	79	3	(2,293)
0097	Payments to tax increment fund	1,732,427	1,732,427	-	-
	[TP] TOTAL PRIMARY GOVERNMENT	<u>\$ 284,073,237</u>	<u>\$ 18,068,929</u>	<u>\$ 24,161,384</u>	<u>(241,842,924)</u>

<u>Data Control Codes</u>		General Revenues	
		Taxes	
MT		Property taxes, levied for general purposes	114,660,445
DT		Property taxes, levied for debt service	55,758,482
SF		State grants, unrestricted	88,208,113
IE		Investment earnings	436,411
MI		Miscellaneous local and intermediate	4,400,916
TR		Total general revenues	<u>263,464,367</u>
CN		Change in net assets	21,621,443
NB		Net assets -- beginning	(7,633,788)
NE		Net assets -- ending	<u>\$ 13,987,655</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2012**

<u>Data Control Codes</u>	<u>10 General Fund</u>	<u>20 Federally Funded Grant Fund</u>
ASSETS		
1110	87,159,741	\$ 4,974,984
1220	1,964,017	-
1230	(491,004)	-
1240	60,205	3,057,189
1260	2,926,838	-
1290	286,962	261,279
1300	191,105	-
1410	316,172	159,647
1000	<u>\$ 92,414,036</u>	<u>\$ 8,453,099</u>
LIABILITIES and FUND BALANCES		
Liabilities		
2110	2,528,367	375,846
2150	624,508	-
2160	799,514	112,055
2170	463,150	2,854,437
2180	40	-
2210	68,633	13,025
2300	4,949,875	333,572
2000	<u>9,434,087</u>	<u>3,688,935</u>
FUND BALANCES		
Nonspendable		
3410	191,105	-
3440	316,172	159,647
Restricted for		
3420	-	-
3450	-	4,604,517
3490	-	-
Committed for		
3470	-	-
3545	-	-
3590	42,951,888	-
Assigned for		
3590	2,233,000	-
Unassigned		
3600	37,287,784	-
3000	<u>82,979,949</u>	<u>4,764,164</u>
4000	<u>\$ 92,414,036</u>	<u>\$ 8,453,099</u>

Exhibit C-1

50 Debt Service Fund	60 Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
4,787,057	40,631,318	\$ 3,925,724	\$ 141,478,824
772,461	-	-	2,736,478
(193,115)	-	-	(684,119)
-	-	50,000	3,167,394
91,005	-	-	3,017,843
-	-	18,510	566,751
-	-	-	191,105
3,472	-	40,252	519,543
<u>\$ 5,460,880</u>	<u>\$ 40,631,318</u>	<u>\$ 4,034,486</u>	<u>\$ 150,993,819</u>
-	408,048	162,060	3,474,321
-	-	-	624,508
-	394	-	911,963
-	4	72,019	3,389,610
-	-	2,355	2,395
-	465,059	2,041	548,758
1,568,004	-	-	6,851,451
<u>1,568,004</u>	<u>873,505</u>	<u>238,475</u>	<u>15,803,006</u>
-	-	-	191,105
3,472	-	40,252	519,543
3,889,404	-	-	3,889,404
-	-	-	4,604,517
-	-	168,943	168,943
-	39,757,813	-	39,757,813
-	-	3,586,816	3,586,816
-	-	-	42,951,888
-	-	-	2,233,000
-	-	-	37,287,784
<u>3,892,876</u>	<u>39,757,813</u>	<u>3,796,011</u>	<u>135,190,813</u>
<u>\$ 5,460,880</u>	<u>\$ 40,631,318</u>	<u>\$ 4,034,486</u>	<u>\$ 150,993,819</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
AUGUST 31, 2012**

Total fund balances - governmental funds	\$ 135,190,813
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 assets. The net effect of this consolidation is to increase net assets.	1,871,427
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	795,977,627
Accumulated depreciation has not been recorded in the fund financial statements.	(161,862,285)
Bonds payable have not been included in the fund financial statements.	(700,087,012)
Accreted interest on capital appreciation bonds is not capitalized in the fund financial statements.	(45,363,459)
Bond issue costs are not capitalized in the fund financial statements.	6,663,142
Premiums on the issuance of bonds are not capitalized in the fund financial statements.	(26,822,617)
Deferred loss on bond refunding has not been reflected in the fund financial statements.	9,044,100
Revenue from property taxes is reported as deferred revenue in the fund financial statements but is recognized as revenue in the government-wide financial statements.	1,744,310
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(704,357)
Interest is accrued on outstanding debt in the government-wide financial statements whereas in the fund financial statements interest expenditures are reported when due.	<u>(1,664,034)</u>
Net assets of governmental activities	<u><u>\$ 13,987,655</u></u>

**KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2012**

Data Control Codes		10 General Fund	20 Federally Funded Grant Fund
REVENUES			
5700	Total local and intermediate sources	122,477,457	7,715,387
5800	State program revenues	94,683,993	742,716
5900	Federal program revenues	346,711	16,087,524
5020	Total revenues	<u>217,508,161</u>	<u>24,545,627</u>
EXPENDITURES			
Current			
0011	Instruction	124,322,850	8,628,192
0012	Instructional resources and media services	2,042,530	841,768
0013	Curriculum and instructional staff development	1,744,637	334,379
0021	Instructional leadership	1,749,503	136,734
0023	School leadership	12,474,734	23,821
0031	Guidance, counseling and evaluation services	7,365,218	1,895,903
0032	Social work services	155,656	-
0033	Health services	2,282,194	5,252
0034	Student (pupil) transportation	5,327,277	120,575
0035	Food services	-	11,502,531
0036	Cocurricular/extracurricular activities	5,853,416	-
0041	General administration	5,019,367	-
0051	Facilities maintenance and operations	17,671,549	-
0052	Security and monitoring services	1,046,033	-
0053	Data processing services	4,588,417	-
0061	Community services	562,344	105,632
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	1,316,799	-
Intergovernmental			
0093	Shared services agreement	3,410,020	-
0095	Juvenile Justice Alternative Education Program	2,375	-
0097	Payments to tax increment fund	1,732,427	-
6030	Total expenditures	<u>198,667,346</u>	<u>23,594,787</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>18,840,815</u>	<u>950,840</u>
Other Financing Sources (Uses)			
7911	Issuance of bonds	-	-
7915	Transfers in	-	-
7916	Premium or discount on issuance of bonds	-	-
8911	Transfers out	-	-
8949	Payment to refunded bond escrow agent	-	-
	Total other financing sources (uses)	<u>-</u>	<u>-</u>
1200	Net change in fund balance	18,840,815	950,840
0100	Fund balance - September 1 (beginning)	64,139,134	3,813,324
3000	Fund balance - August 31 (ending)	<u>\$ 82,979,949</u>	<u>\$ 4,764,164</u>

50 Debt Service Fund	60 Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
55,909,665	218,079	4,350,492	\$ 190,671,080
1,052,689	4,424	2,376,312	98,860,134
-	-	-	16,434,235
<u>56,962,354</u>	<u>222,503</u>	<u>6,726,804</u>	<u>305,965,449</u>
-	78,629	4,449,197	137,478,868
-	-	294,415	3,178,713
-	-	51,546	2,130,562
-	-	-	1,886,237
-	-	56,674	12,555,229
-	-	10,218	9,271,339
-	-	-	155,656
-	-	62	2,287,508
-	-	-	5,447,852
-	-	295	11,502,826
-	-	1,162,061	7,015,477
-	2,373,704	39,049	7,432,120
-	41,395	9,139	17,722,083
-	-	34,507	1,080,540
-	2,236	-	4,590,653
-	-	23,283	691,259
12,694,742	-	-	12,694,742
44,192,957	-	-	44,192,957
87,034	-	-	87,034
-	6,005,221	70,665	7,392,685
-	-	-	3,410,020
-	-	-	2,375
-	-	-	1,732,427
<u>56,974,733</u>	<u>8,501,185</u>	<u>6,201,111</u>	<u>293,939,162</u>
<u>(12,379)</u>	<u>(8,278,682)</u>	<u>525,693</u>	<u>12,026,287</u>
2,710,000	-	-	2,710,000
-	-	-	-
200,974	-	-	200,974
-	-	-	-
<u>(2,825,750)</u>	<u>-</u>	<u>-</u>	<u>(2,825,750)</u>
<u>85,224</u>	<u>-</u>	<u>-</u>	<u>85,224</u>
72,845	(8,278,682)	525,693	12,111,511
3,820,031	48,036,495	3,270,318	123,079,302
<u>\$ 3,892,876</u>	<u>\$ 39,757,813</u>	<u>\$ 3,796,011</u>	<u>\$ 135,190,813</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2012**

Total net change in fund balances - governmental funds	\$ 12,111,511
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and catering, to appropriate functions in other funds. The net income of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.	(2,890,520)
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 2012 capital outlays is to increase net assets.	6,802,713
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 assets.	(17,894,961)
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 assets.	12,694,855
The current year issuance of bonds are shown as an other resource in the fund financial statements but are shown as an increase in long term debt in the government-wide financial statements.	(2,710,000)
Current year payments to bond refunding escrow agent are shown as other uses in the fund financial statements but are shown as reductions in long term debt and as a deferred loss on bond refunding in the government-wide financial statements.	2,785,000
Current year accretion on capital appreciation bonds is not recorded in the fund financial statements, but is shown as an increase in the accreted interest on the government-wide financial statements.	10,506,103
Bond issuance costs are expended in full when paid on the fund financial statements, whereas they are amortized to expense over the life of the related bonds payable on the government-wide financial statements.	85,225
Current year amortization of bond issue costs is not reflected in the fund financial statements, but is shown as a reduction to the bond issue costs asset in the government-wide financial statements.	(377,257)
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.	(160,224)
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.	1,453,780
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.	(525,185)
Revenues from 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.	(270,768)
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 assets.	(22,069)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	33,240
Change in Net Assets of Governmental Activities	<u>\$ 21,621,443</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2012**

	Governmental Activities - Total Internal Service Funds
ASSETS	
Current assets	
Cash and temporary investments	3,457,942
Due from other funds	372,144
Cash - restricted	400,000
Total assets	4,230,086
LIABILITIES	
Current liabilities	
Accounts payable	2,178,886
Due to other funds	377
Accrued expenses	179,399
Total liabilities	2,358,662
NET ASSETS	
Restricted for employee health claims	400,000
Unrestricted net assets	1,471,427
Total net assets	\$ 1,871,427

KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2012

	Governmental Activities -
	Internal Service Funds
Operating Revenues	
Local and intermediate sources	15,012,963
Total operating revenues	15,012,963
Operating Expenses	
Payroll costs	142,089
Professional and contracted services	1,865,219
Claim settlement costs	15,906,910
Other operating costs	7,924
Total operating expenses	17,922,142
Operating loss	(2,909,179)
Nonoperating Revenues (Expenses)	
State on-behalf revenue	6,140
Earnings from temporary deposits and investments	12,519
Total nonoperating revenues (expenses)	18,659
Change in net assets	(2,890,520)
Total net assets - September 1 (beginning)	4,761,947
Total net assets - August 31 (ending)	\$ 1,871,427

**KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2012**

	Governmental Activities - Internal Service Funds
Cash flows from operating activities	
Cash received from assessments - other funds	\$ 15,012,963
Cash payments to employees for services	(142,089)
Cash payments for insurance claims	(17,734,420)
Cash payments for other operating expenses	(7,924)
	(2,871,470)
Net cash used in operating activities	
Cash flows from investing activities	
Interest and dividends on investments	12,519
Net cash provided by investing activities	12,519
	12,519
Net change in cash and cash equivalents	(2,858,951)
Cash and cash equivalents at beginning of the year	6,316,893
	6,316,893
Cash and cash equivalents at end of the year	\$ 3,457,942
	\$ 3,457,942
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (2,909,179)
Adjustments to reconcile operating loss to net cash used in operating activities	
State on-behalf revenue	6,140
Change in assets and liabilities	
Increase in due from other funds	(290,269)
Increase in restricted cash	(35,000)
Increase in accounts payable	538,173
Increase in due to other funds	377
Decrease in accrued expenditures	(181,712)
	(181,712)
Net cash used in operating activities	\$ (2,871,470)
	\$ (2,871,470)

**KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
AUGUST 31, 2012**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 381,579
Accounts receivable	118
	118
Total assets	\$ 381,697
LIABILITIES	
Accounts payable	\$ 14,792
Due to other governments	35
Due to student groups	366,870
	366,870
Total liabilities	\$ 381,697

KELLER INDEPENDENT SCHOOL DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Board of Trustees is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the GASB in its *Statement No. 14, The Financial Reporting Entity*, as amended by GASB in its *Statement No. 39, Determining Whether Certain Organizations are Component Units*. 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 Assets and the Statement of Activities are government-wide financial statements. They report information on all of the District's non-fiduciary activities with most of the interfund activities removed. 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 Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary fund Statement of Revenues, Expenses, and Changes in Net Assets. All interfund transactions between governmental funds are eliminated on the government-wide statements as prescribed by GASB Statement No. 34.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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

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

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

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the Proprietary Fund and Fiduciary Fund financial statements (with the exception of Agency Funds which are custodial in nature thus do not have a measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred 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.

The Proprietary Fund and Fiduciary Fund are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting, except for Agency Finds, which are custodial in nature and therefore do not have a measurement focus. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. Net assets are segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Fund Accounting

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

The District reports the following major governmental funds:

The General Fund – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Major program revenues include local property taxes, state funding under the Foundation School Program, and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects.

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

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

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

Proprietary Funds:

Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is a Worker's Compensation and Health Insurance fund.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Fund Accounting – Continued

Fiduciary Funds:

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

Additionally, the District reports the following nonmajor fund types:

Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or assigned for, specific purposes by the District or local grantor. Sometimes unused balances must be returned to the grantor at the close of specified project periods.

E. Budgets and Budgetary Accounting

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

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

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

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

TEA requires the budgets to be filed with the TEA through regular submissions to the Public Education Information Management System (PEIMS). The budget should not be exceeded in any functional expenditure category under TEA requirements. The final amended versions of these budgets are used in this report.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Budgets and Budgetary Accounting – Continued

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

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

F. Cash and Cash Equivalents

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

G. Temporary Investments

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

H. Inventory

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Compensated Absences

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

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

J. Account Code Reporting

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

K. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula becomes available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate as of August 31, 2012 will change.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Property Taxes

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

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

The District expects to receive all significant receivables within one year of August 31, 2012.

M. Capital Assets

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

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

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

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Long-Term Debt

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

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

O. 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 initially made from it that are properly applicable to another fund. All interfund receivable / payable balances at August 31, 2012 were the result of these types of reimbursements and are expected to be repaid within one year.
- Transfers of equity balances from one fund to another.
- Transfers in and out, as appropriate, which are shown as other financing sources or uses in the fund financial statements.
- All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements.

P. 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.

Q. Prepaid (Deferred) Expenditures

Deferred expenditures indicate payments made by the District in the current year to provide services occurring in the subsequent fiscal year. The District uses the consumption approach when recording prepaid expenditures. The consumption approach provides for the initial reporting of the item as an asset while recognition of the expenditure is deferred until the period that the item is actually used or “consumed”.

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

NOTE 2. BONDED DEBT PAYABLE

Bonded debt payable as of August 31, 2012 is as follows:

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 9/1/2011	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 8/31/2012
Refunding and School Building Bonds Series 1992 & 1992A Final maturity 2013	5.625-6.25	\$29,245,000	\$ 341,747	\$ -	\$ -	\$ 178,083	\$ 163,664
Refunding and School Building Bonds Series 1993 & 1993A Final maturity 2014	3.50-6.25	31,065,000	315,000	-	-	-	315,000
Unlimited Tax School Building and Refunding Bonds Series 1996A Final maturity 2021	3.60-5.90	59,539,931	14,519,482	-	-	654,836	13,864,646
Unlimited Tax School Building and Refunding Bonds Series 1997A Final maturity 2027	3.85-6.00	29,698,013	4,019,995	-	-	-	4,019,995
Unlimited Tax School Building and Refunding Bonds Series 1998 Final maturity 2030	4.20-5.00	90,610,038	350,767	-	-	350,767	-
Unlimited Tax School Building and Refunding Bonds Series 1999 Final maturity 2031	4.00-4.90	30,190,000	215,002	-	-	85,000	130,002
Unlimited Tax School Building and Refunding Bonds Series 2001 Final maturity 2022	5.25-5.5	117,068,480	6,919,108	-	2,785,000	2,697,585	1,436,523
Unlimited Tax Refunding Bonds Series 2002 Final maturity 2013	3.00-4.20	7,184,997	585,000	-	-	270,000	315,000
Unlimited Tax Refunding Bonds Series 2005 Final maturity 2030	4.75-5.00	98,339,961	92,454,961	-	-	790,000	91,664,961

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

NOTE 2. BONDED DEBT PAYABLE – CONTINUED

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 9/1/2011	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 8/31/2012
Unlimited Tax Building and Refunding Bonds Series 2005A Final maturity 2025	4.00-5.00	117,165,000	114,790,000	-	-	2,245,000	112,545,000
Unlimited Tax School Refunding Bonds Series 2006 Final maturity 2029	4.00-5.00	89,844,973	88,379,973	-	-	330,000	88,049,973
Unlimited Tax School Refunding Bonds Series 2006A Final maturity 2029	4.00-4.60	64,749,980	63,943,761	-	-	8,016	63,935,745
Unlimited Tax School Refunding Bonds Series 2007 Final maturity 2028	4.00-5.00	136,470,000	134,560,000	-	-	1,090,000	133,470,000
Unlimited Tax School Building Bonds Series 2009 Final maturity 2035	4.39-5.00	142,299,951	140,969,951	-	-	3,375,000	137,594,951
Unlimited Tax Refunding Bonds Series 2009 Final maturity 2023	3.00-4.625	11,199,999	10,590,000	-	-	230,000	10,360,000
Unlimited Tax Refunding Bonds Series 2009A Final maturity 2031	3.50-4.50	22,419,992	22,372,022	-	-	5,470	22,366,552
Unlimited Tax Refunding Bonds Series 2010 Final maturity 2030	2.00-4.125	8,389,999	8,159,998	-	-	319,998	7,840,000
Unlimited Tax Refunding Bonds Series 2011 Final maturity 2028	2.00-4.00	9,370,000	9,370,000	-	-	65,000	9,305,000
Unlimited Tax Refunding Bonds Series 2012A Final maturity 2031	3.50	-	-	2,710,000	-	-	2,710,000
Total bonded debt payable			<u>\$ 712,856,767</u>	<u>\$ 2,710,000</u>	<u>\$ 2,785,000</u>	<u>\$ 12,694,755</u>	<u>\$ 700,087,012</u>

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

NOTE 2. BONDED DEBT PAYABLE – CONTINUED

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

<u>Due Fiscal Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 14,508,840	\$ 43,673,339	\$ 58,182,179
2014	25,099,769	36,009,854	61,109,623
2015	17,300,068	40,853,025	58,153,093
2016	13,777,089	41,496,290	55,273,379
2017	16,712,170	39,121,303	55,833,473
2018-2022	121,559,076	166,102,367	287,661,443
2023-2027	202,730,000	99,887,799	302,617,799
2028-2032	244,765,000	44,862,225	289,627,225
2033-2036	43,635,000	3,669,581	47,304,581
	<u>\$ 700,087,012</u>	<u>\$ 515,675,783</u>	<u>\$ 1,215,762,795</u>

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

On April 15, 2012, the District issued \$2,710,000 in unlimited tax refunding bonds, with interest rates of 3.50% to advance refund \$2,785,000 of series 2001 Bonds with original maturities between 2007 and 2031 and interest rates between 5.25% and 5.50%. The refunding was undertaken to reduce the District's total debt service payments over the next 20 years by approximately \$1,110,228 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$834,014.

NOTE 3. ACCUMULATED UNPAID SICK LEAVE BENEFITS

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

Balance, September 1, 2011	\$ 682,288
New entrants and salary increments	35,842
Payments to participants	<u>(13,773)</u>
Balance, August 31, 2012	<u>\$ 704,357</u>

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

NOTE 4. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds and notes payable					
General obligation bonds	\$ 712,856,767	\$ 2,710,000	\$ 15,479,755	\$ 700,087,012	\$ 14,508,840
Accreted interest	55,869,562	4,575,648	15,081,751	45,363,459	4,736,280
Premium on bonds	28,075,423	200,974	1,453,780	26,822,617	1,453,776
Deferred loss on bond refunding	(9,528,535)	(40,750)	(525,185)	(9,044,100)	(525,185)
Compensated absences	682,288	35,842	13,773	704,357	63,088
Total governmental activities long-term liabilities	<u>\$ 787,955,505</u>	<u>\$ 7,481,714</u>	<u>\$31,503,874</u>	<u>\$ 763,933,345</u>	<u>\$ 20,236,799</u>

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

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

NOTE 5. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2012 was as follows:

Primary Government:

	Balance 9/1/2011	Additions (Transfers)	Deletions	Balance 8/31/2012
Capital assets, not being depreciated				
Land	\$ 34,754,656	\$ 1,930,721	\$ -	\$ 36,685,377
Construction in progress	-	1,913,374	-	1,913,374
Total capital assets, not being depreciated	34,754,656	3,844,095	-	38,598,751
Capital assets, being depreciated				
Buildings and improvements	733,259,183	2,272,611	-	735,531,794
Furniture and equipment	21,161,075	686,007	-	21,847,082
Total capital assets, being depreciated	754,420,258	2,958,618	-	757,378,876
Less accumulated depreciation on				
Buildings and improvements	134,216,912	15,448,874	-	149,665,786
Furniture and equipment	9,750,412	2,446,087	-	12,196,499
Accumulated depreciation	143,967,324	17,894,961	-	161,862,285
Total capital assets, being depreciated, net	610,452,934	(14,936,343)	-	595,516,591
Governmental activities capital assets, net	\$ 645,207,590	\$(11,092,248)	\$ -	\$ 634,115,342

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

NOTE 5. CAPITAL ASSET ACTIVITY – CONTINUED

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

Instruction	\$ 11,685,238
Instructional resources and media services	193,870
Curriculum and staff development	184,278
Instructional leadership	77,064
School leadership	1,338,178
Guidance, counseling and evaluation services	687,661
Social services	116
Health services	366,864
Student (pupil) transportation	809
Food services	295,231
Co-curricular/extracurricular activities	607,211
General administration	232,998
Plant maintenance and operations	982,411
Security and monitoring services	198,427
Data processing services	650,451
Community services	<u>394,154</u>
 Total depreciation expense	 <u><u>\$ 17,894,961</u></u>

NOTE 6. DEPOSITS AND INVESTMENTS

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

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

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

NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED

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

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

Cash and investments as of August 31, 2012 are classified in the accompanying financial statements as follows:

Primary government	\$ 144,936,767
Fiduciary funds	381,579
	\$ 145,318,346
	\$ 145,318,346

Cash and investments as of August 31, 2012 consist of the following:

Deposits with financial institutions	\$ (1,113,050)
Investments	146,431,395
	\$ 145,318,345
	\$ 145,318,345

Disclosures relating to interest rate risk

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

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

NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED

As of August 31, 2012, the District had the following investments, classified as cash and investments and restrict cash in the financial statements:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of August 31, 2012</u>
TexPool	\$ 2,634,926	43 days	AAA	AAAm
TexSTAR	3,621,946	49 days	AAA	AAAm
LOGIC	<u>140,174,523</u>	47 days	AAA	AAAm
	<u>\$ 146,431,395</u>			

As of August 31, 2012 the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

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

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. As of August 31, 2012, other than external investment pools, the District did not have 5% or more of its investment with one issuer.

Custodial Credit Risk

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

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

NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED

At August 31, 2012, the District deposits with financial institutions were fully covered by federal depository insurance.

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

- A. Depository: Bank of America
- B. Security pledged as of the date of the highest combined balance on deposit was \$0.
- C. Largest cash, savings and time deposit combined account balance amounted to \$8,846,746 and occurred during the month of November 2011.
- D. Total amount of FDIC coverage at the time of largest combined balance was \$8,846,746, which was 100% of the account balance.

Investment in State Investment Pools

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

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

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

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

KELLER INDEPENDENT SCHOOL DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. RETIREMENT PLAN

Plan Description. The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67 and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701-2698, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides a state contribution rate of 6.0 for fiscal year 2012, and 6.644% for fiscal years 2011 and 2010. The member contribution rate was 6.4% for fiscal years 2010, 2011 and 2012. In certain instances, the reporting district is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of the District's employees and reflected in the District's financial statements as both revenue and expenditures for the years ended August 31, 2010, 2011 and 2012 were \$7,631,542, \$8,422,215 and \$5,778,008 respectively. The District paid additional state contributions for the years ended August 31, 2010, 2011 and 2012 in the amount of \$2,233,855, \$1,579,393, and \$2,485,324 respectively, on a portion of the employees' salaries that exceeded the statutory minimum.

Retiree Health Plan

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

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

NOTE 7. RETIREMENT PLAN – CONTINUED

Retiree Health Plan – Continued

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions respectively. The state of Texas and active public school employee contribution rates were 1.0% and 0.65% of the public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal year 2012. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2010, 2011 and 2012 the State's contributions to TRS-Care were \$1,538,996, \$1,573,382 and \$565,367, respectively, the active member contributions were \$1,002,801, \$1,002,711 and \$958,628, respectively and the District's contributions were \$899,202, \$945,042 and \$811,154, respectively which equaled the required contributions for those years.

Prescription Drug Coverage. The Medicare Prescription Drug, Improvement, and Modernization act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2010, 2011 and 2012, the subsidy payments received by TRS-Care on behalf of the District were \$376,861, \$373,501 and \$390,107, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements.

Early Retiree Reinsurance program (ERRP) The ERRP, implement in 2012, is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor. This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. Total amount received by TRS Care on behalf of the District was \$386,916.

NOTE 8. RISK MANAGEMENT

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

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

NOTE 8. RISK MANAGEMENT – CONTINUED

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 Districts' retention of risk is \$350,000 per occurrence with an aggregate stop-loss limit of \$1,000,000 over a three year period. The District's aggregate attachment point was \$3,313,892. Claims incurred by the employees of the District are handled by a third party administrator who is responsible for estimating losses to be incurred by the District and ultimately paid to the claimant.

Effective December 2002, the District established a self-funded health insurance plan. The District and employees share the cost of employee coverage. Employees, at their option, can authorize payroll withholdings to pay contributions or premiums for dependents. The plan is authorized by Article 3.51-2, Texas Insurance Code and is documented by a contractual agreement. The District's retention of risk is \$400,000 per employee with an aggregate stop-loss limit of approximately \$2,000,000 at August 31, 2012. The District's aggregate attachment point was \$17,825,044.

Settled claims have not exceeded the aggregate coverage in any of the past three fiscal years. Insurance coverage has not been reduced for the year from the prior year. Accrued claims payable of \$2,168,219 as of August 31, 2012, includes provisions for claims reported but not paid and claims incurred but not reported. The provision for reported claims is determined by estimating the amount that will ultimately be paid each claimant and is calculated and provided by the District's third party administrator. The District estimates the provision for claims incurred but not yet reported. Accrued claims payable have not been discounted to their present value as the District expects such claims to be paid within the following fiscal year. The District believes that any discount of the claims payable would not be material to the overall financial statements.

Changes in the fund's claims liability amount for the year ended August 31, 2012 and 2011 are as follows:

	2012	2011
Liability, beginning of year	\$ 1,639,923	\$ 1,309,438
Current year claims and changes in estimates	12,901,963	12,695,065
Claim payments	(12,373,667)	(12,364,580)
Liability, end of year	\$ 2,168,219	\$ 1,639,923

NOTE 9. LITIGATION

The District is a party to various legal actions, none of which is believed by the administration or its legal counsel to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies.

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

NOTE 10. COMMITMENTS

In a prior year, the District entered into an agreement with Stock Transportation, Inc. (now 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 Stock Transportation agreed to lease the District's transportation facilities for \$1 per annum for the term of the agreement.

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

As of August 31, 2012, the District has entered into long-term construction projects with an aggregate unexpended balance of \$1,354,130.

The District has also entered into operating leases for office equipment which expire in September 2017. There were no expenditures under these leases for the year ended August 31, 2012. The District's financial commitment under these leases for the fiscal year ending August 31, 2013 is \$605,579. The financial commitment for each of the four remaining years under the agreement is \$606,061.

On January 28, 2011, the District entered into an agreement with Dell Marketing L.P. for managed technology services. The contract was entered into for a period of five years beginning January 28, 2011 and ending January 28, 2016, with the option to renew for five additional years. The remaining financial commitment at August 31, 2012 under this agreement was \$611,532. The financial commitment for each of the three remaining years under the agreement is \$1,834,596.

NOTE 11. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2012, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Entitlements	Federal Grants	Total
General	\$ 60,205	\$ -	\$ 60,205
Nonmajor governmental funds	50,000	-	50,000
Federally funded grants	-	3,057,189	3,057,189
Total	\$ 110,205	\$ 3,057,189	\$ 3,167,394

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

NOTE 12. DEFERRED REVENUE

Deferred revenue at August 31, 2012 consisted of the following:

	General Fund	Federally Funded Grant Fund	Debt Service Fund	Total
Net tax revenue	\$ 963,746	\$ -	\$ 483,476	\$ 1,447,222
Funds received in advance of expenditures or service	<u>3,986,129</u>	<u>333,572</u>	<u>1,084,528</u>	<u>5,404,229</u>
Total	<u>\$ 4,949,875</u>	<u>\$ 333,572</u>	<u>\$ 1,568,004</u>	<u>\$ 6,851,451</u>

NOTE 13. INTERFUND BALANCES AND ACTIVITIES

Interfund balances at August 31, 2012 consisted of the following individual fund balances:

Due To Fund	Due From Fund	Amount	Purpose
	Non-Major		
General Fund	Governmental Fund	\$ 72,019	Reimbursement of expenditures
Debt Service Fund	General Fund	91,005	Reimbursement of revenue
Internal Service Fund	General Fund	372,144	Reclassification of revenue
General Fund	Internal Service Fund	377	Reclassification of revenue
General Fund	Federall Funded Grant Fund	2,854,438	Reimbursement of expenditures
General Fund	Capital Projects Fund	<u>4</u>	Reimbursement of revenue
		<u>\$ 3,389,987</u>	

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

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

NOTE 14. RECONCILIATION TO BASIC FINANCIAL STATEMENTS

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

Total expenditures of federal awards per K-1	\$ 16,087,524
School Health and Related Services (SHARS)	161,365
E-rate revenue reported in general fund	<u>185,346</u>
 Total reported on and reconciled to exhibit C-3	 <u><u>\$ 16,434,235</u></u>

NOTE 15. INTERFUND TRANSFERS

All interfund transfers between various funds are approved supplements to the operations of those funds. There were no Individual fund operating transfers for fiscal year 2012.

NOTE 16. OTHER RECEIVABLES

Other receivables recorded in the fund level financial statements consisted of the following at August 31, 2012:

	General Fund	Federally Funded Grants	Non-Major Governmental Funds	Total
Services rendered	\$ 101,616	\$ 261,279	\$ 18,510	\$381,405
E-rate receivable	<u>185,346</u>	<u>-</u>	<u>-</u>	<u>185,346</u>
 Total	 <u><u>\$ 286,962</u></u>	 <u><u>\$ 261,279</u></u>	 <u><u>\$ 18,510</u></u>	 <u><u>\$566,751</u></u>

NOTE 17. CLASSIFICATION OF FUND BALANCE

Fund Balance Classifications

In accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances effective with its financial statements for the year ended August 31, 2011, and thereafter, as follows:

1. Nonspendable Fund Balance – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid items.

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

NOTE 17. CLASSIFICATION OF FUND BALANCE – CONTINUED

Fund Balance Classifications – Continued

2. Spendable Fund Balance

- a. Restricted Fund Balance – includes amounts that can be spent only for the specific purposes as imposed by law, or imposed by creditors, grantors, contributors, or other governments' laws and regulations. Examples include federal and state grant programs, retirement of long-term debt, and construction.
 - i. The proceeds of specific revenue sources which are restricted to expenditures for specified purposes as designated by grantors, contributors, or governmental entities over state or local program grants.
 - ii. The aggregate fund balance in the debt service fund is legally restricted for payment of bonded indebtedness and is not available for other purposes until all bonded indebtedness is liquidated.

- b. Committed Fund Balance – includes amounts that can be used only for the specific purposes as determined by the governing body by formal action recorded in the minutes of the governing body. Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. Examples include, but specifically not limited to, Board action regarding construction, claims, and judgments, retirement of loans/notes payable, capital expenditures, and self-insurance. The District's Board must take action to commit funds, modify a commitment or rescind a commitment for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year.
 - i. The fund balance of the capital projects fund reflects an amount committed for construction and major renovation projects, and it usually represents unexpended proceeds from the sale of school building bonds, which primarily have restricted uses.
 - ii. Campus activity funds are considered committed by the governing body through adoption of board policy pertaining to the usage of these funds.
 - iii. The District's Board of Trustees voted to commit fund balance equal to 20% of the 2012 general fund expenditure budget for budgetary contingencies.

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

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

NOTE 17. CLASSIFICATION OF FUND BALANCE – CONTINUED

Fund Balance Classifications – Continued

Assigned for:	
Student transportation	\$ 1,025,000
Athletic field, turf, track, other	440,000
Fine arts - ten year plan	566,000
Athletic - ten year plan	<u>202,000</u>
Total	<u>\$ 2,233,000</u>

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

NOTE 18. 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 \$2,261,278 are recorded as revenues and expenditures in the State Instructional Materials Fund.

Ownership of textbooks previously purchased by the state and utilized by the District was transferred to the District. The majority of these textbooks were sold or otherwise disposed of in accordance with TEA guidelines. At August 31, 2012, the remainder of the textbooks, in possession of the District, have minimal value and are not otherwise reflected elsewhere in these statements.

NOTE 19. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 64, Accounting and Financial Reporting for Derivative Instruments, which was effective for periods beginning after June 15, 2011. The Statement clarifies the existing requirements for the termination of hedge accounting. This statement applies to all state and government entities and amends Statement 53, paragraphs 22d and 82. The District has no derivative instruments. In the future if there is a situation that applies to this Statement, the District will account for it appropriately.

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

NOTE 19. NEW ACCOUNTING PRONOUNCEMENTS – CONTINUED

The GASB issued Statement No. 63, Accounting and Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which will be effective in the fiscal year ending after December 15, 2011. The Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The District will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

The GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, which will be effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The District will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

REQUIRED SUPPLEMENTARY INFORMATION

**KELLER INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED AUGUST 31, 2012**

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	\$ 114,088,964	\$ 117,164,176	\$ 122,477,457	\$ 5,313,281
5800	State Program Revenues	86,525,676	92,663,685	94,683,993	2,020,308
5900	Federal Program Revenues	300,000	300,000	346,711	46,711
5020	Total Revenues	200,914,640	210,127,861	217,508,161	7,380,300
EXPENDITURES					
Current					
0011	Instruction	126,371,092	134,115,966	124,322,850	9,793,116
0012	Instructional Resources & Media Services	2,669,242	2,759,041	2,042,530	716,511
0013	Curriculum & Instructional Staff Development	2,644,584	2,506,577	1,744,637	761,940
0021	Instructional Leadership	2,118,727	2,114,551	1,749,503	365,048
0023	School Leadership	12,046,652	12,895,401	12,474,734	420,667
0031	Guidance, Counseling & Evaluation Services	7,285,469	7,734,084	7,365,218	368,866
0032	Social Services	189,933	204,134	155,656	48,478
0033	Health Services	2,272,996	2,562,467	2,282,194	280,273
0034	Student (Pupil) Transportation	4,133,943	5,495,075	5,327,277	167,798
0036	Cocurricular/Extracurricular Activities	5,191,156	6,190,984	5,853,416	337,568
0041	General Administration	4,925,634	5,364,805	5,019,367	345,438
0051	Plant Maintenance and Operations	17,449,094	19,332,208	17,671,549	1,660,659
0052	Security and Monitoring Services	1,412,280	1,246,502	1,046,033	200,469
0053	Data Processing Services	4,276,052	4,803,435	4,588,417	215,018
0061	Community Services	788,458	636,257	562,344	73,913
Capital Outlay					
0081	Facilities Acquisition and Construction	129,500	2,425,881	1,316,799	1,109,082
Intergovernmental					
0093	Shared services agreement	3,347,053	3,517,053	3,410,020	107,033
0095	Juvenile justice alternative education program	2,307	2,507	2,375	132
0097	Payments to Tax Increment Fund	1,851,674	1,751,674	1,732,427	19,247
6030	Total Expenditures	199,105,846	215,658,602	198,667,346	16,991,256
1100	Excess (deficiency) of revenues over (under) expenditures	1,808,794	(5,530,741)	18,840,815	24,371,556
Other Financing Sources (Uses)					
7915	Transfers In	4,882,550	-	-	-
1200	Net Change in Fund Balances	6,691,344	(5,530,741)	18,840,815	24,371,556
0100	Fund Balances - September 1 (Beginning)	64,139,134	64,139,134	64,139,134	-
3000	Fund Balance - August 31 (Ending)	\$ 70,830,478	\$ 58,608,393	\$ 82,979,949	\$ 24,371,556

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

BUDGETARY DATA

The Board of Trustees adopts an “appropriated budget” on a GAAP basis for the General Fund, Child Nutrition Fund, which is included in the Federally Funded Grant funds, and Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget appears in Exhibit G-1 and the other two budgets are in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data:

1. Prior to August 20th the District prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment is approved before the fact, is reflected in the official minutes of the Board, and is not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. Significant amendments were made to the following functional areas:

Function	Increase (Decrease)
Instruction	\$ 7,744,874
Transportation	1,361,132
Cocurricular/Extracurricular	999,028
Plant Maintenance and Operations	1,883,114
Facilities Acquisition and Construction	2,296,381

4. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
5. The TEA requires these bud gets to be filed with the TEA. The budget should not exceed expenditures in any functional expenditure category under TEA requirements. The original and final amended versions of these budgets are used in this report.
6. For fiscal year ended 8/31/12, the district received approximately \$4.8 million of fund from the Education Jobs Foundation. These funds were budgeted in the general fund – instructional function. Information received at a later date required that all expenditures charged to the EduJobs funds be accounted for in a specially identified grant fund. As the grant fund did not require a legally adopted budget, the budget for those expenditures remained in the general fund although the related expenditures can be found in the Federally Funded Grant Fund.

COMBINING STATEMENTS AND SCHEDULES

FEDERALLY FUNDED GRANT FUNDS

**KELLER INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET -
FEDERALLY FUNDED GRANT FUNDS
AUGUST 31, 2012**

Data Control Codes	ASSETS	211 ESEA Title I, Part A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National Breakfast and Lunch Program	244 Vocational Education Basic Grant
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ 4,971,554	\$ -
1240	Due from other governments	257,086	1,921,051	3,874	95,140	98,561
1290	Other receivables	-	-	-	261,279	-
1400	Deferred expenditures	12,321	104,568	11,029	22,776	1,704
1000	Total assets	<u>\$ 269,407</u>	<u>\$ 2,025,619</u>	<u>\$ 14,903</u>	<u>\$ 5,350,749</u>	<u>\$ 100,265</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
2110	Accounts payable	1,993	126,368	89	149,184	27,804
2160	Accrued wages payable	1,205	10,660	-	99,667	-
2170	Due to other funds	258,403	1,884,786	14,814	2,756	72,461
2210	Accrued expenditures	7,806	3,805	-	1,406	-
2300	Deferred revenue	-	-	-	333,572	-
2000	Total liabilities	<u>269,407</u>	<u>2,025,619</u>	<u>14,903</u>	<u>586,585</u>	<u>100,265</u>
FUND BALANCES						
Restricted for						
3450	Food service	-	-	-	4,764,164	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,764,164</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 269,407</u>	<u>\$ 2,025,619</u>	<u>\$ 14,903</u>	<u>\$ 5,350,749</u>	<u>\$ 100,265</u>

255 ESEA Title II, Part A Training and Recruitment	263 Title III, Part A English Lanaguage Acquisition	283 IDEA Stimulus	285 ESEA, Title I Part A Improving Basic Programs	287 Education Jobs Fund	289 Fed Fund Special Revenue	Total Federally Funded Grant Fund
\$ -	\$ -	\$ 3,430	\$ -	\$ -	\$ -	\$ 4,974,984
125,313	51,383	-	-	504,781	-	3,057,189
-	-	-	-	-	-	261,279
-	7,249	-	-	-	-	159,647
<u>\$ 125,313</u>	<u>\$ 58,632</u>	<u>\$ 3,430</u>	<u>\$ -</u>	<u>\$ 504,781</u>	<u>\$ -</u>	<u>\$ 8,453,099</u>
64,324	2,654	3,430	-	-	-	\$ 375,846
323	200	-	-	-	-	112,055
60,658	55,778	-	-	504,781	-	2,854,437
8	-	-	-	-	-	13,025
-	-	-	-	-	-	333,572
<u>125,313</u>	<u>58,632</u>	<u>3,430</u>	<u>-</u>	<u>504,781</u>	<u>-</u>	<u>3,688,935</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	4,764,164
-	-	-	-	-	-	4,764,164
<u>\$ 125,313</u>	<u>\$ 58,632</u>	<u>\$ 3,430</u>	<u>\$ -</u>	<u>\$ 504,781</u>	<u>\$ -</u>	<u>\$ 8,453,099</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - FEDERALLY FUNDED GRANT FUNDS
YEAR ENDED AUGUST 31, 2012**

<u>Data Control Codes</u>	<u>211 ESEA Title I, Part A Improving Basic Program</u>	<u>224 IDEA Part B Formula</u>	<u>225 IDEA Part B Preschool</u>	<u>240 National Breakfast and Lunch Program</u>	<u>244 Vocational Education Basic Grant</u>	
REVENUES						
5700	Total local and intermediate sources	\$ -	\$ -	\$ -	\$ 7,715,387	\$ -
5800	State program revenues	28,797	194,998	1	320,154	-
5900	Federal program revenues	972,416	5,496,264	16,058	4,417,830	137,491
5020	Total Revenues	<u>1,001,213</u>	<u>5,691,262</u>	<u>16,059</u>	<u>12,453,371</u>	<u>137,491</u>
EXPENDITURES						
Current						
0011	Instruction	889,032	3,754,734	8,792	-	129,811
0012	Instructional resources and media services	-	-	-	-	-
0013	Curriculum and instructional staff development	42,801	42,390	5,619	-	6,165
0021	Instructional leadership	168	135,191	-	-	225
0023	School leadership	848	21,683	-	-	1,290
0031	Guidance, counseling and evaluation services	2,569	1,611,437	-	-	-
0033	Health services	-	5,252	-	-	-
0034	Student (pupil) transportation services	-	120,575	-	-	-
0035	Food services	-	-	-	11,502,531	-
0061	Community services	65,795	-	1,648	-	-
6030	Total expenditures	<u>1,001,213</u>	<u>5,691,262</u>	<u>16,059</u>	<u>11,502,531</u>	<u>137,491</u>
1200	Net change in fund balance	-	-	-	950,840	-
0100	Fund balance - September 1 (beginning)	-	-	-	3,813,324	-
3000	Fund balance - August 31 (ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,764,164</u>	<u>\$ -</u>

NONMAJOR GOVERNMENTAL FUNDS

<u>255</u> <u>ESEA Title II, Part A</u> <u>Training</u> <u>and Recruitment</u>	<u>263</u> <u>ESEA Title III, Part A</u> <u>English Language</u> <u>Acquisition</u>	<u>283</u> <u>IDEA</u> <u>Stimulus</u>	<u>285</u> <u>ESEA, Title I</u> <u>Part A Improving</u> <u>Basic Programs</u>	<u>287</u> <u>Education</u> <u>Jobs</u> <u>Fund</u>	<u>289</u> <u>Fed Fund</u> <u>Special</u> <u>Revenue</u>	<u>Total</u> <u>Federally</u> <u>Funded</u> <u>Grant Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,715,387
2,737	4,365	-	-	191,194	470	742,716
<u>243,106</u>	<u>181,420</u>	<u>18,190</u>	<u>2,796</u>	<u>4,591,965</u>	<u>9,988</u>	<u>16,087,524</u>
<u>245,843</u>	<u>185,785</u>	<u>18,190</u>	<u>2,796</u>	<u>4,783,159</u>	<u>10,458</u>	<u>24,545,627</u>
69,625	86,410	17,040	2,796	3,659,494	10,458	8,628,192
-	-	-	-	841,768	-	841,768
176,218	61,186	-	-	-	-	334,379
-	-	1,150	-	-	-	136,734
-	-	-	-	-	-	23,821
-	-	-	-	281,897	-	1,895,903
-	-	-	-	-	-	5,252
-	-	-	-	-	-	120,575
-	-	-	-	-	-	11,502,531
-	38,189	-	-	-	-	105,632
<u>245,843</u>	<u>185,785</u>	<u>18,190</u>	<u>2,796</u>	<u>4,783,159</u>	<u>10,458</u>	<u>23,594,787</u>
-	-	-	-	-	-	950,840
-	-	-	-	-	-	3,813,324
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,764,164</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2012**

Data Control Codes		385 Students with Visual Impairment	393 Texas Successful Schools Program	397 Advanced Placement Incentives
	ASSETS			
1110	Cash and temporary investments	\$ -	\$ 5,049	\$ 44,048
1240	Due from other governments	-	-	-
1290	Other receivables	-	-	-
1400	Deferred expenditures	-	-	-
		<hr/>	<hr/>	<hr/>
1000	Total assets	<u>\$ -</u>	<u>\$ 5,049</u>	<u>\$ 44,048</u>
	LIABILITIES AND FUND BALANCES			
	Liabilities			
2110	Accounts payable	\$ -	\$ -	\$ 233
2170	Due to other funds	-	-	-
2180	Due to other governments	-	-	-
2210	Accrued expenditures	-	-	-
		<hr/>	<hr/>	<hr/>
2000	Total liabilities	<u>-</u>	<u>-</u>	<u>233</u>
	FUND BALANCES			
	Nonspendable			
3440	Deferred expenditures	-	-	-
	Restricted for			
3490	Grant funds	-	5,049	43,815
	Committed			
	Campus activity fund	-	-	-
		<hr/>	<hr/>	<hr/>
3000	Total fund balances	<u>-</u>	<u>5,049</u>	<u>43,815</u>
4000	Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 5,049</u>	<u>\$ 44,048</u>

410 Instructional Materials Allotment	411 Technology Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 Miscellaneous Local Grants	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 3,767,138	\$ 109,489	\$ 3,925,724
-	-	50,000	-	-	50,000
-	-	-	10,150	8,360	18,510
-	37,877	-	2,375	-	40,252
<u>\$ -</u>	<u>\$ 37,877</u>	<u>\$ 50,000</u>	<u>\$ 3,779,663</u>	<u>\$ 117,849</u>	<u>\$ 4,034,486</u>
\$ -	\$ 13,498	\$ -	\$ 148,329	\$ -	\$ 162,060
-	24,379	47,640	-	-	72,019
-	-	-	2,355	-	2,355
-	-	-	1,911	130	2,041
-	37,877	47,640	152,595	130	238,475
-	-	-	40,252	-	40,252
-	-	2,360	-	117,719	168,943
-	-	-	3,586,816	-	3,586,816
-	-	2,360	3,627,068	117,719	3,796,011
<u>\$ -</u>	<u>\$ 37,877</u>	<u>\$ 50,000</u>	<u>\$ 3,779,663</u>	<u>\$ 117,849</u>	<u>\$ 4,034,486</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2012**

<u>Data Control Codes</u>		<u>385 Students with Visual Impairment</u>	<u>393 Texas Successful Schools Program</u>	<u>397 Advanced Placement Incentives</u>
REVENUES				
5700	Total local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	<u>24,013</u>	<u>-</u>	<u>38,540</u>
5020	Total revenues	<u>24,013</u>	<u>-</u>	<u>38,540</u>
EXPENDITURES				
Current				
0011	Instruction	24,013	-	17,555
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	-	24,754
0023	School leadership	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-
0033	Health services	-	-	-
0035	Food services	-	-	-
0036	Cocurricular/extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0061	Community services	-	-	-
0081	Facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>-</u>
6030	Total expenditures	<u>24,013</u>	<u>-</u>	<u>42,309</u>
1200	Net change in fund balance	-	-	(3,769)
0100	Fund balance - September 1 (beginning)	<u>-</u>	<u>5,049</u>	<u>47,584</u>
3000	Fund balance - August 31 (ending)	<u>\$ -</u>	<u>\$ 5,049</u>	<u>\$ 43,815</u>

Exhibit H-4

410 Instructional Materials Allotment	411 Technology Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 Miscellaneous Local Grants	Total Nonmajor Governmental Funds
\$ -	\$ 69,928	\$ -	\$ 4,099,828	\$ 180,736	\$ 4,350,492
2,261,278	-	51,501	980	-	2,376,312
<u>2,261,278</u>	<u>69,928</u>	<u>51,501</u>	<u>4,100,808</u>	<u>180,736</u>	<u>6,726,804</u>
2,261,278	190,800	-	1,821,069	134,482	4,449,197
-	-	-	294,415	-	294,415
-	-	-	16,253	10,539	51,546
-	-	-	56,674	-	56,674
-	-	-	10,218	-	10,218
-	-	-	62	-	62
-	-	-	295	-	295
-	-	1,125	1,154,450	6,486	1,162,061
-	-	-	39,049	-	39,049
-	-	-	9,000	139	9,139
-	-	-	34,507	-	34,507
-	-	-	23,283	-	23,283
-	-	50,000	20,665	-	70,665
<u>2,261,278</u>	<u>190,800</u>	<u>51,125</u>	<u>3,479,940</u>	<u>151,646</u>	<u>6,201,111</u>
-	(120,872)	376	620,868	29,090	525,693
-	120,872	1,984	3,006,200	88,629	3,270,318
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,360</u>	<u>\$ 3,627,068</u>	<u>\$ 117,719</u>	<u>\$ 3,796,011</u>

AGENCY FUNDS

**KELLER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
AUGUST 31, 2012**

	<u>Balance September 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance August 31, 2012</u>
STUDENT ACTIVITY ACCOUNT				
Assets				
Cash and temporary investments	\$ 274,461	\$ 834,798	\$ 865,611	\$ 243,648
Accounts receivables	-	-	-	-
Total assets	<u>\$ 274,461</u>	<u>\$ 834,798</u>	<u>\$ 865,611</u>	<u>\$ 243,648</u>
Liabilities				
Accounts payable	\$ 45,617	\$ 730,877	\$ 697,428	\$ 12,168
Due to other governments	1,403	1,403	35	35
Due to student groups	227,441	-	4,008	231,449
Total liabilities	<u>\$ 274,461</u>	<u>\$ 732,280</u>	<u>\$ 701,471</u>	<u>\$ 243,652</u>
EMPLOYEE ACTIVITIES				
Assets				
Cash and temporary investments	\$ 167,994	\$ 747,938	\$ 778,001	\$ 137,931
Accounts receivables	125	118	125	118
Total assets	<u>\$ 168,119</u>	<u>\$ 748,056</u>	<u>\$ 778,126</u>	<u>\$ 138,049</u>
Liabilities				
Accounts payable	\$ 3,908	\$ 166,738	\$ 165,454	\$ 2,624
Due to student groups	164,211	28,790	-	135,421
Total liabilities	<u>\$ 168,119</u>	<u>\$ 195,528</u>	<u>\$ 165,454</u>	<u>\$ 138,045</u>
TOTAL AGENCY FUNDS				
Assets				
Cash and temporary investments	\$ 442,455	\$ 1,582,736	\$ 1,643,612	\$ 381,579
Accounts receivables	125	118	125	118
Total assets	<u>\$ 442,580</u>	<u>\$ 1,582,854</u>	<u>\$ 1,643,737</u>	<u>\$ 381,697</u>
Liabilities				
Accounts payable	\$ 49,525	\$ 897,615	\$ 862,882	\$ 14,792
Due to other governments	1,403	1,403	35	35
Due to student groups	391,652	28,790	4,008	366,870
Total liabilities	<u>\$ 442,580</u>	<u>\$ 927,808</u>	<u>\$ 866,925</u>	<u>\$ 381,697</u>

REQUIRED TEA SCHEDULES

**KELLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2012**

<u>Years Ended August 31,</u>	1	2	3	10
	<u>Tax Rates</u>		<u>Assessed or Appraised Valuation</u>	<u>Delinquent Balance by Year September 1</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
2003 and prior	Various	Various	Various	\$ 325,665
2004	1.421	0.255	5,897,543,422	78,588
2005	1.434	0.264	6,630,965,629	86,707
2006	1.434	0.282	7,316,146,304	95,851
2007	1.311	0.297	8,423,924,838	150,709
2008	1.040	0.317	9,482,514,598	190,228
2009	1.040	0.377	10,212,543,961	358,211
2010	1.040	0.446	10,518,985,594	688,012
2011	1.040	0.491	10,838,009,000	1,315,792
2012 (current)	1.040	0.500	11,200,638,123	<u>-</u>
Totals				<u>\$ 3,289,763</u>

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

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 August 31, 2012
\$ -	\$ 749	\$ 150	\$ 899	\$ (7,617)	\$ 317,149
-	1,273	228	1,501	-	77,087
-	192	35	227	-	86,480
-	693	136	829	(84)	94,938
-	140,033	31,711	171,744	126,881	105,846
-	120,699	36,837	157,536	142,994	175,686
-	198,400	71,901	270,301	153,661	241,571
-	393,586	168,901	562,487	179,208	304,733
-	725,555	342,267	1,067,822	162,145	410,115
<u>170,135,313</u>	<u>114,223,745</u>	<u>54,915,261</u>	<u>169,139,006</u>	<u>(73,434)</u>	<u>922,873</u>
<u>\$ 170,135,313</u>	<u>\$ 115,804,925</u>	<u>\$ 55,567,427</u>	<u>\$ 171,372,352</u>	<u>\$ 683,754</u>	<u>\$ 2,736,478</u>
<u>\$ 1,732,427</u>					

**KELLER INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
FOR THE YEAR ENDED AUGUST 31, 2012**

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	\$ 8,360,948	\$ 8,360,948	\$ 7,715,387	\$ (645,561)
5800	State program revenues	72,458	224,989	320,154	95,165
5900	Federal program revenues	4,087,486	4,087,486	4,417,830	330,344
5020	Total revenues	<u>12,520,892</u>	<u>12,673,423</u>	<u>12,453,371</u>	<u>(220,052)</u>
	EXPENDITURES				
0035	Food service	<u>11,720,892</u>	<u>12,530,533</u>	<u>11,502,531</u>	<u>1,028,002</u>
6030	Total expenditures	<u>11,720,892</u>	<u>12,530,533</u>	<u>11,502,531</u>	<u>1,028,002</u>
1200	Net changes in fund balances	800,000	142,890	950,840	807,950
0100	Fund balance - September 1 (beginning)	<u>3,813,324</u>	<u>3,813,324</u>	<u>3,813,324</u>	<u>-</u>
3000	Fund balance - August 31 (ending)	<u>\$ 4,613,324</u>	<u>\$ 3,956,214</u>	<u>\$ 4,764,164</u>	<u>\$ 807,950</u>

**KELLER INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2012**

<u>Data Control Codes</u>	<u>Budgeted Amounts</u>	<u>Final</u>	<u>Actual Amounts (GAAP Basis)</u>	<u>Variance With Final Budget Positive or (Negative)</u>
	<u>Original</u>			
REVENUES				
5700	Total local and intermediate sources	\$ 52,663,888	\$ 52,663,888	\$ 3,245,777
5800	State program revenues	1,119,288	1,119,288	(66,599)
5020	Total revenues	53,783,176	53,783,176	3,179,178
EXPENDITURES				
Current:				
0071	Debt service - principal on long-term debt	12,694,742	12,694,742	-
0072	Debt service - interest on long-term debt	44,244,356	44,192,957	51,399
0073	Debt service - bond issuance cost and fees	150,000	150,000	62,966
6030	Total expenditures	57,089,098	56,974,733	114,365
	Excess (deficiency) of revenues over (under)	(3,305,922)	(12,379)	3,064,813
OTHER FINANCING SOURCES (USES)				
7911	Issuance of bonds	-	2,710,000	2,710,000
7916	Premium or discount on issuance of bonds	-	200,974	200,974
8949	Payment to refunded bond escrow agent	-	(2,825,750)	(2,825,750)
7080	Total other financing sources (uses)	-	85,224	85,224
1200	Net change in fund balance	(3,305,922)	72,845	3,150,037
0100	Fund balance - September 1 (beginning)	3,820,031	3,820,031	-
3000	Fund balance - August 31 (ending)	\$ 514,109	\$ 3,892,876	\$ 3,150,037

STATISTICAL SECTION

Statistical Section

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

Contents

Financial Trends

Schedules 1 - 7

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

Revenue Capacity

Schedules 8 - 11

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

Debt Capacity

Schedules 12 - 15

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

Demographic and Economic Information

Schedules 16 - 17

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

Operating Information

Schedules 18 - 19

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

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

TABLE I

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	\$ (5,148,638)	\$ (9,928,901)	\$ (9,337,639)	\$ (8,902,401)	\$ (17,947,640)	\$ (19,985,969)
Restricted	4,289,637	4,519,766	4,785,795	2,723,568	2,008,006	2,324,821
Unrestricted	14,540,249	14,141,198	9,265,669	13,535,733	18,942,594	16,612,108
Total primary government net assets	<u>\$ 13,681,248</u>	<u>\$ 8,732,063</u>	<u>\$ 4,713,825</u>	<u>\$ 7,356,900</u>	<u>\$ 3,002,960</u>	<u>\$ (1,049,040)</u>

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Invested in capital assets, net of related debt	\$ (33,180,143)	\$ (39,790,063)	\$ (38,159,556)	\$ (43,992,374)
Restricted	8,467,449	6,575,067	6,749,910	7,812,705
Unrestricted	15,707,608	12,395,863	23,775,858	50,167,324
Total primary government net assets	<u>\$ (9,005,086)</u>	<u>\$ (20,819,133)</u>	<u>\$ (7,633,788)</u>	<u>\$ 13,987,655</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities				
Instruction	\$ 70,064,198	\$ 80,692,773	\$ 87,845,637	\$ 98,587,392
Instructional Resources and Media Services	2,548,806	2,721,286	3,124,067	3,393,890
Curriculum and Staff Development	794,650	997,670	1,314,983	1,597,141
Instructional Leadership	1,202,188	1,108,848	1,241,687	2,010,123
School Leadership	6,688,468	7,142,795	7,840,229	9,143,670
Guidance, Counseling and Evaluation Services	3,773,694	4,131,299	4,868,569	5,624,412
Social Work Services	-	42	86,133	150,658
Health Services	856,647	809,888	909,400	1,141,184
Student (Pupil) Transportation	2,659,149	3,016,569	3,477,959	3,896,874
Food Services	6,034,847	6,819,696	7,644,770	8,808,647
Cocurricular/Extracurricular Activities	2,942,841	3,618,896	4,113,254	5,396,992
General Administration	3,565,830	3,790,150	4,011,754	4,275,140
Plant Maintenance and Operations	13,724,934	14,483,278	15,892,561	19,844,895
Security and Monitoring Services	205,833	214,075	272,817	328,584
Data Processing Services	1,487,844	1,519,701	1,656,886	1,963,295
Community Services	249,695	770,915	597,578	612,526
Debt Service - Interest on Long Term Debt	22,974,287	23,026,977	24,377,448	28,420,994
Facilities Acquisition and Construction	2,544,660	702,243	530,778	3,897,189
Shared Services Agreement	-	-	-	-
Juvenile Justice Alternative Ed Program	-	-	-	-
Payments to Tax Increment Fund	486,441	750,000	859,641	1,116,700
Total Primary Government Expenses	142,805,012	156,317,101	170,666,151	200,210,306
Program Revenues				
Charges for services				
Instruction	448,406	444,481	417,531	6,272,892
Instructional Resources and Media Services	-	-	-	-
Curriculum and Staff Development	837,032	193,476	184,144	228,808
Instructional Leadership	-	-	-	-
School Leadership	-	-	-	-
Guidance, Counseling and Evaluation Services	-	-	-	-
Social Work Services	-	-	-	-
Health Services	-	-	-	-
Transportation	-	-	-	-
Food Services	4,223,461	4,653,640	5,006,506	5,642,148
Cocurricular/Extracurricular Activities	213,102	322,574	385,114	667,486
General Administration	-	-	-	-
Plant Maintenance and Operations	161,742	167,816	219,411	-
Security and Monitoring Services	-	-	-	-
Data Processing Services	-	-	-	-
Community Services	-	-	-	-
Facilities Acquisition and Construction	4,258,321	-	-	-
Shared services agreement	-	-	-	-
Payments to Juvenile Justice Alternative Educa	-	-	-	-
Payments to tax increment fund	-	-	-	-
Operating Grants and Contributions	10,705,623	11,627,538	11,427,919	14,247,778
Total Primary Government Program Revenues	20,847,687	17,409,525	17,640,625	27,059,112
Net (Expense)/Revenue				
Total Primary Government Net Expense	\$ (121,957,325)	\$ (138,907,576)	\$ (153,025,526)	\$ (173,151,194)

TABLE II

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$111,942,019	\$ 130,853,347	\$ 147,615,180	\$ 160,197,180	\$ 159,641,776	\$ 149,547,022
3,507,020	3,791,403	4,548,868	3,261,124	3,743,225	3,506,194
2,421,519	3,245,795	3,490,394	3,497,953	2,889,302	2,754,701
2,262,844	2,392,807	2,459,408	2,310,199	2,269,740	2,091,486
11,505,689	12,661,163	13,325,500	13,594,932	14,478,924	14,317,804
7,131,813	7,815,695	8,822,213	9,129,293	10,101,315	10,056,213
203,993	224,136	283,831	262,992	279,278	156,066
1,704,416	1,927,807	2,110,792	2,252,365	2,458,895	3,099,151
4,178,437	5,105,905	6,035,224	6,222,185	6,808,740	5,448,661
8,386,864	9,713,959	10,407,692	10,538,803	10,974,335	12,085,660
5,944,813	6,643,550	7,298,740	8,057,423	8,771,031	7,985,415
4,686,385	4,988,376	6,271,204	5,837,704	5,584,569	8,082,486
20,113,567	22,487,313	18,653,300	21,065,268	14,671,718	18,625,453
504,895	756,555	1,154,381	1,468,225	1,675,711	1,299,191
2,149,616	4,053,626	3,639,516	3,379,340	4,380,257	5,227,588
440,227	472,403	801,894	1,086,051	1,075,017	1,541,352
29,834,899	32,158,191	31,561,209	39,427,642	41,249,450	33,103,972
8,506,584	3,466,383	-	-	-	-
-	-	3,811,277	3,945,201	3,329,680	3,410,020
-	-	5,500	-	-	2,375
1,501,599	1,097,395	1,831,416	1,925,666	1,750,904	1,732,427
<u>226,927,199</u>	<u>253,855,809</u>	<u>274,127,539</u>	<u>297,459,546</u>	<u>296,133,867</u>	<u>284,073,237</u>
6,780,489	5,304,345	5,657,131	6,315,099	6,309,615	4,795,456
-	126,865	142,871	119,037	164,173	108,282
-	67,640	69,490	94,857	113,478	73,913
-	98,478	93,844	103,019	105,594	64,515
-	522,364	559,767	600,663	627,088	414,131
-	334,565	344,598	411,113	444,807	335,308
-	4,521	5,153	5,016	13,266	5,153
-	17,488	90,105	99,258	107,640	75,805
101,745	38,860	60,974	42,653	-	182,176
6,206,636	7,068,398	7,368,464	7,499,282	8,038,128	7,704,516
436,407	585,666	667,347	727,064	380,766	839,066
-	69,176	160,056	170,883	259,481	170,378
-	1,014,592	833,404	825,571	917,800	1,238,443
-	632	4,426	6,176	72,715	34,634
-	67,981	60,163	59,782	174,991	151,902
390,294	497,538	500,131	548,056	646,909	29,857
-	69,691	40,245	-	-	-
-	-	-	-	158,544	112,888
-	-	-	-	-	79
-	-	-	-	83,370	1,732,427
15,612,510	14,532,569	13,532,702	22,629,116	31,969,236	24,161,384
<u>29,528,081</u>	<u>30,421,369</u>	<u>30,190,871</u>	<u>40,256,645</u>	<u>50,587,601</u>	<u>42,230,313</u>
<u>\$ (197,399,118)</u>	<u>\$ (223,434,440)</u>	<u>\$ (243,936,668)</u>	<u>\$ (257,202,901)</u>	<u>\$ (245,546,266)</u>	<u>\$ (241,842,924)</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Net (Expense)/Revenue				
Total primary government net expense	\$ (121,957,325)	\$ (138,907,576)	\$ (153,025,526)	\$ (173,151,194)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property Taxes, Levied for General Purposes	73,172,315	84,370,396	95,493,554	106,402,811
Property Taxes, Levied for Debt Service	13,737,352	15,289,556	17,731,285	21,151,865
State Aid - Formula Grants	26,812,106	26,135,711	26,548,589	28,187,060
Grants and Contributions not Restricted	6,496,434	5,485,261	5,280,471	5,096,212
Investment Earnings	3,272,228	1,255,926	2,902,864	7,951,970
Miscellaneous Local and Intermediate Revenue	940,527	978,540	1,050,795	1,304,089
Special Item - Gain on Sale of Capital Assets	-	-	-	5,699,992
Special Item - Lease of Mineral Rights	-	443,001	-	-
Total Primary Government	<u>124,430,962</u>	<u>133,958,391</u>	<u>149,007,558</u>	<u>175,793,999</u>
Change in Net Assets				
Total Primary Government	<u>\$ 2,473,637</u>	<u>\$ (4,949,185)</u>	<u>\$ (4,017,968)</u>	<u>\$ 2,642,805</u>

TABLE III

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ (197,399,118)	\$ (223,434,440)	\$ (243,936,668)	\$ (257,202,901)	\$ (245,222,381)	(241,842,924)
110,256,743	99,265,515	108,794,551	113,892,990	111,315,561	114,660,445
25,190,201	30,153,606	39,240,626	48,657,348	53,168,610	55,758,482
41,701,262	75,667,541	78,938,143	78,839,121	92,872,674	88,208,113
4,840,601	4,247,899	4,685,515	4,686,451	-	-
11,012,544	10,047,879	4,110,151	583,181	364,742	436,411
43,827	-	211,636	1,706,719	686,139	4,400,916
-	-	-	-	-	-
-	-	-	-	-	-
<u>193,045,178</u>	<u>219,382,440</u>	<u>235,980,622</u>	<u>248,365,810</u>	<u>258,407,726</u>	<u>263,464,367</u>
<u>\$ (4,353,940)</u>	<u>\$ (4,052,000)</u>	<u>\$ (7,956,046)</u>	<u>\$ (8,837,091)</u>	<u>\$ 13,185,345</u>	<u>\$ 21,621,443</u>

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

	Fiscal Year			
	2003	2004	2005	2006
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved	201,535	197,409	293,048	141,901
Unreserved	<u>29,123,221</u>	<u>31,433,192</u>	<u>36,106,748</u>	<u>42,038,447</u>
Total General Fund	<u>\$ 29,324,756</u>	<u>\$ 31,630,601</u>	<u>\$ 36,399,796</u>	<u>\$ 42,180,348</u>
All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	66,488,152	35,035,724	117,592,326	56,939,101
Committed	<u>53,643</u>	<u>70,299</u>	<u>65,728</u>	<u>1,666,753</u>
Total All Other Governmental Funds	<u>\$ 66,541,795</u>	<u>\$ 35,106,023</u>	<u>\$ 117,658,054</u>	<u>\$ 58,605,854</u>
Total Governmental Funds	<u>\$ 95,866,551</u>	<u>\$ 66,736,624</u>	<u>\$ 154,057,850</u>	<u>\$ 100,786,202</u>

TABLE IV

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ -	\$ -	\$ -	\$ -	\$ 478,717	\$ 507,277
-	-	-	-	2,135,000	2,233,000
-	-	-	-	39,821,169	42,951,888
-	-	-	-	21,704,248	37,287,784
1,340,066	1,449,859	1,532,963	1,734,879	-	-
46,336,853	46,355,894	44,972,848	50,591,988	-	-
<u>\$ 47,676,919</u>	<u>\$ 47,805,753</u>	<u>\$ 46,505,811</u>	<u>\$ 52,326,867</u>	<u>\$ 64,139,134</u>	<u>\$ 82,979,949</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,820,273	\$ 203,371
170,167,059	92,983,867	159,330,604	84,315,947	7,653,724	8,662,864
2,023,295	2,106,586	2,358,333	2,971,732	47,466,171	43,344,629
<u>\$ 172,190,354</u>	<u>\$ 95,090,453</u>	<u>\$ 161,688,937</u>	<u>\$ 87,287,679</u>	<u>\$ 58,940,168</u>	<u>\$ 52,210,864</u>
<u>\$ 219,867,273</u>	<u>\$ 142,896,206</u>	<u>\$ 208,194,748</u>	<u>\$ 139,614,546</u>	<u>\$ 123,079,302</u>	<u>\$ 135,190,813</u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Distributed by TEA	\$ 1,117,788	\$ 1,247,429	\$ 1,437,444	\$ 1,640,373
Distributed by other State of Texas Government Agencies	117,781	3,737	10,293	1,677
Distributed directly from the Federal Government	1,871,635	3,437,090	2,968,088	3,894,030
Total federal sources	<u>3,107,204</u>	<u>4,688,256</u>	<u>4,415,825</u>	<u>5,536,080</u>
State sources:				
Per capita and foundation school program act revenues	33,144,035	31,331,810	31,613,794	33,405,420
Program revenues distributed by TEA	1,281,339	1,284,485	1,223,344	1,297,241
Revenues from State of Texas Government Agencies	6,481,586	5,943,959	6,004,016	7,292,309
Total state sources	<u>40,906,960</u>	<u>38,560,254</u>	<u>38,841,154</u>	<u>41,994,970</u>
Local and intermediate sources:				
Real and personal property taxes	87,662,863	100,119,263	113,592,771	132,482,334
Tuition and fees	351,088	444,481	416,720	438,801
Other revenues	4,358,002	1,706,623	4,130,942	8,654,769
Cocurricular, enterprising services or activities	4,819,564	4,946,798	5,391,620	7,515,731
Intermediate sources	4,267,288	4,922	50	413
Total local and intermediate sources	<u>101,458,805</u>	<u>107,222,087</u>	<u>123,532,103</u>	<u>149,092,048</u>
Total revenues	<u>\$ 145,472,968</u>	<u>\$ 150,470,597</u>	<u>\$ 166,789,082</u>	<u>\$ 196,623,098</u>

TABLE V

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 1,985,730	\$ 2,388,359	\$ 2,901,556	\$ 3,500,740	\$ 19,511,673	\$ 11,831,059
9,477	33,815	33,808	-	3,423,621	4,404,830
3,497,039	3,913,060	6,794,383	17,567,415	679,717	198,346
<u>5,492,246</u>	<u>6,335,234</u>	<u>9,729,747</u>	<u>21,068,155</u>	<u>23,615,011</u>	<u>16,434,235</u>
48,147,830	82,130,671	81,074,303	78,839,121	93,111,147	88,298,739
1,431,086	1,239,341	1,772,973	1,631,654	1,749,313	10,509,894
7,083,211	7,488,381	7,612,709	8,600,792	9,409,975	51,501
<u>56,662,127</u>	<u>90,858,393</u>	<u>90,459,985</u>	<u>89,071,567</u>	<u>104,270,435</u>	<u>98,860,134</u>
134,740,395	130,365,048	146,468,671	161,844,911	165,451,751	172,484,714
466,045	389,982	347,508	316,339	353,426	198,843
17,281,608	15,326,676	11,268,146	8,210,040	6,279,085	9,626,893
6,643,043	7,506,213	8,077,074	8,172,591	9,298,060	8,360,630
1,757	-	-	-	-	-
<u>159,132,848</u>	<u>153,587,919</u>	<u>166,161,399</u>	<u>178,543,881</u>	<u>181,382,322</u>	<u>190,671,080</u>
<u>\$ 221,287,221</u>	<u>\$ 250,781,546</u>	<u>\$ 266,351,131</u>	<u>\$ 288,683,603</u>	<u>\$ 309,267,768</u>	<u>\$ 305,965,449</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Instruction	\$ 66,507,975	\$ 75,913,719	\$ 81,246,374	\$ 91,164,573
Instructional Resources and Media Services	2,289,082	2,380,961	2,704,874	2,936,748
Curriculum and Instructional Staff Development	791,032	992,822	1,309,945	1,575,360
Instructional Leadership	1,204,636	1,110,848	1,225,140	1,983,745
School Leadership	6,580,846	7,034,206	7,587,537	8,824,912
Guidance, Counseling and Evaluation Services	3,732,949	4,092,651	4,752,876	5,466,104
Social Work Services	-	42	86,133	150,658
Health Services	837,880	790,842	865,369	1,102,324
Student (Pupil) Transportation	2,655,643	3,004,979	3,447,528	3,866,442
Food Services	5,483,680	6,137,001	6,783,121	7,852,329
Cocurricular/Extracurricular Activities	2,826,854	3,400,984	3,878,412	5,144,197
General Administration	3,532,723	3,692,103	3,880,480	4,110,583
Facilities Maintenance and Operations	14,050,440	14,744,271	15,917,171	19,985,810
Security and Monitoring Services	205,833	214,075	396,791	325,805
Data Processing Services	1,490,792	1,507,437	1,645,511	1,715,718
Community Services	248,741	585,115	411,647	429,011
Debt Service				
Principal	1,768,088	2,196,853	5,630,498	4,913,597
Interest	18,578,487	19,092,905	18,962,414	23,269,220
Bond Issuance Cost and Fees	7,986	11,029	2,161,419	2,462,538
Facilities Acquisition and Construction	62,138,410	32,390,682	18,865,241	69,660,220
Shared Services Agreement	-	-	-	-
Juvenile Justice Alternative Education Program	-	-	-	-
Payments to Tax Increment Fund	486,441	750,000	859,641	1,116,700
Total Expenditures	\$ 195,418,518	\$ 180,043,525	\$ 182,618,122	\$ 258,056,594
Debt Service as a Percentage of Noncapital Expenditures	15.27%	14.42%	15.02%	14.96%

TABLE VI

Fiscal Year

Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 104,424,666	\$ 123,238,031	\$ 137,966,424	\$ 143,731,660	\$ 147,728,382	\$ 137,478,868	
3,304,523	3,609,718	4,023,598	3,073,705	3,509,334	3,178,713	
2,414,188	3,234,342	3,307,415	3,398,086	2,868,473	2,130,562	
2,254,022	2,388,084	2,330,351	2,293,997	2,226,975	1,886,237	
10,281,519	11,626,540	12,607,682	12,614,563	13,210,075	12,555,229	
6,483,117	7,247,584	8,359,238	8,699,241	9,471,451	9,271,339	
203,993	224,177	268,954	263,532	278,615	155,656	
1,532,247	1,767,584	1,999,997	2,106,395	2,262,925	2,287,508	
4,176,311	5,106,034	5,719,227	6,223,306	6,807,858	5,447,852	
8,253,263	9,679,025	9,862,758	10,601,047	10,893,263	11,502,826	
5,730,968	6,415,289	6,495,765	7,311,068	8,269,409	7,015,477	
4,645,167	5,006,260	5,615,508	5,220,506	5,480,294	7,432,120	
19,715,511	22,382,711	18,104,552	18,753,283	19,377,794	17,722,083	
500,381	752,179	979,151	1,220,503	1,542,978	1,080,540	
2,237,898	4,070,647	2,331,712	1,852,169	3,675,083	4,590,653	
438,107	469,717	765,056	895,726	852,899	691,259	
8,197,688	9,751,128	10,030,963	9,650,999	12,756,706	12,694,742	
28,227,427	31,661,335	34,443,024	41,994,683	42,447,453	44,192,957	
2,025,772	-	1,509,659	464,129	167,667	87,034	
30,876,722	78,024,833	77,956,170	71,488,717	27,066,197	7,392,685	
-	-	3,811,277	3,945,201	3,329,680	3,410,020	
-	-	5,500	-	-	2,375	
1,501,599	1,097,395	1,831,416	1,925,666	1,750,904	1,732,427	
<u>\$ 247,425,089</u>	<u>\$ 327,752,613</u>	<u>\$ 350,325,397</u>	<u>\$ 357,728,182</u>	<u>\$ 325,974,415</u>	<u>\$ 293,939,162</u>	
16.82%	16.58%	16.33%	18.04%	18.47%	19.85%	

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

	Fiscal Year			
	2003	2004	2005	2006
Excess of Revenues Over (Under) Expenditures	\$ (49,945,548)	\$ (29,572,928)	\$ (15,829,040)	\$ (61,433,496)
Other Financing Sources (Uses)				
General Long-term Debt Issued	-	-	215,504,961	89,844,973
Sale of Real or Personal Property	-	-	-	6,838,452
Transfers In	-	-	-	2,412,851
Premium or Discount on Issuance of Bonds	-	-	15,009,082	2,966,015
Prepaid Interest	-	-	910,450	357,441
Lease of Mineral Rights	-	443,001	-	-
Other Resources	-	-	-	2,009
Transfers Out	-	-	-	(2,412,851)
Payment to Bond Refunding Escrow Agent	-	-	(128,274,227)	(91,847,042)
Other (Uses)	-	-	-	-
Total Other Financing Sources (Uses)	-	443,001	103,150,266	8,161,848
Net Change in Fund Balances	\$ (49,945,548)	\$ (29,129,927)	\$ 87,321,226	\$ (53,271,648)

TABLE VII

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ (26,137,868)	\$ (76,971,067)	\$ (83,974,266)	\$ (69,044,579)	\$ (16,706,647)	\$ 12,026,287
201,219,980	-	153,419,950	30,809,991	9,445,000	2,710,000
-	-	-	-	-	-
4,819,805	7,093,543	6,198,732	-	-	-
9,059,177	-	7,084,810	1,159,821	530,449	200,974
947,569	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(4,819,805)	(7,093,543)	(6,198,732)	-	-	-
(66,007,787)	-	(11,231,952)	(31,505,435)	(9,804,046)	(2,825,750)
-	-	-	-	-	-
<u>145,218,939</u>	<u>-</u>	<u>149,272,808</u>	<u>464,377</u>	<u>171,403</u>	<u>85,224</u>
<u>\$ 119,081,071</u>	<u>\$ (76,971,067)</u>	<u>\$ 65,298,542</u>	<u>\$ (68,580,202)</u>	<u>\$ (16,535,244)</u>	<u>\$ 12,111,511</u>

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

TABLE VIII

Fiscal Year	Assessed Value		Less:	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	Tax-Exempt Property				
2003	\$ 5,352,195,950	\$ 325,411,074	\$ 814,378,112	\$ 4,863,228,912	1.6519	\$ 5,677,607,024	85.66%
2004	6,132,198,140	335,053,310	904,659,781	5,562,591,669	1.6762	6,467,251,450	86.01%
2005	6,827,042,441	373,099,995	940,691,330	6,259,451,106	1.6975	7,200,142,436	86.94%
2006	7,548,914,822	385,852,182	1,002,608,350	6,932,158,654	1.7158	7,934,767,004	87.36%
2007	8,686,272,201	411,634,404	1,083,891,412	8,014,015,193	1.6080	9,097,906,605	88.09%
2008	10,247,948,079	461,656,910	1,151,937,755	9,557,667,234	1.3574	10,709,604,989	89.24%
2009	11,287,556,887	510,021,252	1,158,973,377	10,638,604,762	1.4169	11,797,578,139	90.18%
2010	11,957,175,482	571,747,425	1,341,094,676	11,187,828,231	1.4863	12,528,922,907	89.30%
2011	11,847,770,018	703,851,758	1,566,352,519	10,985,269,257	1.5306	12,551,621,776	87.52%
2012	13,478,894,389	665,686,946	1,548,891,295	12,595,690,040	1.5400	14,144,581,335	89.05%

Source: Tarrant County Tax Appraisal District

Notes:

^aMarket value less exemptions

^bPer \$100 of assessed valuation

^cMarket value

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

TABLE IX

(rate per \$100 of assessed value)

Fiscal Year	District Direct Rates			Overlapping Rates^a				
	Operating	Debt Service	Total	Tarrant County	Tarrant Co. Hospital District	Tarrant County College	City of Colleyville	City of Fort Worth
2003	1.3926	0.2593	1.6519	0.27250	0.23407	0.13938	0.34740	0.86500
2004	1.4213	0.2549	1.6762	0.27250	0.23240	0.13938	0.34740	0.86500
2005	1.4336	0.2639	1.6975	0.27250	0.23540	0.13938	0.34740	0.86500
2006	1.4336	0.2822	1.7158	0.27250	0.23540	0.13938	0.34740	0.86000
2007	1.3111	0.2969	1.6080	0.27250	0.23540	0.13938	0.34740	0.86000
2008	1.0400	0.3174	1.3574	0.26650	0.23040	0.13938	0.35590	0.85500
2009	1.0400	0.3769	1.4169	0.26400	0.22790	0.13796	0.35590	0.85500
2010	1.0400	0.4463	1.4863	0.26400	0.22790	0.13767	0.35590	0.85500
2011	1.0400	0.4906	1.5306	0.26400	0.22790	0.13764	0.35590	0.85500
2012	1.0400	0.5000	1.5400	0.26400	0.22790	0.14897	0.35590	0.85500

Fiscal Year	Overlapping Rates^a				
	City of Haltom City	City of Keller	City of North Richland Hills	City of Southlake	City of Watauga
2003	0.45575	0.43800	0.57000	0.46200	0.59893
2004	0.52095	0.43800	0.57000	0.46200	0.58076
2005	0.54173	0.44413	0.57000	0.46200	0.58076
2006	0.55760	0.44413	0.57000	0.46200	0.58076
2007	0.55760	0.43219	0.57000	0.46200	0.58076
2008	0.59830	0.43219	0.57000	0.46200	0.58076
2009	0.59830	0.43219	0.57000	0.46200	0.58076
2010	0.59830	0.44219	0.57000	0.46200	0.58076
2011	0.64637	0.44219	0.57000	0.46200	0.58076
2012	0.65174	0.44219	0.57000	0.46200	0.58900

Note:

^aIncludes levies for operating and debt service costs

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

TABLE X

<u>Taxpayer</u>	<u>2012</u>			<u>2003</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Taxable Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Taxable Value</u>
FMR Texas LP	\$ 144,263,970	1	1.29%	\$ 106,981,875	1	1.81%
Kroger Co	99,954,435	2	0.89%	41,500,178	3	0.70%
Wal-Mart Stores Texas LP	63,402,694	3	0.57%	31,528,491	5	0.53%
Alliance Town Center LP	40,436,320	4	0.36%			
Oncor Electric Delivery Co LLC	38,503,668	5	0.34%	32,686,198	4	0.55%
Watercolor Partners LP	33,000,000	6	0.29%			
Capri W Dtc Lic	28,500,000	7	0.25%			
Inland Western Watauga LP	27,739,600	8	0.25%			
Hillwood Monterra LP	27,428,467	9	0.24%			
Sw Fossil Creek Apt LP	27,294,000	10	0.24%			
Corning Cable Systems LLC				46,415,597	2	0.79%
Albertson's Inc.				23,732,002	6	0.40%
Amlı residential Property				23,616,618	7	0.40%
Acquport/Fossil Crk				22,000,000	8	0.37%
Watauga 377 LLC				18,500,000	9	0.31%
Watauga 377 LLC				17,946,164	10	0.30%
Subtotal	\$ 530,523,154		4.74%	\$ 364,907,123		6.19%
All other taxpayers	<u>10,670,114,969</u>		<u>95.26%</u>	<u>5,532,636,299</u>		<u>93.81%</u>
	<u>\$ 11,200,638,123</u>		<u>100.00%</u>	<u>\$ 5,897,543,422</u>		<u>100.00%</u>

Source: Tarrant Appraisal District

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

TABLE XI

Fiscal Year	Taxes Levied for the Fiscal year	Current Tax Collections	Percent of Levy Collected	Total Tax Revenues Current and Delinquent	Total Tax Revenues as a % of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a % of Tax Levy
2003	\$ 86,314,462	\$ 85,265,190	98.78%	\$ 86,858,595	100.63%	\$ 2,032,178	2.35%
2004	99,145,959	97,873,929	98.72%	99,201,985	100.06%	2,599,720	2.62%
2005	112,524,886	111,436,784	99.03%	113,425,644	100.80%	2,189,212	1.95%
2006	127,412,793	126,233,010	99.07%	127,498,039	100.07%	2,482,717	1.95%
2007	135,001,309	133,308,212	98.75%	134,817,490	99.86%	3,558,364	2.64%
2008	127,758,173	126,471,104	98.99%	129,094,185	101.05%	2,297,129	1.80%
2009	147,374,611	145,996,374	99.06%	147,146,445	99.85%	2,536,648	1.72%
2010	162,025,597	160,286,383	98.93%	161,200,416	99.49%	3,221,169	1.99%
2011	165,224,552	163,908,760	99.20%	165,218,029	100.00%	3,289,762	1.99%
2012	170,061,879	169,139,007	99.46%	171,372,351	100.77%	2,736,477	1.61%

Source: Tarrant County Tax Office

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

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

TABLE XII

Governmental Activities

Fiscal Year	Bonds Payable	Total Primary Government	Percentage of Personal Income ^a	Estimated Population	Per Capita ^a	Ratio of Net Bonded Debt to Estimated Actual Property Value ^b
2003	\$ 400,520,371	\$ 400,520,371	0.42%	31,814	12,522	14.18
2004	398,883,518	398,883,518	0.39%	33,112	12,471	16.21
2005	489,492,981	489,492,981	0.46%	34,224	15,303	14.71
2006	484,579,357	484,579,357	0.44%	36,328	13,649	16.37
2007	612,851,650	612,851,650	0.48%	37,700	16,360	14.85
2008	603,100,522	603,100,522	0.43%	38,701	19,105	17.76
2009	735,369,508	735,369,508	0.53%	39,450	20,939	16.04
2010	725,718,509	725,718,509	0.49%	39,675	19,331	17.26
2011	712,856,767	712,856,767	0.47%	40,604	37,522	17.58
2012	700,087,012	700,087,012	0.40%	40,790	43,019	20.20

Notes:

^aSee Schedule 15 for personal income, per capita and population data.

^bSee Schedule VIII for estimated actual property value.

**Keller Independent School District
Direct and Overlapping Governmental Activities Debt
As of August 31, 2012**

TABLE XIII

<u>Governmental Unit</u>	<u>Total Tax Supported Debt as of 03/07/12^a</u>	<u>Estimated Percentage Applicable^b</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Colleyville	\$ 6,865,000	7.84%	\$ 538,216
City of Fort Worth	658,248,508	2.95%	19,418,331
City of Haltom City	1,336,765	7.36%	98,386
City of Keller	44,408,735	100.00%	44,408,735
City of North Richland Hills	118,062,489	3.19%	3,766,193
City of Southlake	87,681,533	9.57%	8,391,123
City of Watauga	13,085,000	10.06%	1,316,351
Tarrant County	9,905,035	7.10%	703,257
Tarrant Co. Hospital District	830,606	7.10%	58,973
Tarrant Co. College District	717,478	7.10%	50,941
Subtotal, Overlapping Debt			78,750,505
District Direct Debt			<u>700,087,012</u>
Total Direct and Overlapping Debt			<u><u>\$ 778,837,517</u></u>
Ratio of Total Direct and Overlapping Debt to Assessed Valuation			<u><u>5.50%</u></u>
Per Capita Overlapping Debt			<u><u>\$ 19,094</u></u>

a Each Individual Governmental Unit provided data

b The estimated percentage applicable is determined by the percentage of total property values for that entity that fall within KISD's boundaries.

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

	Fiscal Year			
	2003	2004	2005	2006
Assessed value ^a	\$ 5,188,548,506	\$ 5,897,543,422	\$ 6,630,965,629	\$ 7,316,146,304
Debt Limit ^b	518,854,851	589,754,342	663,096,563	731,614,630
Amount of debt applicable to debt limit:				
Total bonded debt	400,520,371	398,883,518	489,492,981	484,579,357
Less: Reserve for debt service	3,744,659	3,977,470	4,608,114	4,608,114
Total net debt applicable to limit	<u>396,775,712</u>	<u>394,906,048</u>	<u>484,884,867</u>	<u>479,971,243</u>
Legal debt margin	<u>\$ 122,079,139</u>	<u>\$ 194,848,294</u>	<u>\$ 178,211,696</u>	<u>\$ 251,643,387</u>
Total net debt applicable to the limit as a percentage of debt limit.	76.47%	66.96%	73.12%	65.60%

Notes:

^aMarket value less exemptions

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

TABLE XIV

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 8,423,924,838	\$ 9,482,514,598	\$ 10,537,325,380	\$ 10,518,985,594	\$ 10,838,009,000	\$ 11,200,638,123
842,392,484	948,251,460	1,053,732,538	1,051,898,559	1,083,800,900	1,120,063,812
612,851,650	603,100,522	735,369,508	725,718,509	712,856,767	700,087,012
4,741,309	5,066,051	6,689,998	5,167,382	3,820,031	3,889,404
<u>608,110,341</u>	<u>598,034,471</u>	<u>728,679,510</u>	<u>720,551,127</u>	<u>709,036,736</u>	<u>696,197,608</u>
<u>\$ 234,282,143</u>	<u>\$ 350,216,989</u>	<u>\$ 325,053,028</u>	<u>\$ 331,347,432</u>	<u>\$ 374,764,164</u>	<u>\$ 423,866,204</u>
72.19%	63.07%	69.15%	68.50%	65.42%	62.16%

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

TABLE XV

<u>Calendar Year</u>	<u>Population^a</u>	<u>Personal Income^b</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate^c</u>
2003	31,814	\$ 1,017,602,604	\$ 31,986	2.70%
2004	33,112	1,059,120,432	31,986	4.10%
2005	34,224	1,094,688,864	31,986	3.40%
2006	36,328	1,289,716,656	35,502	3.20%
2007	37,700	1,412,242,000	37,460	3.40%
2008	38,701	1,221,674,467	31,567	4.10%
2009	39,450	1,385,484,000	35,120	5.70%
2010	39,675	1,489,439,175	37,541	6.50%
2011	40,604	1,523,543,288	37,522	5.40%
2012	40,790	1,754,745,010	43,019	7.30%

Notes:

All information above is for the Keller municipal area.

Sources:

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

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

^cTexas Workforce Commission

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

TABLE XVI

<u>Employer</u>	2012			2007	
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>
AMR Corporation	73,800	1	57.04%	124,277	1
Gamestop	17,000	2	13.14%	848	9
BNSF Railway	10,000	3	7.73%	3,001	5
Sabre Holdings	9,000	4	6.96%	3,100	3
Bell Helicopter	8,600	5	6.65%	6,048	2
Fidelity Investments	4,000	6	3.09%	2,700	6
Keller ISD	3,573	5	2.76%	3,032	4
Dallas/Fort Worth Airport	1,800	8	1.39%	1,713	7
Gaylord Texan Resort	1,600	9	1.24%	1,500	8
	<u>129,373</u>		<u>100%</u>	<u>146,219</u>	

Source: City of Keller

Note: Information for principal employers within the District was not available for ten years ago.

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

TABLE XVII

	2006	2007	2008	2009	2010	2011	2012	Percentage Change 2006-2012
Supervisory								
Instructional administrators	7	12	15	14	15.5	15.5	12.5	78.6%
Noninstructional administrators	28	36	38	40	46.5	46.5	39.5	41.1%
Consultants/supervisors of instruction	8	14	13	12	19.5	19.5	9.5	18.8%
Principals	28	33	34	35	36	38	39	39.3%
Assistant Principals	45	52	63	66	62	65	66	46.7%
Total supervisory	116.0	147.0	163.0	167.0	179.5	184.5	166.5	43.5%
Instruction								
Elementary classroom teachers	866	960	1050	1092	1130	1120	1097	26.7%
Secondary classroom teachers	641	705	732	752	822	884	798	24.5%
Other teachers (adult)	-	-	-	-	-	-	-	0.0%
Other professionals (instructional)	83	88	88	95	85	83	73	-12.0%
Aides	283	320	297	260	301.75	303.5	277.5	-1.9%
Total Instruction	1,873.0	2,073.0	2,167.0	2,199.0	2,338.8	2,390.5	2,245.5	19.9%
Student Services								
Guidance counselors	58	59	59	74.5	74.5	78.5	78	34.5%
Visiting teacher/social workers	1	3	1	1	2	2	2	100.0%
Psychologists	3	7	7	7	7	8	8	166.7%
Librarians	26	31	32	35	36	37	38	46.2%
Other professionals (noninstructional)	28	36	49	53	69.5	78	78.5	180.4%
Technicians	20	29	32	31	30	30	0	-100.0%
Total student services	136.0	165.0	180.0	201.5	219.0	233.5	204.5	50.4%
Support and Administration								
Clerical/secretarial	96	100	264	281	262	297	203.5	112.0%
Service workers	242	285	289	290	250	256	271	12.0%
Skilled crafts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unskilled Laborers	231	262	269	275	271	318	318	37.7%
Total support and administration	569.0	647.0	822.0	846.0	783.0	871.0	792.5	39.3%
Total	2,694.0	3,032.0	3,332.0	3,413.5	3,520.3	3,679.5	3,409.0	26.5%

Source: Keller Independent School District records.

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

TABLE XVIII

Fiscal Year	Peak Enrollment	Operating Expenditures	Cost per Pupil	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
2003	20,109	112,439,106	5,591	1,115	18.0	10.21%
2004	21,804	125,602,056	5,761	1,259	17.3	11.65%
2005	23,757	136,532,247	5,747	1,398	17.0	12.69%
2006	25,873	156,590,581	6,052	1,507	17.2	13.08%
2007	27,905	176,492,509	6,325	1,665	16.8	14.38%
2008	29,424	208,315,317	7,080	1,782	16.5	15.88%
2009	30,299	216,933,359	7,160	1,908	15.9	18.00%
2010	31,569	228,586,136	7,241	1,952	16.2	18.75%
2011	32,469	236,070,834	7,271	1,981	16.4	20.40%
2012	33,130	221,930,958	6,699	1,871	17.7	21.47%

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

Note: N/A signifies the information is not available.

Source: Nonfinancial information from district records.

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

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Schools</u>				
Elementary				
Buildings	13	13	15	16
Square feet	1,026,844	1,026,844	1,189,644	1,269,873
Capacity	9,726	9,726	11,248	11,948
Enrollment	9,958	10,745	11,720	12,795
Middle				
Buildings	8	8	8	8
Square feet	1,032,858	1,032,858	1,032,858	1,032,858
Capacity	8,831	8,831	8,831	8,831
Enrollment	4,780	5,162	5,545	5,929
High				
Buildings	3	4	4	4
Square feet	703,974	1,128,974	1,128,974	1,128,974
Capacity	4,720	7,207	7,207	7,500
Enrollment	5,371	5,896	6,491	7,149
Administrative				
Buildings	2	2	2	2
Square feet	84,566	84,566	84,566	84,566
Athletics				
Stadiums	7	9	9	11
Football/soccer/play fields	32	34	35	39
Running tracks	6	7	7	8
Baseball/softball	12	12	12	12
Natorium	1	1	1	1

TABLE XIX

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
18	19	21	21	22	22
1,432,873	1,516,623	1,684,123	1,684,123	1,744,123	1744123
13,470	14,170	15,570	15,570	16,170	16170
13,853	14,438	15,228	15,330	15,772	13292
10	10	10	10	11	11
1,295,858	1,295,858	1,295,858	1,295,858	1,478,683	1,478,683
10,710	10,710	10,710	10,710	11,910	11,910
6,435	8,388	10,503	10,119	10,293	10,656
4	4	4	5	5	5
1,128,974	1,128,974	1,128,974	1,578,974	1,578,974	1,578,974
7,500	7,500	7,500	10,000	10,000	10,000
7,617	7,956	8,467	8,675	9,232	9,635
2	2	2	2	3	3
84,566	84,566	84,566	84,566	119,566	119,566
11	11	11	12	13	13
40	41	43	44	45	45
8	8	8	9	10	10
12	12	12	13	14	14
1	1	1	1	1	1

FEDERAL AWARDS SECTION



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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keller Independent School District as of and for the year ended August 31, 2012, which collectively comprise Keller Independent School District's basic financial statements and have issued our report thereon dated January 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Board of Trustees
Keller Independent School District

Page 2

Compliance and Other Matters

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
January 18, 2013



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

Board of Trustees
Keller Independent School District
Keller, Texas

Compliance

We have audited Keller Independent School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Keller Independent School District's major federal programs for the year ended August 31, 2012. Keller Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Keller Independent School District's management. Our responsibility is to express an opinion on Keller Independent School District's compliance based on our audit.

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

In our opinion, Keller Independent School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

Internal Control Over Compliance

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

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

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of Keller Independent School District's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on Keller Independent School District's compliance but not to provide an opinion on the effectiveness of Keller Independent School District's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Keller Independent School District's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
January 18, 2013

**KELLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2012**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education:</u>			
Title I, Part A, Cluster:			
<i>ESEA Title I, Part A Improving Basic Programs*</i>	84.010A	12610101220907	\$ 972,416
<i>ARRA ESEA Title I, Part A Improving Basic Grants*</i>	84.389A	10551001220907	2,796
Total Title I, Part A, Cluster			<u>975,212</u>
Special Education Cluster:			
<i>IDEA-B Formula**</i>	84.027A	126600012209076600	5,496,264
<i>IDEA-B Preschool Grant**</i>	84.173A	126610012209076610	16,058
<i>ARRA IDEA-B Formula**</i>	84.391A	10554001220907	18,190
Total Special Education Cluster			<u>5,530,512</u>
<i>Career and Technical - Basic Grant</i>	84.048A	12420006220907	137,491
<i>ESEA Title II, Part A Teacher/Principal Training/Recruiting</i>	84.367A	12694501220907	243,106
<i>ESEA Title III, Part A English Language Acquisition- Summer LEP</i>	84.369A	69551102	9,988
<i>ESEA Title III, Part A English Language Acquisition</i>	84.365A	12671001220907	181,420
<i>Education Jobs Fund</i>	84.410A	11550101220907	4,591,965
Total Passed Through State of Department of Education			<u>11,669,694</u>
TOTAL DEPARTMENT OF EDUCATION			<u>11,669,694</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Direct Funding:</u>			
<i>Team Nutrition Grants (HealthierUS School Challenge (HUSSC))</i>	10.574		13,000
Total Direct Funding			<u>13,000</u>
<u>Passed through State Department of Agriculture:</u>			
Child Nutrition Cluster:			
<i>National School Breakfast Program***</i>	10.553	71401201	561,210
<i>National School Lunch Program***</i>	10.555	71301201	3,843,620
Total Child Nutrition Cluster			<u>4,404,830</u>
Total Passed Through the State Department of Agriculture			<u>4,404,830</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>4,417,830</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 16,087,524</u>

* Clustered Programs as required by Compliance Supplement June 2012

** Special Education Cluster (IDEA)

*** Child Nutrition Cluster

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

**KELLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

An unqualified opinion was issued on the financial statements.

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

An unqualified opinion was issued on compliance for major programs.

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

Identification of major programs:

84.010*	ESEA Title I, Part A Improving Basic Programs
84.410	Education Jobs Fund

* Title I, Part A Cluster

- Dollar threshold used to distinguish between type A and type B programs? \$482,626

Auditee qualified as low-risk auditee? Yes No

**KELLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012**

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

**KELLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
AUGUST 31, 2012**

FINANCIAL STATEMENT FINDINGS

NONE