

# Keller Independent School District

Keller, Texas



Comprehensive  
Annual  
Financial Report

For the Fiscal Year Ended August 31, 2017

Keller  
Independent School District

Keller, Texas



Comprehensive  
Annual  
Financial Report

For the Fiscal Year Ended August 31, 2017

Prepared by the Finance Department

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

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 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended August 31, 2017  
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# Introductory Section

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**Certificate of Board**

Keller Independent  
School District

Tarrant

220-907

Name of Local  
Education Agency

County

County-District-Number No.

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

Approved

Disapproved

Year ended August 31, 2017 at a meeting of the Board of Trustees of such school district on the 18<sup>th</sup> day of January, 2018.

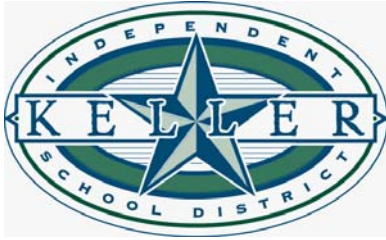
  
Signature of Board Secretary

  
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

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

January 17, 2018

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

The Texas Education Code requires that all school districts file a set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to this requirement, we hereby issue the Comprehensive Annual Financial Report of the Keller Independent School District (the District) for the fiscal year ended August 31, 2017. 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, 2017, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was a reasonable basis for rendering an unmodified opinion that the district's financial statements for the year ended August 31, 2017 are presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

The district is also required to undergo an annual "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements for the administration of federal awards. The results of the district's single audit for the fiscal year ended August 31, 2017, 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 outstanding at year-end generally roll over to and are absorbed by the following year's budget.

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

### **Governing Body**

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

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

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

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

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

## *Economic Conditions and Outlook*

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

The Keller Independent School District, strategically situated in the northeast section of Tarrant County, lies within one of the fastest growing areas in Texas. Keller's 51 square miles lies 17 miles due north of downtown Fort Worth. As Keller ISD approaches build out, enrollment growth is slowing. Until the 2011-2012 year, enrollment was increasing in excess of 1,000 students per year. The enrollment increase in 2011-12 was 404 students, but the increase for 2013-14 fell to 237 students. In the fall of 2014, a new Charter School opened within KISD boundaries which caused a decrease in enrollment of 144 students for the 2014-15 school year. For the 2015-16 school year, enrollment increased by 561 students, and the enrollment increase for 2016-17 was 480 students. Preliminary enrollment counts for the 2017-18 school year indicate a similar increase in enrollment as well. Keller ISD is expected to remain the largest district in Northeast Tarrant County through build out and the third largest district in Tarrant County as a whole. The district enrollment is expected to increase by approximately 1,353 students during the next five years, reaching 36,000 by 2022-23 and approaching 37,410 by the fall of 2027.

### **Area Development**

The residential growth of the District has been on pace with that of the Fort Worth/Dallas Metroplex, and has been aided by the District's close proximity to both the Dallas/Fort Worth International Airport and Fort Worth's Alliance Airport. Though most of the District's growth has been in residential housing, many businesses are opening to support the growing population. Many of the residents of the new housing developments are employed by the Alliance Industrial Park businesses surrounding and utilizing the Fort Worth's Alliance Airport. In addition, the Alliance Town Center was built to support the needs of the fast growth portion of northeast Tarrant County and has become one of the largest retail anchored mixed-use developments in Texas.

**Housing.** Major housing developments that contribute to the fast growth of the District are slowing but are still at a greater pace than national housing start data. Keller ISD is currently ranked ninth in the DFW Metroplex, with 834 annual closings, and thirteenth in annual housing starts with 773. Approximately 745 vacant developed lots and 1800 lots for future development remain in the District with a total of 2,545 VDL and future lots throughout the entire district. Keller ISD had 4,278 home sales from January through October 2017, roughly 11% of which were new homes. The average sale price for a new home in KISD in 2017 was \$404,959, while the average sale price for an existing home was \$324,363.

**Economic Conditions and Employment.** According to the Texas Workforce Commission and Metrostudy, the Dallas-Fort Worth area created 77,523 new jobs as of October 2017. The job growth rate for DFW of 2.1% exceeded the national job growth rate of 1.2%. A number of corporate relocations and expansions contributed to the job growth including, State Farm, Toyota North America, Liberty Mutual, Facebook and Kubota Tractor.

The state's unemployment rate has been at or below the national rate for nine consecutive years, according to the State Comptroller's office. As of October 2017, the unemployment rate in Keller was 2.7%, as opposed to 3.0% for the DFW metroplex, 3.5% for Texas and 3.9% for the U.S. as a whole. The Dallas-Fort Worth metroplex is expected to remain a leader in job and population growth for the foreseeable future, due to its diverse economy.

## **EDUCATION**

### **KELLER INDEPENDENT SCHOOL DISTRICT**

The Texas Education Agency and Southern Association of Colleges and Schools provide the district's K-12 education accreditation. The district employs 4,154 teachers and support personnel to serve the district's 42 campuses. KISD serves as the district's fourth largest employer behind Bell Helicopter, BNSF Railway and Fidelity Investments. Students from Keller, Fort Worth, Watauga, Southlake, Colleyville, Hurst, North Richland Hills, Westlake, and Haltom City attend classes at twenty-three elementary schools (PK-4), four intermediate schools (5-6), three intermediate/middle schools (5-8), four middle schools (7-8), four high schools (9-12), two Early Learning Centers, a Center for Advanced Learning (KCAL) and one alternative school. Besides the 42 brick and mortar campuses, the district utilizes 17 portable buildings, which provide approximately 37 additional classrooms.

The oldest campus in KISD is Keller Middle School (formerly Keller High School) which was built in 1962. Of the district's 42 campuses, one intermediate and two elementary campuses were added in the 1970's. One high school, one middle school and two elementary schools were built in the 1980's. During the 1990's, one high school, one intermediate and five elementary schools were added. The time frame between 2000 and 2009 were the busiest for KISD in terms of construction as one high school, three middle schools, three intermediates and twelve elementary campuses were constructed. Since 2010, a fourth high school, two hybrid middle/intermediate campuses, two elementary campuses and two early learning centers have been opened. One intermediate school was renovated to form the new Keller Center for Advanced Learning. Upgrades and wing additions have expanded all campuses constructed five or more years ago. In addition, KISD has an administration building (1949), a Business Operations facility and Bus Barn (1974), an alternative campus (1968) and a Natatorium (2003).

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

- A 22-credit foundation program which is the core of the new Texas high school diploma. These core subject areas include English, Math, Science, Social Studies, LOTE, Fine Arts, Physical Education as well as electives.
- Five endorsement options that allow students to focus on a related series of courses. These endorsement areas and the career fields to which they relate are:
  - STEM - Science, Technology, Engineering and Math.
  - Public Services – Education and Training, Government, Health Science, Hospitality and Tourism, Human Services, Law Enforcement and Security and Military Science.
  - Business and Industry - Marketing, Finance, Agriculture, Architecture and Construction, Arts and Audio/Video Technology, Business Communications, Business Management and Administration, Transportation, and Distribution and Logistics.
  - Arts and Humanities - English, Fine Arts, Social Studies and World Languages.

- o Multidisciplinary Studies – Allows a student to select courses from the curriculum of each endorsement area and earn credits in a variety of advance courses from multiple content areas.

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

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

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

In August of 2016, the district opened its first career and technology education center – the Keller Center for Advanced Learning (KCAL). KCAL’s focus is to prepare students for their post-secondary endeavors, by offering them the opportunity to take advanced level courses within their chosen endorsement. KCAL also provides for field-based experiences, such as job shadowing, internships and practicums, as well as offering opportunities for multiple types of professional certifications and licensures. In its inaugural year KCAL offered courses in several programs of study, including Animation, Agricultural & Veterinary Studies, Architecture & Construction, Audio/Video Technology, Automotive Technology, Commercial Photography, Cosmetology, and Graphic Design. Beginning in the 2017-18 school year, program offerings were expanded to include Culinary Arts, Law Enforcement & Criminal Forensics, Health Sciences (including Clinical Rotations, CNA and EMT certification programs), STEM, and Information Technology (including certification programs in CISCO, Computer Maintenance, and Computer Programming). By providing a collaborative, innovative educational experience at KCAL, the district is committed to preparing its students to be highly competitive in a global society.

Other student services provided by the district include health-related support programs, guidance and library/media services, bullying prevention programs, credit recovery, 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.

**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.

## **OUR PRIORITIES**

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

## **OUR 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.
- ★ We embrace diversity.
- ★ We embrace change and innovation.
- ★ We make data-driven decisions.
- ★ We have a positive attitude toward the future.

## **DISTRICT STRATEGIC GOALS:**

### **Goal 1.1:**

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

### **Goal 1.2:**

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

### **Goal 2.1:**

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

### **Goal 2.2:**

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

### **Goal 3.1:**

Ensure organizational efficiency and alignment.

### **Goal 3.2:**

Use continuous improvement framework to drive sustained organizational success.

### **Goal 4.1:**

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

**Goal 4.2:**

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

**Goal 5.1:**

Provide equitable distribution of financial resources throughout the district.

**Goal 5.2:**

Ensure sound fiscal practice and financial transparency.

**MAJOR INITIATIVES AND ACCOMPLISHMENTS**

*District of Innovation.* The 84th Texas Legislature approved a concept known as District of Innovation (DOI) which allows traditional independent school districts most of the flexibilities available to open enrollment charter schools, including exemption from certain requirements mandated in the Texas Education Code.

Keller ISD's Board of Trustees passed a resolution on March 8, 2016, initiating the process of exploring and considering District of Innovation designation for KISD.

Over the following months and summer, District administrators assembled a committee composed of teachers, parents, local business and community members, and representatives from local civic organizations and educational institutions. This committee worked over several months to develop a Local Innovation Plan which was approved by the Keller ISD Board of Trustees in February 2017. The District of Innovation Committee meets annually to discuss progress and identify future possibilities to benefit our Keller ISD students

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

*Keller ISD Visioning.* Keller ISD has initiated a visioning process that will be built on the community's input in order to define the direction on which the District should focus in the coming years. The District will collect input from parents, teachers, students, administrators, and local citizens in every corner of Keller ISD, as it actively listens to the ways in which the community wants to frame the future of KISD. The process will consist of public forums, one-on-one interviews, a district-wide visioning questionnaire, and various workshops. By May 2018, KISD will have a defined set of core strategies in place that the KISD Board of Trustees can consider for approval.

*Accountability.* Keller ISD earned a "Met Standard", the highest rating from the Texas Education Agency's 2017 State District and Campus Accountability Rating. This is the fifth consecutive year that schools and districts in Texas have been rated under the new accountability system. Under this system, campuses/districts are assigned one rating based on meeting the target for each performance index.

**Met Standard** Acceptable rating assigned to campuses and districts that meet the target on all indexes for which they have performance data in 2017.

**Met Alternative Standard** Acceptable rating assigned to charter operators and alternative education campuses that are evaluated by alternative education accountability provisions and meet modified targets on all performance indexes for which they have performance data in 2017.

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

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

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

All Keller ISD campuses met the Accountability Standard and 12 campuses received at least one Distinction Designation.

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

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

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded Keller ISD with the Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for fiscal year ending August 31, 2016. This award is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment – one in which Keller ISD has received for the past ten years.

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

In addition, Keller ISD also received the Certificate of Excellence in Financial Reporting Award from the Association of School Business Officials (ASBO) for its Comprehensive Annual Finance Report (CAFR) for fiscal year ending August 31, 2016. This prestigious award, which KISD has also received for ten consecutive years, represents a noteworthy achievement and reflects KISD's commitment to the highest standards of school system financial reporting.

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

The FIRST (Financial Accountability Rating System of Texas) program, a financial accountability system for Texas school districts, was developed by the Texas Education Agency in response to Senate Bill 875 of the 76<sup>th</sup> Texas legislature in 1999. The primary goal of FIRST is to achieve quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with the Texas school finance system. For the 2016-17 fiscal year



based on 2015-16 financial information, the District received a rating of "Passed/Meets Standard" under Texas' Schools FIRST financial accountability rating system, demonstrating the quality of KISD's sound fiscal management. Prior to the 2014-15 rating year, the Schools FIRST accountability rating system assigned one of four financial accountability ratings to Texas school districts, with the highest being "Superior Achievement". Prior to 2014-15, the district had achieved a "Superior" Rating for nine consecutive years.

**TASBO Award of Merit for Purchasing and Operations**

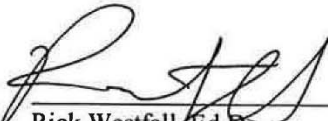
Keller ISD's Purchasing Department has earned the Award of Merit with Recognized Status from the Texas Association of School Business Officials (TASBO) for the eighth consecutive year. TASBO's Purchasing Award of Merit is presented to school districts that are committed to professional standards in the acquisition of goods and services. Independent reviews at TASBO considered various procedures and practices including organization, policies and procedures, contract operations, staff training and certifications, warehousing, use of technology, communication, and management of co-operative programs.

**OTHER  
INFORMATION**

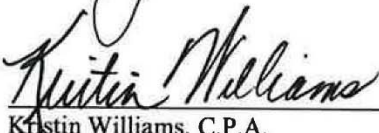
The Texas Education Code requires an annual audit of all public schools. This audit must be on an organization-wide basis and included all fund types and account groups that are accounting responsibility of the District. The audit is performed by a certified public accountant selected by the District's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

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

Respectfully submitted,

  
Rick Westfall, Ed.D  
Superintendent

  
R. Mark Youngs, RTSBA  
Chief Financial Officer

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



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Keller Independent School District  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**August 31, 2016**

*Christopher P. Morill*

Executive Director/CEO



---

**ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**

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

**Keller Independent School District**

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended August 31, 2016.**

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



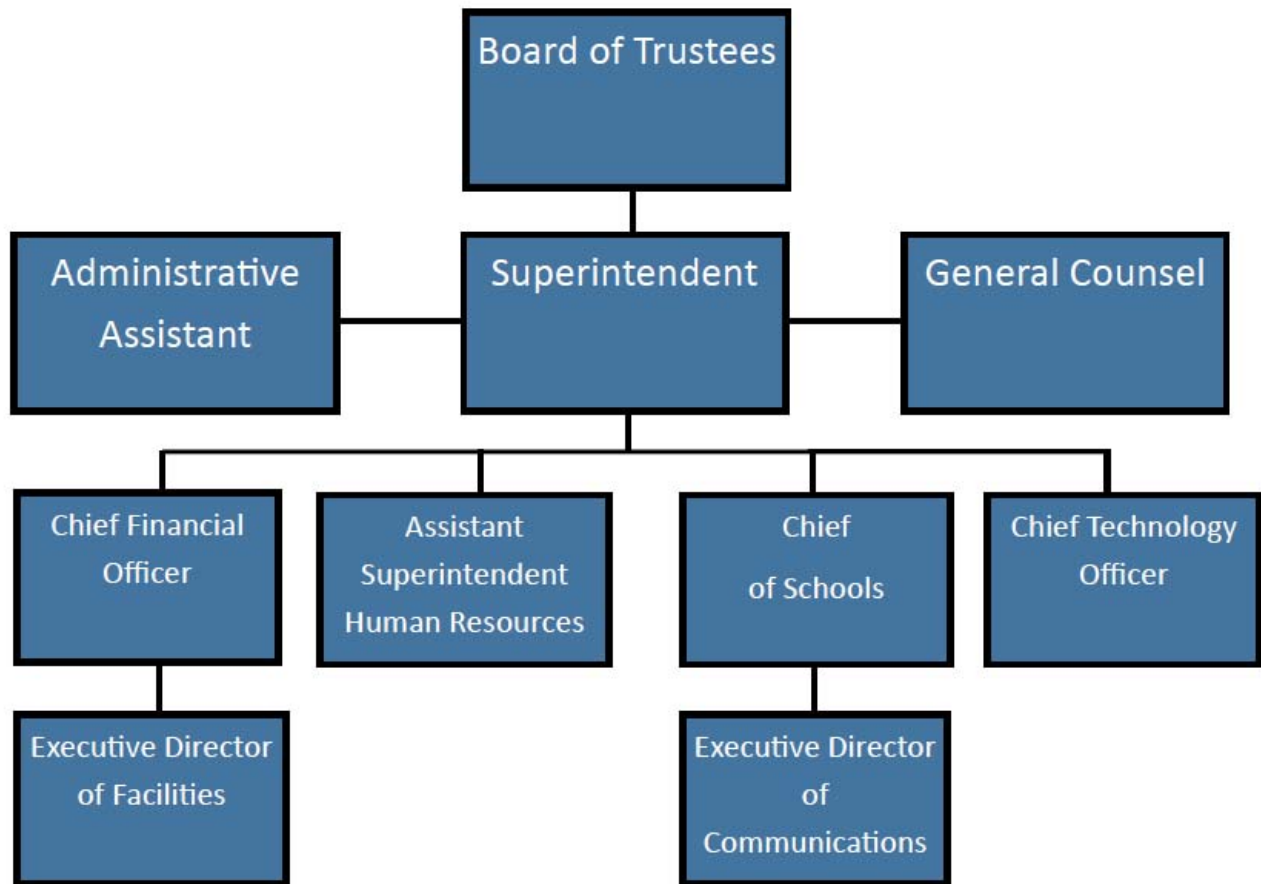
A handwritten signature in black ink, appearing to read 'Anthony N. Dragona', written over a horizontal line.

**Anthony N. Dragona, Ed.D., RSBA**  
President

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

**John D. Musso, CAE**  
Executive Director

# Keller Independent School District 2016 – 2017 Organizational Chart



# Keller Independent School District

## School Board and Administrators

### Board of Trustees

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

### Administration

Dr. Rick Westfall .....	Superintendent of Schools
Amanda Bigbee.....	General Counsel
R. Mark Youngs .....	Chief Financial Officer
Cecil McDaniel.....	Chief of Schools
Joe Griffin .....	Chief Technology Officer
Lindsay Anderson .....	Assistant Superintendent, Academic Support
Dr. Kevin Hood .....	Assistant Superintendent, Elementary Education
Cory Wilson.....	Assistant Superintendent, Elementary Education
Dustin Blank .....	Assistant Superintendent, Secondary Education
Tommie Johnson.....	Assistant Superintendent, Human Resources
Shellie Johnson .....	Executive Director, Communications
Hudson Huff .....	Executive Director, Facility Services
Johjania Najera .....	Executive Director, Human Resources
Sara Koprowski.....	Executive Director, Intervention Services
Dr. Leanne Shivers .....	Executive Director, Student Services
Rhonda Dominguez.....	Director, Analytics
Jennifer Price.....	Director, Assessment and Accountability
Bob DeJonge .....	Director, Athletics
Leslee Shepherd .....	Director, Career and Technology
Jeff Bradley.....	Director, College and Career Readiness
Jennifer Fleming .....	Director, Counseling
Deborah Cartwright.....	Director, Data Compliance and Records Management
Karin Mahlenkamp.....	Director, Early Childhood Program
Jerry Leafgreen.....	Director, Facility Management
Dr. Victoria Miles .....	Director, Federal Programs
Kristin Williams.....	Director, Finance
Kimberly Blann .....	Director, Fine Arts
Cindy Parsons.....	Director, Health Services
Sandy Garza .....	Director, Human Resources
Greg Gaston .....	Director, Human Resources
Angie Nayfa .....	Director, Human Resources
Sheri Rich .....	Director, Human Resources Benefits
Mary Martin .....	Director, Language Acquisition
Matt Hill .....	Director, Media Services
Leah Beard.....	Director, Organizational Improvement and Strategic Planning
Faith Morbitzer .....	Director, Payroll
Billy Kidd .....	Director, Grounds and Property Management
Lori Tudor.....	Director, Purchasing
Kevin Kinley.....	Director, Safety and Security
Dr. Gena Koster .....	Director, Special Education
LePaula Smith.....	Director, Operations & Distribution
Vaughn Hamblen.....	Director, Systems Integration
David Smith .....	General Manager, Child Nutrition (Sodexo)
Tammy Slimp .....	General Manager, Transportation (Durham)

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# Financial Section

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## Independent Auditor's Report

Board of Trustees  
Keller Independent School District  
Keller, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keller Independent School District (the District) as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

Prior Period Adjustment

As discussed in Note 17 to the basic financial statements, the 2016 basic financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 7 – 18, the General Fund budgetary comparison information and notes to the required supplementary information on pages 65 – 67, the schedule of the District's proportionate share of the net pension liability, the schedule of the District's contributions, and the notes to the required supplementary information on pages 69 – 71, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining statement, compliance schedules – required by the Texas Education Agency, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements.

The combining statement, compliance schedules – required by the Texas Education Agency, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement, compliance schedules – required by the Texas Education Agency, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Board of Trustees  
Keller Independent School District

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
January 17, 2018

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## Management's Discussion and Analysis

This section is the Keller Independent School District (District) management discussion and analysis of the annual financial report for the period ending August 31, 2017. 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 \$374 million in expenses related to governmental activities; of which \$44.4 million were offset by program-specific charges for services or grants and contributions. General revenues of \$338 million partially offset the costs of these programs; resulting in an increase in net position of 8,083,838. Expenses for governmental activities increased by approximately \$20.7 million, or 5.87%, from the previous year. This increase in expenditures was due to the opening of three campuses – Sunset Valley Elementary, Keller Early Learning Center-South, and the first phase of the Keller Center for Advanced Learning, the district's new career and technology center.

- General revenues accounted for \$337,837,681 or 88.38% of all fiscal year 2017 revenues. Program-specific revenues in the form of charges for services and grants and contributions accounted for \$44,380,042 of additional revenues. The 2017 charges for services and grants and contributions represent a \$2.37 million, or 5.64% increase from 2016, which was mainly due to both a significant increase in reimbursement from the School Health and Related Services (SHARS) program and increased participation and a slight increase in meal prices in the Child Nutrition program. General revenues increased by \$25.8 million, or 8.26%. This increase was due almost entirely to a \$25.2 million increase in property taxes across both the general and debt service funds based on higher property values.
- At August 31, 2017, the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflow of resources by (\$22,138,184) (Total Net Position). This was an increase in Net Position from the prior year of \$4,000,957, or 15.31%. Unrestricted Net Position decreased by (\$13.3 million), or (85.17%), for a total of (\$28,946,706). The overall increase in Total Net Position was significant, and was due to a combination of paying off debt and capitalizing new buildings, as well as the significant increase in property tax revenue. All this, however, contributes to the decrease in Unrestricted Net Position, which was primarily due to the increase in the debt service fund balance, requiring restriction of the funds.
- At the close of the fiscal year the combined governmental fund balance was \$87,629,438, a decrease of (\$44,675,125) from the prior year. This decrease occurred mainly in the Capital Projects Fund, due to the expenditure of bond funds to construct a new elementary school, a new Early Learning Center and to renovate an existing building to create the Keller Center for Advanced Learning (KCAL) for career and technology learning. The General Fund unassigned fund balance increased by \$885,532. Fund balance equal to 18.5% of the 2018 general fund expenditure budget has been committed, as per Board policy. And finally, beginning fund balance as of September 1, 2016 was reduced through a prior period adjustment in the amount of (\$4,082,881). The prior period adjustment was due to an error related to the Foundation School Program.
- The District's total long term liabilities decreased by (\$29,516,519), or (3.14%), from the previous fiscal year. The key factor in this decrease was the repayment of debt.
- General Fund expenditures increased by \$14.3 million, or 5.36%, from the prior year. The 2016-2017 general fund budget was adopted to include a deficit of (\$5,656,326). The Keller ISD Board of Trustees intended that a portion of the general fund's significant reserves be used to open three new campuses for the 2016-17 school year. Reserves were also dedicated in the budget to offset a portion of employees' health insurance premiums, and assist with start-up costs for a health clinic. A pay increase of 3% of midpoint for auxiliary and paraprofessional staff and 2% for all other staff was included in the budget as well.

## Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 21-22 of this report.

**Fund Financial Statements-** A fund is a grouping of related accounts that 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 24-30 of this report.

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

The basic proprietary fund financial statements can be found on pages 31-33 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 34 of this report.

**Notes to the Financial Statements-** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-62 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 65-71 of this report.

The Texas Education Agency (TEA) requires that certain reports are included in this report and those statements and schedules can be found on pages 80-83.

## Government-wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Keller ISD, liabilities and deferred inflows of resources exceeded assets and deferred outflow of resources by (\$22,138,184).

**Table A-1**  
**Net Position**

	Governmental Activities		Percent Change 2016 to 2017
	2016	2017	
Current and other assets	\$170,036,654	\$98,743,325	(41.92%)
Capital assets (net)	714,725,576	743,967,208	4.09%
Long-term investments	19,718,920	21,700,000	10.05%
Total assets	\$884,762,230	\$842,710,533	(4.75%)
Deferred Outflow of Resources	\$79,549,029	\$66,689,859	(16.16%)
Current liabilities	\$38,152,956	\$17,418,747	(54.34%)
Long-term liabilities	939,516,786	910,000,267	(3.14%)
Total liabilities	\$977,669,742	\$927,419,014	(5.14%)
Deferred Inflow of Resources	12,780,658	4,119,562	(67.77%)
Net Position:			
Net Investment in Capital Assets	(\$20,615,977)	(\$14,625,004)	29.06%
Restricted for Grants	2,253,635	2,117,408	(6.04%)
Restricted for Debt Service	7,329,911	18,790,116	156.35%
Restricted for Employee			
Health Claims	526,000	526,000	0%
Unrestricted Net Position	(15,632,710)	(28,946,704)	(85.17%)
Total Net Position	(\$26,139,141)	(\$22,138,184)	15.31%

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 \$(14,625,003). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The increase in Total Net Position is mainly attributed to repayment of debt. 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 position by \$8,083,838. The total cost of all *governmental activities* this year was \$374,133,885. The amount that our taxpayers paid for these activities was \$230,136,039 or 61.51%.



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

	Governmental Activities		Percent Change
Revenues:	2016	2017	2016 to 2017
Program Revenues:			
Charges for services	\$17,862,587	\$18,513,010	3.64%
Operating grants & contributions	24,146,792	25,867,032	7.12%
General Revenues:			
Property taxes	204,845,194	230,136,039	12.35%
State grants	104,034,451	101,554,176	2.38%
Investment earnings	1,335,280	1,603,406	20.08%
Other	1,831,069	4,544,060	148.16%
Total Governmental Revenues	\$354,055,373	\$382,217,723	7.95%
Expenses:			
Instruction	192,543,062	204,784,429	6.36%
Instructional resources & media services	4,101,419	4,295,319	4.73%
Curriculum & instructional staff development	5,011,692	5,508,074	9.90%
Instructional leadership	3,067,583	3,697,518	20.53%
School leadership	17,975,838	18,981,354	5.59%
Guidance, counseling & evaluation services	14,350,156	15,278,414	6.47%
Social Services	186,441	191,823	2.89%
Health services	4,520,733	4,927,856	9.00%
Student (pupil) transportation	7,680,726	8,774,400	14.24%
Food services	13,460,964	14,626,820	8.66%
Co-curricular/extra-curricular activities	10,986,247	12,323,976	12.18%
General administration	7,385,418	7,668,059	3.83%
Plant maintenance and operations	25,475,399	27,353,038	7.37%
Security and monitoring services	2,453,664	2,792,900	13.83%
Data processing services	5,279,989	4,658,225	(11.78%)
Community services	1,008,673	1,118,744	10.91%
Debt Service - interest on long-term debt/fees	33,855,378	32,800,765	(3.12%)
Shared services agreement	261,892	283,581	8.28%
Juvenile Justice Alternative Education Program	-	11,352	100.00%
Payments to tax increment fund	2,679,362	2,852,110	6.45%
Non-operating expenses	1,095,381	1,205,128	10.02%
Total Governmental Expenses	353,380,017	374,133,885	5.87%
Increase (Decrease) in Net Position	675,356	8,083,838	1096.98%
Beginning Net Position	(26,814,497)	(26,139,141)	2.52%
Prior period adjustment	-	(4,082,881)	(100.00%)
Beginning Net Position, as restated	(26,814,497)	(30,222,022)	(12.71)%
Ending Net Position	(26,139,141)	(22,138,184)	15.31%

Property tax revenues are the single largest source of general income for the district. Property values continue to increase with 12.35% in growth for 2017 and 3.30% growth in the previous year, even though construction of new homes in the District's 51 square miles is now beginning to moderate after several years of rampant growth. Growth of only 3.30 % in 2016 was somewhat of an anomaly as there were unprecedented issues at the county appraisal district which caused property value information to be incomplete. Values rose significantly in 2016-17 and are expected to further increase in 2017-18. The following graphs depict the District's sources of revenue for the years 2017 and 2016 as a percentage of total revenues.

Table A-3

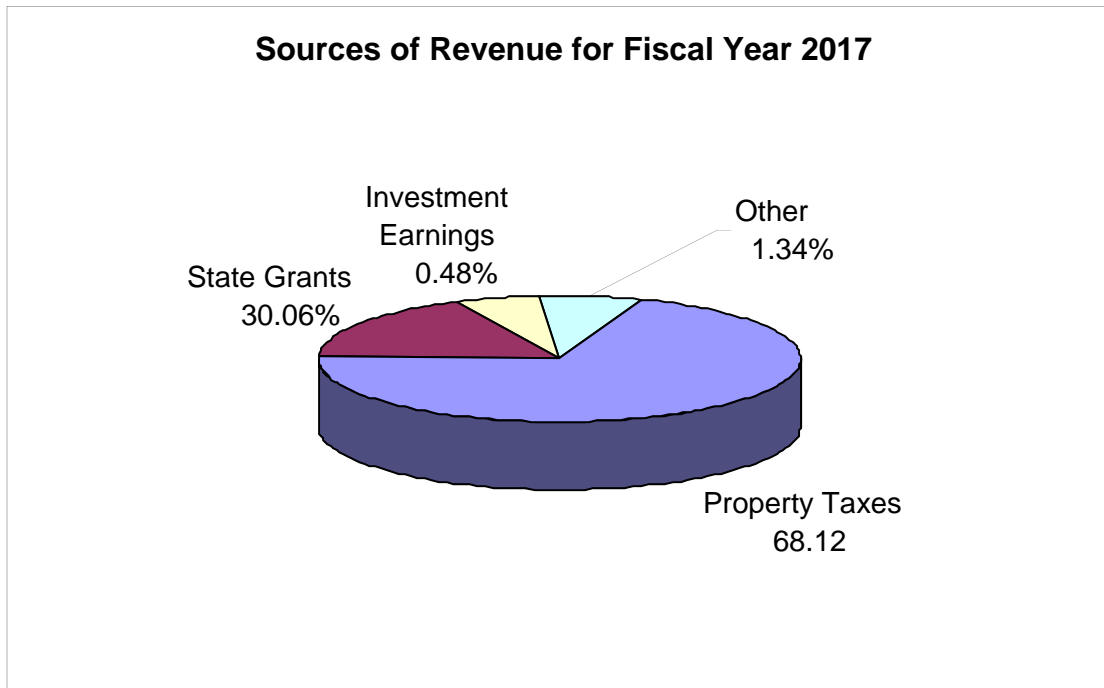


Table A-4

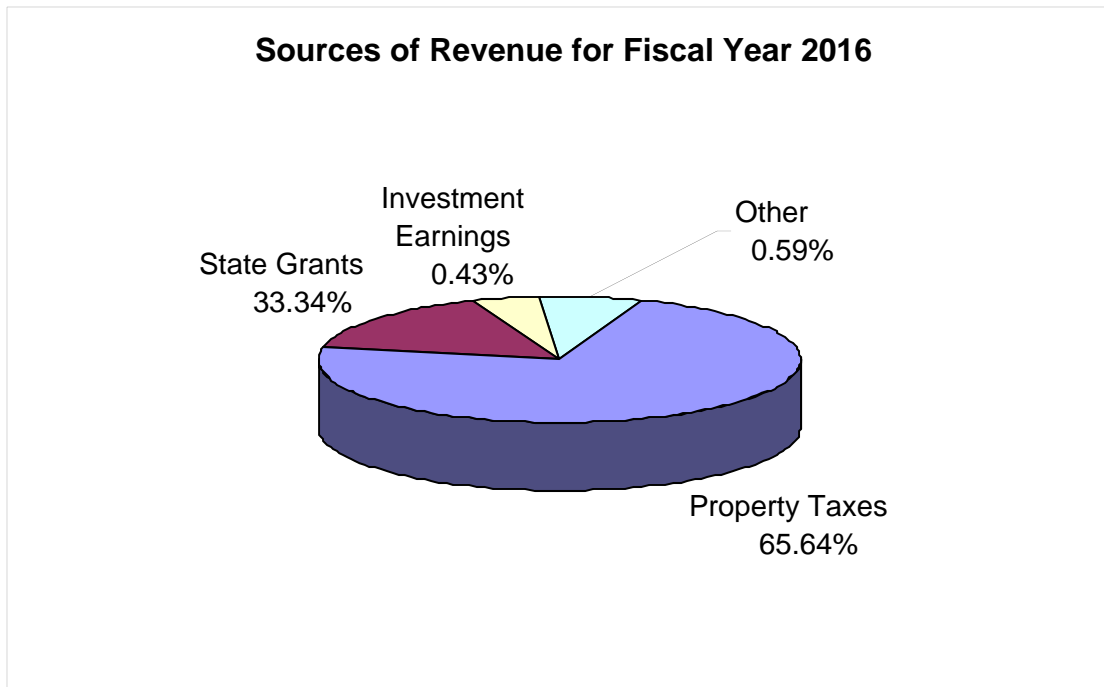


Table A-5 represents the cost of the District's largest programs as well as each program's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. The cost of all *governmental* activities this year was \$374,133,885.

**Table A-5  
Costs of Services**

	Total Cost of Services			Net Cost of Services		
	2016	2017	Percent Change 2016 to 2017	2016	2017	Percent Change 2016 to 2017
Instruction, Curriculum, and Media Services	\$201,656,173	\$214,587,822	6.41%	\$188,881,800	\$200,891,617	6.36%
Instructional and School Leadership	21,043,421	22,678,872	7.77%	20,052,604	21,502,829	7.23%
Student Support Services, Food Service, and Extra/ Co-Curricular Activities	51,185,267	56,123,289	9.65%	27,682,326	31,537,661	13.93%
General Administration	7,385,418	7,668,059	3.83%	6,955,404	7,233,198	3.99%
Plant Maintenance, Security and Data Processing	33,209,052	34,804,163	4.80%	31,129,658	32,578,160	4.65%
Community Services	1,008,673	1,118,744	10.91%	897,323	959,008	6.87%
Debt Service	33,855,378	32,800,765	(3.12%)	31,951,048	30,930,266	(3.19%)
Shared Services Agreement	261,892	283,581	8.28%	167,308	184,332	10.18%
Non-operating expenses	3,774,743	4,068,590	7.78%	3,653,167	3,936,772	7.76%
<b>Total Expenses</b>	<b>\$353,380,017</b>	<b>\$374,133,885</b>	<b>5.87%</b>	<b>\$311,370,638</b>	<b>\$329,753,843</b>	<b>5.90%</b>

Total net expenses increased 5.90% in 2017 from the previous year. Student Support Services, Food Service and Extra/Co-curricular activities increased by almost 14% due to the combined effects of a 2-3% pay increase, an increase in charges for food service management, and a large increase in post-district level competition expenses due to the success of our students. Shared Services Agreement expenses to send students to a school for the deaf increased by 10% because of additional students needing these services in 2017.

The only decrease in net expenses occurred in the Debt Service function and is attributed to the repayment of debt in the normal course of business. No new debt was issued.

### 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 \$87,629,438, a decrease from the previous year of (\$44,675,125), or (33.77%) (after restatement). This decrease occurred mostly in the Capital Projects Fund and was due to the expenditure of bond funds for the building of a Career and Technology Center (KCAL), one elementary school and one Early Learning Center. The total General Fund balance decreased by (\$5.9) million, or (10.23%) from the previous year. The amended 2015-16 general fund budget included a planned reduction of the fund balance of approximately (\$11.7 million), but conservative spending moderated the planned deficit. In addition, a prior period adjustment of (\$4,082,881) was applied to beginning fund balance (9/01/16). The prior period adjustment was due to an identified error related to the Foundation School Program in a prior period, and further reduces general fund balance by (2.99%).

The fund balance of the Federally Funded Grant Fund decreased in 2017 by (\$205,340), or (9.70%). The decrease occurred in the Child Nutrition fund, and again, was a planned reduction of excess reserves. Replacement of serving lines at many of the campuses, the addition of a coffee bar at high school, and the purchase of a composter and walk-in cooler for various campuses allowed for this planned reduction in fund balance.

The fund balance of the Debt Service Fund increased by \$11.0 million, or 128.5%, mostly due to the healthy increase in property values, repayment of debt and several significant debt refundings over the last few years which lowered interest cost paid from the fund. The Capital Projects fund balance decreased by (\$49.5) million as a result of ongoing construction and opening two new campuses and Phase II of KCAL. The State Funded Grant Fund balance decreased by \$90,901, or 47%, due to a higher level of spending in the Instructional Material Allotment fund, and the Local Funds balance increased by \$60,658 or 1.5%, which was caused by increased deposits to the Campus Activity Fund.

The general fund balance has an unassigned fund balance of \$1,265,837. The remainder of fund balance in the general fund and in all other funds is unavailable for new spending, and has been restricted, committed or assigned as per GASB 54. Non-spendable fund balance in the general fund consists of inventory (\$229,992) and prepaid items (\$1,220,487). Non-spendable fund balance in all other funds consists of prepaid items – (\$5,130) in the Debt Service fund, (\$11,852) in the Capital Projects fund, (\$146,037) in the Federally Funded Grant fund, (\$5,672) in the State Funded Grant fund and (\$8,316) in the Local funds. Fund balance is restricted to pay debt service (\$19,542,506), for the capital acquisition program (\$13,924,749), and for food service (\$1,764,222). Grant funds are restricted in both the State Funded Grant Funds \$(95,226) and in the Local Funds (\$257,960). Commitments of fund balance include (\$3,976,935) in Local Funds for campus activity funds, and (\$45,174,517) in the general fund for budgetary contingencies as per Board policy. There are no assignments of fund balance.

During the current fiscal year, the fund balance of the District's general fund decreased by (\$5,923,637), compared to a decrease in the prior year of (\$8,719,741). With a healthy general fund balance and a strong economic outlook, the Board of Trustees approved a deficit budget to restore some of the budget reductions made in prior years due to the recession, fund new initiatives, and provide a 2-3% of mid-point pay increase for all district employees. KISD adopted deficit budgets for both 2016 and 2017 in the amount of (\$9,047,586) and (\$5,656,326) respectively. During the 2016-17 year, the Board of Trustees approved an additional \$13.1 million for the general fund expenditure budget for various purposes, including close to \$9 million for TRS on Behalf expenditures required by the State. Savings realized within the general fund expenditure budget due to position vacancies and managed spending contributed to the less than expected use of the general fund balance in 2017.

## 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 expenditure category or revenue object is increased.

In addition, at the end of every fiscal year, school districts across the state also make their year-end amended budgets to ensure all functional categories will have favorable balances. If unfavorable functional balances (outside the acceptable variance) are reported in the audit at the close of the fiscal year, the result is a letter issued by the Texas Education Agency stipulating the legal requirements for budgeting. The district did not exceed functional budget in any category in the general fund in the 2016-17 fiscal year.

1. *Variances of original expenditure budget compared to amended budget.* The amended expenditure budget increased \$13,177,376 from the original budget. Major budget amendments contributing to this increase include: (1) \$8.8 million for TRS on Behalf, (2) \$1,000,000 to assist in opening Phase II of the Keller Center of Advanced Learning and for career and technology programs (3) \$690,000 for additional special education and regular teachers needed due to increased enrollment, (4) \$590,000 for competition expenses at the state or national level, and (5) \$1,707,512 for athletic and fine arts improvements and equipment as approved by the Board in their long-term plans.
2. *Variances of amended budget to actual expenditures.* Variations of amended budget to actual expenditures were minimal in 2016-17, with an overall variation of 1.71%. The largest variance was 21.34% in the Community Services function 61, which was due to a position that went unfilled for most of the year. The next highest variation between amended budget and actual expenditures was 10.39% in function 21 (Instructional Leadership). This variance was also due to savings in salaries and benefit expenses due to turnover or positions unfilled for part of the year. Variances in all other functions are less than 10%.

## Capital Assets and Debt Administration

### Capital Assets

At the end of 2017 the District had invested approximately \$744 million in a broad range of capital assets, including land, equipment, and buildings. (See Table A-6) This amount represents a net increase of \$29.2 million or 4.09% percent from the prior year.

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

	Governmental Activities		Percent Change 2016 to 2017
	2016	2017	
Land	\$ 47,073,400	\$ 47,710,562	1.35%
Buildings & improvements	856,935,309	907,785,421	5.93%
Furniture & equipment	32,831,691	34,011,205	3.59%
Construction in progress	6,780,494	4,207,101	(37.95)%
Total Assets	943,620,894	993,714,289	5.31%
Less: accumulated depreciation	(228,895,318)	(249,747,081)	(9.11)%
Net Capital Assets	<u>\$ 714,725,576</u>	<u>\$ 743,967,208</u>	4.09%

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, 2017, the District had total bonded debt outstanding of \$706,960,914, a decrease of \$21,744,471, or (2.98%), from the previous year. The District also had accreted interest of \$24,689,852, a decrease of (\$4,487,093), or (15.39%), from the previous year.

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

Governmental Activities			
	2016	2017	Percent Change 2016 to 2017
<b>Bonds and Notes Payable</b>			
General Obligations Bonds	\$ 728,705,385	\$ 706,960,914	(2.98%)
Premium on bonds	109,968,943	102,380,421	(6.90%)
Accreted interest	29,176,945	24,689,852	(15.38%)
Total Bonds and Notes Payable	867,851,273	834,031,187	(3.90)%
<b>Other Liabilities</b>			
Compensated Absences	772,503	814,241	5.40%
Net Pension Liability	67,579,409	71,445,260	5.72%
Claims Payable	3,313,601	3,709,579	11.95%
Total Other Liabilities	71,665,513	75,969,080	6.01%
Total long-term debt	\$ 939,516,786	\$ 910,000,267	(3.14%)

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

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

**Bond Ratings**

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

## Economic Factors and Next Year's Budgets and Rates

General fund revenues in 2017-2018 are budgeted to decrease from 2016-2017 actual revenues by approximately (\$7.2) million, or (2.6%). However, the effect of TRS on Behalf revenue of \$8.8 million is included in the 2016-17 amended budget, but is not included in the 2017-18 adopted budget. If these expenses are removed from the equation, 2017-18 revenues are budgeted to increase from 2016-17 by \$1,619,760, or 0.61 %. Although property tax revenue is expected to increase in 2017-18, funding from the state is expected to decline by a similar amount.

The total General Fund expenditure budget for 2017-18 is \$247,531,598. This is a decrease of (\$32.99) million or (11.76%) from actual 2016-17 expenditures. After removing the effects of TRS on Behalf expenses, the decrease is only (\$24.2) million, or (8.9%). The cause of this significant decrease in expenditures is a change in fiscal year that the district is implementing in 2018-19. The fiscal year will change from 9/1 through 8/31 to 7/1 through 6/30. The result of this is that the 17-18 fiscal year encompasses only 10 months, resulting in a budget adopted for only those 10 months. The effect on expenditures was dramatic, but because the vast majority of district revenues are received prior to 6/30, or are subject to accrual, the effect on revenues was minimal.

In consideration of increasing property values, Texas lawmakers reduced the amount of support school districts were to receive. The district was able to increase the budget only slightly in 2015-16, but a continued increases in property values for the 2016-17 year allowed the district to increase spending by about 2.25%. A 12 month budget for Keller ISD in 2017-18 would have included expenditures of \$272,222,683, an increase of only \$484,153, or 0.18%, over the 2016-17 (non-TRS on Behalf) budget. However, because the change in fiscal year is expected to significantly decrease expenditures while maintaining current levels of revenue, the district estimates a surplus of \$19 million at the end of the 10 month 2017-18 fiscal year.

The budget was guided by the goal to provide the resources to comply with the requirements of House Bill 5 and Senate Bill 2, hiring and retaining qualified staff, and addressing the cost of health care. The 2017-18 budget did not include a pay increase for staff, but instead included a one-time lump sum payment to all staff equal to 2% of the pay grade midpoint. This amounted to \$4.48 million. The budget also includes new items deemed necessary to support educational goals for the 2017-18 year, including:

Additional regular and special education teaching positions	\$ 952,540
Campus and administrative positions to open new elementary school	\$ 1,033,953
Campus and administrative positions for second phase of career/tech center	2,389,263
Increase in transportation costs for new routes to career/tech center	500,000
Increase in utility costs due to additional square footage	222,000
Athletics – facilities maintenance, equipment and student travel to competitions	600,000
	<hr/>
	\$ 5,697,756

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. These funds are then committed within fund balance to be used at the discretion of the Board of Trustees. The value of having an appropriate fund balance level can be expressed as follows:

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

## **Contacting the District's Financial Management**

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



# Basic Financial Statements

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**Keller Independent School District**  
Statement of Net Position  
August 31, 2017

**Exhibit A-1**

<u>Data Control Codes</u>		<u>Governmental Activities</u>
<b>ASSETS</b>		
1110	Cash and temporary investments	\$ 60,667,635
1220	Property taxes receivable (delinquent)	3,454,415
1230	Allowance for uncollectible taxes	(345,442)
1240	Due from other governments	9,403,731
1290	Other receivables	1,706,270
1300	Inventories, at cost	229,992
1410	Prepaid items	1,400,724
	Capital assets:	
1510	Land	47,710,562
1520	Buildings and improvements, net	676,367,412
1530	Furniture and equipment, net	15,682,133
1580	Construction in progress	4,207,101
1810	Restricted cash	526,000
1910	Long-term investments	21,700,000
	Total assets	<u>842,710,533</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
1700	Deferred loss on refunding	36,812,522
1705	Deferred outflows - pension	29,877,337
	Total deferred outflows of resources	<u>66,689,859</u>
<b>LIABILITIES</b>		
2110	Accounts payable	6,828,072
2140	Interest payable	1,719,594
2150	Payroll deductions and withholdings payable	246,599
2160	Accrued wages payable	1,308,132
2180	Due to other governments	425,956
2210	Accrued expenses	6,630,115
2300	Unearned revenues	260,279
	Noncurrent liabilities	
2210	Accrued expenses:	
2501	Due within one year	42,245,525
2502	Due in more than one year	796,309,482
2540	Net pension liability	71,445,260
	Total liabilities	<u>927,419,014</u>
<b>DEFERRED INFLOW OF RESOURCES</b>		
2605	Deferred inflows - pension	4,119,562
	Total deferred inflows of resources	<u>4,119,562</u>
<b>NET POSITION</b>		
3200	Net investment in capital assets	(14,625,004)
3840	Restricted for grants and Food Service	2,117,408
3850	Restricted for debt service	18,790,116
3490	Restricted for employee health claims	526,000
3900	Unrestricted net position	(28,946,704)
	Total net position	<u>\$ (22,138,184)</u>

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

**Keller Independent School District**  
Statement of Activities  
For the Fiscal Year Ended August 31, 2017

**Exhibit B-1**

Data Control Codes	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants & Contributions	Governmental Activities	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities:					
0011	Instruction	\$ 204,784,429	\$ 5,934,808	\$ 6,535,119	\$ (192,314,502)
0012	Instructional resources and media services	4,295,319	112,249	453,891	(3,729,179)
0013	Curriculum and instructional staff development	5,508,074	148,717	511,421	(4,847,936)
0021	Instructional leadership	3,697,518	110,724	77,361	(3,509,433)
0023	School leadership	18,981,354	545,697	442,261	(17,993,396)
0031	Guidance, counseling, and evaluation services	15,278,414	391,960	1,749,767	(13,136,687)
0032	Social services	191,823	5,799	2,671	(183,353)
0033	Health services	4,927,856	106,261	60,811	(4,760,784)
0034	Student (pupil) services	8,774,400	275,808	141,933	(8,356,659)
0035	Food services	14,626,820	7,967,621	10,805,679	4,146,480
0036	Cocurricular/extracurricular activities	12,323,976	961,000	2,116,318	(9,246,658)
0041	General administration	7,668,059	225,478	209,383	(7,233,198)
0051	Plant maintenance and operations	27,353,038	1,400,085	375,103	(25,577,850)
0052	Security and monitoring services	2,792,900	71,300	179,067	(2,542,533)
0053	Data processing services	4,658,225	137,390	63,058	(4,457,777)
0061	Community services	1,118,744	22,728	137,008	(959,008)
0072	Debt service - interest on long term debt	32,800,765	-	1,870,499	(30,930,266)
0093	Shared services agreement	283,581	5,135	94,114	(184,332)
0095	Juvenile Justice Alternative Education Program	11,352	358	165	(10,829)
0097	Payments to tax increment fund	2,852,110	89,892	41,403	(2,720,815)
0099	Other governmental charges	1,205,128	-	-	(1,205,128)
[TP]	<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 374,133,885</b>	<b>\$ 18,513,010</b>	<b>\$ 25,867,032</b>	<b>\$ (329,753,843)</b>
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				\$ 157,492,713
DT	Property taxes, levied for debt service				72,643,326
SF	State grants, unrestricted				101,554,176
IE	Investment earnings				1,603,406
MI	Miscellaneous local and intermediate				4,544,060
TR	Total general revenues				337,837,681
CN	Change in net position				8,083,838
MB	Net position - beginning				(26,139,141)
PA	Prior period adjustment				(4,082,881)
NB	Net position - beginning, as restated				(30,222,022)
NE	<b>NET POSITION - ENDING</b>				<b>\$ (22,138,184)</b>

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

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# Keller Independent School District

Balance Sheet

Governmental Funds

August 31, 2017

Data Control Codes		10 General Fund	20 Federally Funded Grant Fund
<b>ASSETS</b>			
1110	Cash and temporary investments	\$ 13,083,706	\$ 2,374,115
1220	Property taxes - delinquent	2,385,441	-
1230	Allowance for uncollectible taxes	(238,544)	-
1240	Due from other governments	7,329,861	1,974,488
1260	Due from other funds	10,898,018	-
1290	Other receivables	324,246	233,254
1300	Inventories, at cost	229,992	-
1410	Prepaid items	1,220,487	146,037
1910	Long-term investments	19,700,000	-
1000	Total assets	54,933,207	4,727,894
1700	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-
1000A	<b>TOTAL ASSETS</b>	<u>\$ 54,933,207</u>	<u>\$ 4,727,894</u>
<b>LIABILITIES</b>			
2110	Accounts payable	\$ 3,008,616	\$ 680,551
2150	Payroll deduction and withholdings payable	246,599	-
2160	Accrued wages payable	1,038,764	264,679
2170	Due to other funds	18,386	1,612,366
2180	Due to other governments	421,657	-
2210	Accrued expenditures	370,404	-
2300	Unearned revenue	240	260,039
2000	Total liabilities	5,104,666	2,817,635
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2600	Deferred property taxes	1,937,708	-
<b>FUND BALANCES</b>			
Nonspendable:			
3410	Investments in inventory	229,992	-
3430	Prepaid items	1,220,487	146,037
Restricted for:			
3480	Retirement of long term debt	-	-
3470	Capital acquisition program	-	-
3450	Food service	-	1,764,222
3450	Grant funds	-	-
Committed for:			
3545	Campus activity fund	-	-
3545	Other purposes	45,174,517	-
Assigned for:			
3590	Other purposes	-	-
Unassigned:			
3600	Reported in general fund	1,265,837	-
3000	Total fund balances	47,890,833	1,910,259
4000	<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 54,933,207</u>	<u>\$ 4,727,894</u>

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

Exhibit C-1

50 Debt Service Fund	60 Capital Projects Fund	30-42 State Funded Grant Funds	46-48 Local Funds	Total Governmental Funds
\$ 20,398,315	\$ 20,119,157	\$ 122,241	\$ 4,570,101	\$ 60,667,635
1,068,974	-	-	-	3,454,415
(106,898)	-	-	-	(345,442)
-	-	99,382	-	9,403,731
16,499	-	-	-	10,914,517
-	799,043	-	19,845	1,376,388
-	-	-	-	229,992
5,130	11,852	5,672	8,316	1,397,494
-	2,000,000	-	-	21,700,000
<u>21,382,020</u>	<u>22,930,052</u>	<u>227,295</u>	<u>4,598,262</u>	<u>108,798,730</u>
-	-	-	-	-
<u>\$ 21,382,020</u>	<u>\$ 22,930,052</u>	<u>\$ 227,295</u>	<u>\$ 4,598,262</u>	<u>\$ 108,798,730</u>
\$ -	\$ 2,743,725	\$ 38,136	\$ 344,367	\$ 6,815,395
-	-	-	-	246,599
-	-	3,734	955	1,308,132
970,912	-	84,527	-	2,686,191
-	-	-	4,299	425,956
-	6,249,726	-	5,430	6,625,560
-	-	-	-	260,279
<u>970,912</u>	<u>8,993,451</u>	<u>126,397</u>	<u>355,051</u>	<u>18,368,112</u>
863,472	-	-	-	2,801,180
-	-	-	-	229,992
5,130	11,852	5,672	8,316	1,397,494
19,542,506	-	-	-	19,542,506
-	13,924,749	-	-	13,924,749
-	-	-	-	1,764,222
-	-	95,226	257,960	353,186
-	-	-	3,976,935	3,976,935
-	-	-	-	45,174,517
-	-	-	-	-
-	-	-	-	1,265,837
<u>19,547,636</u>	<u>13,936,601</u>	<u>100,898</u>	<u>4,243,211</u>	<u>87,629,438</u>
<u>\$ 21,382,020</u>	<u>\$ 22,930,052</u>	<u>\$ 227,295</u>	<u>\$ 4,598,262</u>	<u>\$ 108,798,730</u>

**Keller Independent School District****Exhibit C-2**Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
For the Year Ended August 31, 2017

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	\$ 87,629,438
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to decrease net position.	(11,096,025)
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	993,714,289
Accumulated depreciation has not been recorded in the fund financial statements.	(249,747,081)
Bonds payable have not been included in the fund financial statements.	(706,960,914)
Net pension liability is not reported in the fund financial statements.	(71,445,260)
Accreted interest on capital appreciation bonds is not capitalized in the fund financial statements.	(24,689,852)
Premiums on the issuance of bonds are not capitalized in the fund financial statements.	(102,380,421)
Deferred loss on bond refunding has not been reflected in the fund financial statements.	36,812,522
Property tax and other revenue are reported as deferred inflows of resources in the fund financial statements but is recognized as revenue in the government-wide financial statements.	2,801,180
Deferred outflows of resources for pension related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements.	29,877,337
Deferred inflows of resources for pension related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements.	(4,119,562)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(814,241)
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>(1,719,594)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ (22,138,184)</u></u>

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



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**Keller Independent School District**  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances – Governmental Funds  
For the Fiscal Year Ended August 31, 2017

Data Control Codes		10 General Fund	20 Federally Funded Grant Fund
<b>REVENUES</b>			
5700	Total local and intermediate sources	\$ 160,215,637	\$ 7,733,417
5800	State program revenues	110,364,214	554,748
5900	Federal program revenues	4,017,385	13,085,919
5020	Total revenues	274,597,236	21,374,084
<b>EXPENDITURES</b>			
Current:			
0011	Instruction	175,205,671	2,771,070
0012	Instructional resources and media services	3,544,578	-
0013	Curriculum and instructional staff development	4,095,953	1,076,740
0021	Instructional leadership	3,505,663	11,264
0023	School leadership	17,287,192	15,076
0031	Guidance, counseling and evaluation services	10,661,422	3,046,467
0032	Social work services	184,001	-
0033	Health services	3,370,966	-
0034	Student (pupil) transportation	8,724,455	46,047
0035	Food services	7,000	14,214,227
0036	Cocurricular/extracurricular activities	9,397,664	-
0041	General administration	7,133,351	-
0051	Facilities maintenance and operations	25,497,224	-
0052	Security and monitoring services	2,245,268	-
0053	Data processing services	4,343,821	-
0061	Community services	580,737	114,952
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	667,317	-
Intergovernmental:			
0093	Shared services agreement	-	283,581
0095	Juvenile Justice Alternative Education Program	11,352	-
0097	Payments to tax increment fund	2,852,110	-
0099	Other governmental charges	1,205,128	-
6030	Total expenditures	280,520,873	21,579,424
1100	Excess (deficiency) of revenues over (under) expenditures	(5,923,637)	(205,340)
<b>OTHER FINANCING SOURCES (USES)</b>			
7957	Developer contributions	-	-
	Total other financing sources (uses)	-	-
1200	Net change in fund balance	(5,923,637)	(205,340)
0100	Fund balance - September 1 (beginning)	57,897,351	2,115,599
	Prior period adjustment	(4,082,881)	-
	Fund balance - September 1 (beginning), as restated	53,814,470	2,115,599
3000	<b>FUND BALANCE - AUGUST 31 (ENDING)</b>	<b>\$ 47,890,833</b>	<b>\$ 1,910,259</b>

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

Exhibit C-3

50 Debt Service Fund	60 Capital Project Fund	30-42 State Funded Grant Funds	46-48 Local Funds	Total Governmental Funds
\$ 72,890,067	\$ 2,097,794	\$ -	\$ 5,445,453	\$ 248,382,368
1,870,499	6,350	1,498,756	4,334	114,298,901
-	-	-	-	17,103,304
<hr/> 74,760,566	<hr/> 2,104,144	<hr/> 1,498,756	<hr/> 5,449,787	<hr/> 379,784,573
-	126,585	1,378,723	1,813,757	181,295,806
-	-	27	418,185	3,962,790
-	-	55,373	42,953	5,271,019
-	-	1,380	22,243	3,540,550
-	57,066	1,616	191,991	17,552,941
-	-	72,219	534,621	14,314,729
-	-	-	-	184,001
-	-	1,866	10,475	3,383,307
-	-	-	-	8,770,502
-	-	-	-	14,221,227
-	97	1,205	2,056,309	11,455,275
-	89,745	-	109,979	7,333,075
-	695,483	-	5,160	26,197,867
-	59,673	-	152,215	2,457,156
-	84,713	-	-	4,428,534
-	-	77,248	16,725	789,662
-	-	-	-	-
21,744,471	-	-	-	21,744,471
42,011,645	-	-	-	42,011,645
10,261	-	-	-	10,261
-	52,349,087	-	14,516	53,030,920
-	-	-	-	283,581
-	-	-	-	11,352
-	-	-	-	2,852,110
-	-	-	-	1,205,128
<hr/> 63,766,377	<hr/> 53,462,449	<hr/> 1,589,657	<hr/> 5,389,129	<hr/> 426,307,909
10,994,189	(51,358,305)	(90,901)	60,658	(46,523,336)
-	1,848,211	-	-	1,848,211
-	1,848,211	-	-	1,848,211
10,994,189	(49,510,094)	(90,901)	60,658	(44,675,125)
8,553,447	63,446,695	191,799	4,182,553	136,387,444
-	-	-	-	(4,082,881)
<hr/> 8,553,447	<hr/> 63,446,695	<hr/> 191,799	<hr/> 4,182,553	<hr/> 132,304,563
\$ 19,547,636	\$ 13,936,601	\$ 100,898	\$ 4,243,211	\$ 87,629,438

**Keller Independent School District**  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of  
 Governmental Funds to the Statement of Activities  
 For the Year Ended August 31, 2017

**Exhibit C-4**

<b>TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS</b>	\$ (44,675,125)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and catering, to appropriate functions in other funds. The net income of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.	(3,001,116)
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 2017 capital outlays is to increase net position.	51,249,837
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(21,974,514)
Loss on disposal of assets is not recognized in the governmental funds since no current financial resources are used. The net effect of this is to decrease net position.	(33,691)
Current year long term debt principal payments are expenditures in the fund financial statements, whereas they are reported as reductions of bonds payable in the government-wide financial statements. The effect of current year principal paid on bonds payable increased net position.	21,744,471
Current year change in accretion on capital appreciation bonds is not recorded in the fund financial statements, but is shown as a decrease in the accreted interest on the government-wide financial statements.	4,487,093
The current year amortization of the premium on bonds payable is not recorded in the fund financial statements, but is shown as a reduction of the premium in the government-wide financial statements.	7,588,522
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.	(3,073,558)
Changes in the net pension liability, and related deferred inflows and outflows are recognized in the government-wide financials, but are not reported in the fund financial statements. The effect of the change is a decrease to net position.	(4,990,367)
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.	584,939
Compensated absences are recognized when the related obligation matures and is expected to be liquidated with expendable available financial resources. Therefore additions to the accrual for compensated absences are not reported in the fund financial statements. The net effect of the current year increase in compensated absences was to decrease net position.	(41,738)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	219,085
<b>CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<u>\$ 8,083,838</u>

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

**Keller Independent School District**  
Statement of Net Position  
Proprietary Funds  
August 31, 2017

**Exhibit D-1**

	<u>Governmental Activities - Internal Service Funds</u>
<b>ASSETS</b>	
Current assets	
Accounts receivable	\$ 329,882
Due from other funds	1,887
Prepaid items	3,230
Cash - restricted	526,000
Total current assets	<u>860,999</u>
<b>TOTAL ASSETS</b>	860,999
<b>LIABILITIES</b>	
Current liabilities	
Accounts and claims payable	1,867,467
Due to other funds	8,230,213
Accrued expenses	4,555
Total current liabilities	<u>10,102,235</u>
Noncurrent liabilities	
Claims payable	1,854,789
Total noncurrent liabilities	<u>1,854,789</u>
<b>TOTAL LIABILITIES</b>	11,957,024
<b>NET POSITION</b>	
Restricted for employee health claims	526,000
Unrestricted net position	<u>(11,622,025)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (11,096,025)</u>

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

**Keller Independent School District****Exhibit D-2**Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended August 31, 2017

	<u>Governmental</u> <u>Internal</u> <u>Service</u> <u>Funds</u>
<b>OPERATING REVENUES</b>	
Local and intermediate sources	\$ 21,482,293
Total operating revenues	<u>21,482,293</u>
<b>OPERATING EXPENSES</b>	
Payroll costs	56,228
Professional and contracted services	2,649,987
Supplies	696
Claim settlement costs	21,788,018
Total operating expenses	<u>24,494,929</u>
Operating loss	(3,012,636)
<b>NONOPERATING REVENUES</b>	
State on-behalf revenue	2,223
Earnings from temporary deposits and investments	9,297
Total nonoperating revenues	<u>11,520</u>
Change in net position	(3,001,116)
Net position - September 1 (beginning)	<u>(8,094,909)</u>
<b>TOTAL NET POSITION - AUGUST 31 (ENDING)</b>	<u><u>\$ (11,096,025)</u></u>

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

**Keller Independent School District**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended August 31, 2017

**Exhibit D-3**

	<u>Activities -</u>
	<u>Internal</u>
	<u>Service</u>
	<u>Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ 21,482,293
Cash payments to employees for services	(54,005)
Cash payments for insurance claims	(22,994,560)
	<hr/>
Net cash used in operating activities	(1,566,272)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends on investments	9,297
	<hr/>
Net cash provided by investing activities	9,297
	<hr/>
Net change in cash and cash equivalents	(1,556,975)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	2,082,975
	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR,</b>	<hr/>
	\$ 526,000
	<hr/> <hr/>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	(3,012,636)
Adjustments to reconcile operating loss to net cash used in operating activities:	
State on-behalf revenue	2,223
Change in assets and liabilities:	
Increase in accounts receivable	(238,107)
Increase in due from other funds	(1,887)
Decrease in prepaid items	9,145
Increase in accounts and claims payable	263,101
Increase in due to other funds	1,978,452
Decrease in accrued expenditures	(566,563)
	<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<hr/>
	\$ (1,566,272)
	<hr/> <hr/>

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

**Keller Independent School District**  
Statement of Assets and Liabilities  
Fiduciary Fund  
August 31, 2017

**Exhibit E-1**

	<b>Agency Funds</b>
	<hr/>
<b>ASSETS</b>	
Cash	\$ 843,121
Accounts receivable	4,640
	<hr/>
Total assets	<u>\$ 847,761</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 40,369
Due to other governments	509
Due to student groups	806,883
	<hr/>
Total liabilities	<u>\$ 847,761</u>

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



# Keller Independent School District

## Notes to the Financial Statements

### Note 1. Significant Accounting Policies

The Keller Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the Board) that is elected by registered voters of the District. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified by the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds. The following is a summary of the more significant accounting policies of the District.

#### A. Reporting Entity

The Board of Trustees is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB. There are no component units included within the reporting entity and the District is not included in any other governmental reporting entity.

#### B. Government-Wide and Fund Financial Statements

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

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

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other sources and other uses on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements.

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

## Keller Independent School District

### Notes to the Financial Statements

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

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

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

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the Proprietary Fund and Fiduciary Fund financial statements (with the exception of Agency Funds which are custodial in nature thus do not have a measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the 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, deferred outflows, current liabilities, deferred inflows and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

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

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

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

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

# Keller Independent School District

## Notes to the Financial Statements

### D. Fund Accounting

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

The District reports the following major governmental funds:

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

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

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

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

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

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

The District also reported the following fund types:

Proprietary Funds:

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

Fiduciary Funds:

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

## **Keller Independent School District**

### Notes to the Financial Statements

#### **E. Budgets and Budgetary Accounting**

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

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

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

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

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

Unused appropriations lapse at the end of each fiscal year; however, the District rolls outstanding encumbrances to the subsequent year and, for the most part, must be accommodated within the budget of the following year.

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

#### **F. Cash and Cash Equivalents**

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

#### **G. Investments**

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

## **Keller Independent School District**

### Notes to the Financial Statements

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

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

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

#### **H. Inventory**

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

#### **I. Compensated Absences**

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

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

#### **J. Account Code Reporting**

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

#### **K. Accounting Estimates**

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

The amount of state revenue from the Foundation School Program a school district earns for a year can and does vary until the time when final values for each of the factors in the formula becomes available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate as of August 31, 2017 will change.

#### **L. Unearned revenue**

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

# Keller Independent School District

## Notes to the Financial Statements

### M. Property Taxes

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

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

The portion of the District's property tax levy that was not collected until more than 60 days after the end of the current year and therefore not considered available has been reported as a deferred inflow of resources in the Governmental Funds Balance Sheet totaling \$1,937,708 and \$863,472 in the General Fund and Debt Service Fund, respectively.

### N. Capital Assets

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

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

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

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

### O. Long-Term Debt

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

## **Keller Independent School District**

### Notes to the Financial Statements

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

#### **P. Interfund Transactions**

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

- Reimbursements to a fund, which are generally reflected through the allocation of pooled cash accounts, for expenditures or expenses, reimbursement of revenue or reclassification of revenue initially made from it that are properly applicable to another fund. All interfund receivable/payable balances at August 31, 2017 were the result of these types of reimbursements and are expected to be repaid within one year.
- Transfers in and out, as appropriate, which are shown as other financing sources or uses in the fund financial statements.

#### **Q. Restricted Resources**

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

#### **R. Prepaid Items**

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

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

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

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

# Keller Independent School District

## Notes to the Financial Statements

### T. Defined Benefit Pension Plan

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

### Note 2. Bonded Debt Payable

Bonded debt payable as of August 31, 2017 is as follows:

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 9/1/2016	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 8/31/2017
Unlimited Tax School Building and Refunding Bonds Series 1996A Final maturity 2021	3.60-5.90	\$ 59,539,931	\$ 11,063,768	\$ -	\$ -	\$ 2,496,523	\$ 8,567,245
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 Refunding Bonds Series 2006 Final maturity 2029	4.00-5.00	89,844,973	1,839,973	-	-	-	1,839,973
Unlimited Tax School Refunding Bonds Series 2006A Final maturity 2029	4.00-4.60	64,749,980	2,496	-	-	2,496	-
Unlimited Tax School Refunding Bonds Series 2007 Final maturity 2028	4.00-5.00	136,470,000	3,025,000	-	-	3,025,000	-
Unlimited Tax School Building Bonds Series 2009 Final maturity 2035	4.39-5.50	142,299,951	5,328,567	-	-	8,567	5,320,000
Unlimited Tax Refunding Bonds Series 2009 Final maturity 2023	3.00-4.625	11,199,999	4,245,000	-	-	680,000	3,565,000
Unlimited Tax Refunding Bonds Series 2009A Final maturity 2031	3.50-4.50	22,419,992	22,341,442	-	-	9,585	22,331,857
Unlimited Tax Refunding Bonds Series 2010 Final maturity 2030	2.00-4.125	8,389,999	7,045,000	-	-	255,000	6,790,000
Unlimited Tax Refunding Bonds Series 2011 Final maturity 2028	2.00-4.00	9,370,000	7,125,000	-	-	665,000	6,460,000



**Keller Independent School District**  
Notes to the Financial Statements

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 9/1/2016	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 8/31/2017
Unlimited Tax							
Refunding Bonds							
Series 2012							
Final maturity 2031	3.50	2,710,000	2,710,000	-	-	-	2,710,000
Unlimited Tax							
Refunding Bonds							
Series 2012A							
Final maturity 2036	2.00-3.00	4,339,998	4,335,000	-	-	30,000	4,305,000
Unlimited Tax							
Refunding Bonds							
Series 2013							
Final maturity 2025	1.50-5.00	81,080,000	80,115,000	-	-	2,100,000	78,015,000
Unlimited Tax							
Refunding Bonds							
Series 2014							
Final maturity 2024	2.46	43,350,000	39,480,000	-	-	6,150,000	33,330,000
Unlimited Tax							
Refunding Bonds							
Series 2014A							
Final maturity 2028	2.00-5.00	56,565,000	56,165,000	-	-	-	56,165,000
Unlimited Tax							
Building Bonds							
Series 2015							
Final maturity 2040	1.00-5.00	153,875,000	143,425,000	-	-	5,760,000	137,665,000
Unlimited Tax							
Refunding Bonds							
Series 2015							
Final maturity 2032	2.00-5.00	98,675,000	96,705,000	-	-	470,000	96,235,000
Unlimited Tax							
Refunding Bonds							
Series 2015A							
Final maturity 2035	4.00-5.00	116,577,588	114,924,144	-	-	92,300	114,831,844
Unlimited Tax							
Refunding Bonds							
Series 2016A							
Final maturity 2031	2.00-5.00	70,915,000	69,680,000	-	-	-	69,680,000
Unlimited Tax							
Refunding Bonds							
Series 2016B							
Final maturity 2031	2.00-3.00	56,020,000	55,130,000	-	-	-	55,130,000
Total bonded debt payable		\$ 1,258,090,424	\$ 728,705,385	\$ -	\$ -	\$ 21,744,471	\$ 706,960,914

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

Due Fiscal Year Ending August 31	Principal	Interest	Total
2018	\$ 26,452,206	\$ 38,327,221	\$ 64,779,427
2019	19,773,388	40,618,208	60,391,596
2020	21,171,249	38,920,572	60,091,821
2021	25,594,071	35,138,886	60,732,957
2022	33,890,000	27,494,939	61,384,939
2023-2027	189,775,000	113,361,441	303,136,441
2028-2032	226,050,000	65,736,935	291,786,935
2033-2037	97,735,000	26,438,900	124,173,900
2038-2040	66,520,000	5,391,200	71,911,200
	\$ 706,960,914	\$ 391,428,302	\$ 1,098,389,216

# Keller Independent School District

## Notes to the Financial Statements

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

### 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, 2016	\$ 772,503
New entrants and salary increments	70,333
Payments to participants	(28,595)
	<hr/>
Balance, August 31, 2017	<u>\$ 814,241</u>

### Note 4. Changes in Long-term Liabilities

Long-term activity for the year ended August 31, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Governmental activities					
General obligation bonds:	\$ 728,705,385	\$ -	\$ 21,744,471	\$ 706,960,914	\$ 26,452,206
Accreted interest	29,176,945	2,293,336	6,780,429	24,689,852	6,321,987
Premium on bonds	109,968,943	-	7,588,522	102,380,421	7,588,522
Compensated absences	772,503	70,333	28,595	814,241	28,020
Claims payable	3,313,601	21,783,348	21,387,370	3,709,579	1,854,790
Net pension liability	67,579,409	10,482,097	6,616,246	71,445,260	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total governmental activities long-term liabilities	<u>\$ 939,516,786</u>	<u>\$ 34,629,114</u>	<u>\$ 64,145,633</u>	<u>\$ 910,000,267</u>	<u>\$ 42,245,525</u>

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

**Keller Independent School District**  
Notes to the Financial Statements

**Note 5. Capital Asset Activity**

Capital asset activity for the District for the year ended August 31, 2017 was as follows:

Primary government:

	Balance 9/1/2016	Additions	Transfers	Deletions	Balance 8/31/2017
Capital assets, not being depreciated:					
Land	\$ 47,073,400	\$ 637,162	\$ -	\$ -	\$ 47,710,562
Construction in progress	6,780,494	3,359,163	(5,932,556)	-	4,207,101
<b>Total capital assets, not being depreciated</b>	<b>53,853,894</b>	<b>3,996,325</b>	<b>(5,932,556)</b>	<b>-</b>	<b>51,917,663</b>
Capital assets, being depreciated:					
Buildings and improvements	856,935,309	44,917,556	5,932,556	-	907,785,421
Furniture and equipment	32,831,691	2,335,956	-	(1,156,442)	34,011,205
<b>Total capital assets, being depreciated</b>	<b>889,767,000</b>	<b>47,253,512</b>	<b>5,932,556</b>	<b>(1,156,442)</b>	<b>941,796,626</b>
Less accumulated depreciation on:					
Buildings and improvements	213,125,035	18,292,974	-	-	231,418,009
Furniture and equipment	15,770,283	3,681,540	-	(1,122,751)	18,329,072
<b>Accumulated depreciation</b>	<b>228,895,318</b>	<b>21,974,514</b>	<b>-</b>	<b>(1,122,751)</b>	<b>249,747,081</b>
<b>Total capital assets, being depreciated, net</b>	<b>660,871,682</b>	<b>25,278,998</b>	<b>5,932,556</b>	<b>(33,691)</b>	<b>692,049,545</b>
Governmental activities capital assets, net	<u>\$ 714,725,576</u>	<u>\$ 29,275,323</u>	<u>\$ -</u>	<u>\$ (33,691)</u>	<u>\$ 743,967,208</u>

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

Instruction	\$ 16,070,607
Instructional resources and media services	219,193
Curriculum and staff development	32,701
Instructional leadership	41,557
School leadership	756,540
Guidance, counseling and evaluation services	252,094
Social services	439
Health services	1,418,885
Student transportation	3,898
Food services	318,615
Co-curricular/extracurricular activities	782,106
General administration	81,883
Plant maintenance and operations	1,114,794
Security and monitoring services	414,401
Data processing services	161,868
Community services	304,933
<b>Total depreciation expense</b>	<u><u>\$ 21,974,514</u></u>

# Keller Independent School District

## Notes to the Financial Statements

### Note 6. Deposits and Investments

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

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

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

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

Cash and investments as of August 31, 2017 are classified in the accompanying financial statements as follows:

Primary government	\$ 82,893,635
Fiduciary funds	843,121
	<u>\$ 83,736,756</u>

# Keller Independent School District

## Notes to the Financial Statements

Cash and investments as of August 31, 2017 consist of the following:

Deposits with financial institutions	\$	526,000
Investments		83,210,756
		<hr/>
	\$	83,736,756
		<hr/> <hr/>

### Disclosures Relating to Interest Rate Risk

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

As of August 31, 2017, the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

### Disclosures Relating to Credit Risk

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

### Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e. lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. See investment table of page 49 for further disclosure.

### Custodial Credit Risk

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

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

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

## Keller Independent School District

### Notes to the Financial Statements

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

- a. Depository: Frost Bank
- b. Security pledged as of the date of the highest combined balance on deposit was \$19,963,934
- c. Largest cash, savings and time deposit combined account balance amounted to \$13,152,000 and occurred during the month of June 2017
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000.

#### Investment in State Investment Pools

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

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

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

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

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

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

# Keller Independent School District

## Notes to the Financial Statements

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

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

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

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

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

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

	Investments						
	Value at August 31, 2017	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost							
Investment pools							
TexPool Prime	\$ 2,050,404	n/a	n/a	n/a	2%	47	AAAm
TexasCLASS	32,296,483	n/a	n/a	n/a	39%	56	AAAm
Investments measured at net asset value (NAV)							
Investment pools							
LOGIC	27,163,869	n/a	n/a	n/a	32%	34	AAAm
Investments by fair value level							
FFCB	4,000,000	-	4,000,000	-	5%	582	AA+
FHLB	4,000,000	-	4,000,000	-	5%	246	AA+
FHLMC	9,700,000	-	9,700,000	-	12%	340	AA+
FNMA	4,000,000	-	4,000,000	-	5%	1,062	AA+
Total portfolio weighted average maturity	\$ 83,210,756	\$ -	\$ 21,700,000	\$ -	100%	169	

## **Keller Independent School District**

### Notes to the Financial Statements

#### **Note 7. Defined Benefit Pension Plans**

##### **Plan Description**

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

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

##### **Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2016.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

##### **Benefits Provided**

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

##### **Contributions**

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



# Keller Independent School District

## Notes to the Financial Statements

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriation Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017. Contribution rates can be found in the TRS 2016 CAFR, Note 12, on Page 82.

	Contribution Rates	
	2016	2017
Member	7.2%	7.7%
Non-employer contributing entity (state)	6.8%	6.8%
Employers	6.8%	6.8%
<u>Employer #0767</u>	<u>2017</u>	
Employer contributions	\$ 6,459,555	
Member contributions	15,771,199	
NECE on-behalf contributions	9,525,231	

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

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

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

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

# Keller Independent School District

## Notes to the Financial Statements

### Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2016
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.00%
Long term expected investment rate of return	8.00%
Inflation	2.5%
Salary increases including inflation	3.5% to 9.5%
Payroll growth rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four-year period ending August 31, 2014 and adopted on September 24, 2015.

### Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

# Keller Independent School District

## Notes to the Financial Statements

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global equity			
U.S.	18%	4.6%	1.0%
Non-U.S. developed	13%	5.1%	0.8%
Emerging markets	9%	5.9%	0.7%
Directional hedge funds	4%	3.2%	0.1%
Private equity	13%	7.0%	1.1%
Stable value			
U.S. treasuries	11%	0.7%	0.1%
Absolute return	0%	1.8%	0.0%
Stable value hedge funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real return			
Global inflation linked bonds	3%	0.9%	0.0%
Real assets	16%	5.1%	1.1%
Energy and natural resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk parity			
Risk parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

\* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

### Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% decrease in discount rate (7.0%)	Discount rate (8.0%)	1% increase in discount rate (9.0%)
District's proportionate share of the net pension liability	\$ 110,573,195	\$ 71,445,260	\$ 38,256,861

# Keller Independent School District

## Notes to the Financial Statements

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

At August 31, 2017, the District reported a liability of \$71,445,260 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 71,445,260
State's proportionate share that is associated with District	113,063,023
Total	<u>\$ 184,508,283</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.18907%, which was a decrease from 0.19118%, its proportion measured as of August 31, 2015.

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2017, the District recognized pension expense of \$8,334,731 and revenue of \$8,334,731 for support provided by the State.

## Keller Independent School District

### Notes to the Financial Statements

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred	Deferred Inflows of Resources
	<u>Deferred</u>	<u>of Resources</u>
Differences between expected and actual economic experience	\$ 1,120,248	\$ 2,133,314
Changes in actuarial assumptions	2,177,523	1,980,368
Differences between projected and actual investment earnings	6,049,837	-
Changes in proportion and difference between the employer's contributions and the proportionate share of the contributions	14,070,174	5,880
Contributions paid to TRS subsequent to the measurement dates	6,459,555	-
	<u>\$ 29,877,337</u>	<u>\$ 4,119,562</u>

Contributions paid to TRS subsequent to the measurement dates will be recognized in 2018. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	Pension Expense Amount
<u>Year Ended August 31</u>	<u>Pension Expense Amount</u>
2018	\$ 3,373,403
2019	3,373,403
2020	7,232,284
2021	3,076,909
2022	1,917,989
2023	324,232

#### Note 8. Retiree Health Plan

##### Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement Systems of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communications Dept. of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

## Keller Independent School District

### Notes to the Financial Statements

#### Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with the District contributing a percentage of payroll set at .55% for fiscal years 2017, 2016 and 2015. 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, 2015, 2016 and 2017, the State's contributions to TRS-Care were \$778,728, \$813,635, and \$860,120, respectively, the active member contributions were \$1,198,890, \$1,260,928, and \$1,331,773, respectively, and the District's contributions were, \$1,014,445, \$1,068,786 and \$1,126,862, respectively, which equaled the required contributions each period.

#### Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care retiree drug subsidy payments from the federal government offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2017, 2016, and 2015, the subsidy payments received by the TRS-Care on behalf of the District were \$620,530, \$755,637, and \$782,821, respectively. These payments are recorded as equal revenues and expenditures in the governmental fund financial statements.

#### Note 9. Risk Management

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

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

Effective December 2002, the District established a self-funded health insurance plan. The District and employees share the cost of employee coverage. Employees, at their option, can authorize payroll withholdings to pay contributions or premiums for dependents. The plan is authorized by Article 3.51-2, Texas Insurance Code and is documented by a contractual agreement. The District's retention of risk is \$165,000 per employee with an aggregate stop-loss limit of approximately \$2,000,000 as of January 1, 2017. The District's aggregate attachment point was \$22,223,541 for the 2016 calendar year.

Settled claims have not exceeded the aggregate coverage in any of the past three fiscal years. Insurance coverage has not been reduced for the year from the prior year. Accrued claims payable of \$3,709,579 as of August 31, 2017, 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.

# Keller Independent School District

## Notes to the Financial Statements

Changes in the fund's claims liability amount for the year ended August 31, 2017 and 2016 are as follows:

	2017	2016
Liability, beginning of year	\$ 3,313,601	\$ 3,100,330
Current year claims and changes in estimates	21,783,348	31,489,942
Claim payments	(21,387,370)	(31,276,671)
Liability, end of year	<u>\$ 3,709,579</u>	<u>\$ 3,313,601</u>

### Note 10. Litigation

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. Management determined the outcome of any other ongoing legal proceedings will not have a material adverse effect on the accompanying financial statements. Therefore, in the opinion of the District, there are neither significant contingent liabilities related to the year ended August 31, 2017 nor future costs that will have a material effect on the financial statements of the District.

### Note 11. Commitments

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

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

As of August 31, 2017, the District has entered into long-term construction projects with an aggregate unexpended balance of \$2,375,051.

The District has also entered into operating leases for office equipment and for management technology services. The expenditures under these leases for the year ended August 31, 2017 totaled \$5,570,423.

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

Year Ending August 31,	
2018	\$ 3,677,922
2019	3,044,114
2020	891,305
Total	<u>\$ 7,613,341</u>

# Keller Independent School District

## Notes to the Financial Statements

### Note 12. Due from State Agencies

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. Amounts due from federal and state governments as of August 31, 2017, are summarized below. All federal grants shown below are passed through the TEA or the Texas Department of Agriculture and are reported on the combined financial statements as Due from Other Governments.

Fund	Entitlements	Federal Grants	Total
General	\$ 7,329,861	\$ -	\$ 7,329,861
State funded grants	99,382	-	99,382
Federally funded grants	-	1,974,488	1,974,488
Total	\$ 7,429,243	\$ 1,974,488	\$ 9,403,731

### Note 13. Interfund Balances and Activities

Interfund balances at August 31, 2017 consisted of the following individual fund balances:

Due to Fund	Due from Fund	Amount
Internal Service Fund	General Fund	\$ 1,887
Debt Service Fund	General Fund	16,499
General Fund	Debt Service Fund	970,912
General Fund	Internal Service Fund	8,139,628
General Fund	Internal Service Fund	90,585
General Fund	Federally Funded Grant Fund	1,612,366
General Fund	State Funded Grant Funds	84,527
		\$ 10,916,404

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

### Note 14. Other Receivables

Other receivables recorded in the fund level financial statements consisted of the following at August 31, 2017:

	General Fund	Federally Funded Grants	Capital Projects Fund	Local Funds	Total
Services rendered	\$ 112,825	\$ 233,254	\$ 799,043	\$ 19,845	\$ 1,164,967
E-rate receivable	211,421	-	-	-	211,421
Total	\$ 324,246	\$ 233,254	\$ 799,043	\$ 19,845	\$ 1,376,388



# Keller Independent School District

## Notes to the Financial Statements

### Note 15. Classification of Fund Balance

#### Fund Balance Classifications

The District classifies governmental fund balances as follows:

#### 1. Nonspendable Fund Balance

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

#### 2. Spendable Fund Balance

##### Restricted Fund Balance

Includes amounts that can be spent only for the specific purposes as imposed by law, or imposed by creditors, grantors, contributors, or other governments' laws and regulations. Examples include federal and state grant programs, retirement of long-term debt, and construction.

- The proceeds of specific revenue sources which are restricted to expenditures for specified purposes as designated by grantors, contributors, or governmental entities over state or local program grants.
- The aggregate fund balance in the debt service fund is legally restricted for payment of bonded indebtedness and is not available for other purposes until all bonded indebtedness is liquidated.
- The fund balance of the capital projects fund reflects an amount 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.

##### Committed Fund Balance

Includes amounts that can be used only for the specific purposes as determined by the governing body by formal action recorded in the minutes of the governing body. Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. Examples include, but specifically not limited to, Board action regarding construction, claims, and judgments, retirement of loans/notes payable, capital expenditures, and self-insurance. The District's Board must take action to commit funds, modify a commitment or rescind a commitment for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year.

- Campus activity funds are considered committed by the governing body through adoption of board policy pertaining to the usage of these funds.
- The District's Board of Trustees voted to commit fund balance equal to between 17% and 20% of the 2018 general fund expenditure budget for budgetary contingencies.

##### Assigned Fund Balance

Comprises amounts intended to be used by the District for specific purposes. This intent can be expressed by an official or body to which the governing body delegates that authority. That authority has not been delegated to any official or body. The Board of Trustees is the only governing body that can assign fund balance for specific purposes by formal action recorded in the official minutes. Examples take on a similar appearance as those enumerated for committed fund balance, but may also include the appropriation of existing fund balance to eliminate a deficit in next year's budget. At August 31, 2017, there were no assignments of fund balance.

## Keller Independent School District

### Notes to the Financial Statements

#### Unassigned Fund Balance

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

#### **Note 16. Instructional Materials Allotment**

In May 2011, Senate Rule 6, repealed the technology allotment used by Texas schools and created an Instructional Materials Allotment (IMA) for the purchase of instructional materials, technology equipment, and technology related services. Under the IMA instructional material purchases must be made through TEA's online registration system. Instructional materials acquired through the IMA totaling \$1,058,894 are recorded as revenues in the State Instructional Materials Fund.

Ownership of textbooks previously purchased by the state and utilized by the District was transferred to the District. The majority of these textbooks were sold or otherwise disposed of in accordance with TEA guidelines. At August 31, 2017, the remainder of the textbooks, in possession of the District, have minimal value and are not otherwise reflected elsewhere in these statements.

#### **Note 17. Prior Period Adjustment**

The District recorded a prior period adjustment to correct the revenue recognition related to the Foundation School Program. The effect of the adjustment was a decrease to beginning fund balance and a decrease to due from other governments in the General Fund in the amount of \$4,082,881. The same effect was reported in the government-wide financial statements as a decrease in net position and a decrease to due from other governments.

#### **Note 18. New Accounting Pronouncements**

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

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement is effective for financial statements for reporting periods beginning after December 15, 2015.

In January 2016, GASB issued Statement No. 80: *Blending Requirements for Certain Component Units – on amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

## Keller Independent School District

### Notes to the Financial Statements

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for periods beginning after December 15, 2016.

In March 2016, GASB issued Statement No. 82: *Pension Issues – an amendment of GASB Statements No. 67, No.68, and No. 73*. This Statement addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

## **Keller Independent School District**

### Notes to the Financial Statements

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

## **Required Supplementary Information**

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**Keller Independent School District**  
 Budgetary Comparison Schedule – General Fund  
 For the Year Ended August 31, 2017

**Exhibit G-1**

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Total local and intermediate sources	\$ 160,009,350	\$ 160,009,350	\$ 160,215,637	\$ 206,287
5800	State program revenues	100,145,007	109,334,833	110,364,214	1,029,381
5900	Federal program revenues	3,282,000	3,282,000	4,017,385	735,385
5020	Total revenues	263,436,357	272,626,183	274,597,236	1,971,053
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	168,933,274	176,534,907	175,205,671	1,329,236
0012	Instructional resources and media services	3,473,100	3,617,584	3,544,578	73,006
0013	Curriculum and instructional staff development	5,155,578	4,456,476	4,095,953	360,523
0021	Instructional leadership	3,815,935	3,912,203	3,505,663	406,540
0023	School leadership	17,042,072	17,617,054	17,287,192	329,862
0031	Guidance counseling and evaluation services	10,439,907	10,889,194	10,661,422	227,772
0032	Social services	178,047	196,756	184,001	12,755
0033	Health services	3,544,595	3,625,425	3,370,966	254,459
0034	Student (pupil) transportation	7,978,389	8,913,493	8,724,455	189,038
0035	Food services	7,000	7,000	7,000	-
0036	Cocurricular/extracurricular activities	7,860,195	9,731,204	9,397,664	333,540
0041	General administration	7,009,231	7,404,629	7,133,351	271,278
0051	Plant maintenance and operations	26,010,645	26,162,902	25,497,224	665,678
0052	Security and monitoring services	2,224,242	2,378,083	2,245,268	132,815
0053	Data processing services	3,677,746	4,472,084	4,343,821	128,263
0061	Community services	687,259	738,302	580,737	157,565
Capital outlay:					
0081	Facilities acquisition and construction	-	673,724	667,317	6,407
Intergovernmental:					
0095	Juvenile Justice Alternative Education Programs	2,300	11,800	11,352	448
0097	Payments to tax increment fund	2,939,917	2,852,110	2,852,110	-
0099	Other intergovernmental charges	1,243,251	1,205,129	1,205,128	1
6030	Total expenditures	272,222,683	285,400,059	280,520,873	4,879,186
1100	Excess (deficiency) of revenues over (under) expenditures	(8,786,326)	(12,773,876)	(5,923,637)	6,850,239
<b>OTHER FINANCING SOURCES (USES)</b>		3,130,000	-	-	-
1200	Net change in fund balances	(5,656,326)	(12,773,876)	(5,923,637)	6,850,239
0100	Fund balances - September 1 (beginning)	57,897,351	57,897,351	57,897,351	-
	Prior period adjustment	(4,082,881)	(4,082,881)	(4,082,881)	-
	Fund balances - September 1 (beginning), as restated	53,814,470	53,814,470	53,814,470	-
3000	<b>FUND BALANCES - AUGUST 31 (ENDING)</b>	<b>\$ 48,158,144</b>	<b>\$ 41,040,594</b>	<b>\$ 47,890,833</b>	<b>\$ 6,850,239</b>

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

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## Keller Independent School District

### Notes to the Required Supplementary Information Budgetary Data

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

The following procedures are followed in establishing the budgetary data:

1. Prior to August 20<sup>th</sup> 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	\$ 7,601,633
Cocurricular/extracurricular	1,871,009
Student Transportation	935,104
Data processing services	794,338
Curriculum and instructional staff development	(699,102)
Facilities acquisition and construction	673,724
School Leadership	574,982

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

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**Keller Independent School District**  
 Schedule of the District's Proportionate Share of the  
 Net Pension Liability  
 For the Year Ended August 31, 2017

**Exhibit G-2**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net Pension liability	0.189066080%	0.191179500%	0.126594400%
District's proportionate share of net pension liability	\$ 71,445,260	\$ 67,579,409	\$ 33,815,115
State's proportionate share of the net pension liability associated with the District	113,063,023	107,396,378	88,871,869
<b>TOTAL</b>	<u>\$ 184,508,283</u>	<u>\$ 174,975,787</u>	<u>\$ 122,686,984</u>
District's covered-employee payroll	\$ 194,375,460	\$ 184,444,586	\$ 169,617,596
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.76%	36.64%	19.94%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

*Note 1: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered by the measurement date as of August 31, 2016.*

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

**Keller Independent School District**  
Schedule of the District's Contributions  
For the Year Ended August 31, 2017

**Exhibit G-3**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,209,448	\$ 3,841,258	\$ 3,597,578
Contribution in relation to the contractually required contribution	(4,209,448)	(3,841,258)	(3,597,578)
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
District's covered-employee payroll	\$ 204,888,225	\$ 194,375,460	\$ 184,444,586
Contributions as a percentage of covered-employee payroll	2.05%	1.98%	1.95%

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

## **Keller Independent School District**

Notes to the Required Supplementary Information  
District's Net Pension Liability

### **Changes of Benefit Terms**

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

### **Changes of Assumptions**

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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# Combining Statement

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# Agency Funds

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**Keller Independent School District**  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended August 31, 2017

**Exhibit H-1**

	Balance September 1, 2016	Additions	Deductions	Balance August 31, 2017
<b>STUDENT ACTIVITY ACCOUNT</b>				
<b>Assets</b>				
Cash	\$ 442,861	\$ 2,688,381	\$ 2,439,392	\$ 691,850
Accounts receivable	5,054	4,640	5,054	4,640
Total assets	<u>\$ 447,915</u>	<u>\$ 2,693,021</u>	<u>\$ 2,444,446</u>	<u>\$ 696,490</u>
<b>Liabilities</b>				
Accounts payable	\$ 11,921	\$ 1,402,892	\$ 1,430,230	\$ 39,259
Due to other governments	289	2,567	2,787	509
Due to student groups	435,705	7,961	228,978	656,722
Total liabilities	<u>\$ 447,915</u>	<u>\$ 1,413,420</u>	<u>\$ 1,661,995</u>	<u>\$ 696,490</u>
<b>EMPLOYEE ACTIVITIES</b>				
<b>Assets</b>				
Cash	\$ 88,040	\$ 448,824	\$ 385,593	\$ 151,271
Accounts receivable	203	-	203	-
Total assets	<u>\$ 88,243</u>	<u>\$ 448,824</u>	<u>\$ 385,796</u>	<u>\$ 151,271</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,559	\$ 120,737	\$ 120,288	\$ 1,110
Due to student groups	86,684	9,773	73,250	150,161
Total liabilities	<u>\$ 88,243</u>	<u>\$ 130,510</u>	<u>\$ 193,538</u>	<u>\$ 151,271</u>
<b>TOTAL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash	\$ 530,901	\$ 3,137,205	\$ 2,824,985	\$ 843,121
Accounts receivable	5,257	4,640	5,257	4,640
Total assets	<u>\$ 536,158</u>	<u>\$ 3,141,845</u>	<u>\$ 2,830,242</u>	<u>\$ 847,761</u>
<b>Liabilities</b>				
Accounts payable	\$ 13,480	\$ 1,523,629	\$ 1,550,518	\$ 40,369
Due to other governments	289	2,567	2,787	509
Due to student groups	522,389	17,734	302,228	806,883
Total liabilities	<u>\$ 536,158</u>	<u>\$ 1,543,930</u>	<u>\$ 1,855,533</u>	<u>\$ 847,761</u>

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## Required TEA Schedules

**Keller Independent School District**  
 Schedule of Delinquent Taxes Receivable  
 For the Fiscal Year Ended August 31, 2017

Years Ended August 31,	1		2	3	10
	Tax Rates		Assessed or Appraised Valuation	Delinquent Balance by Year September 1, 2016	
	Maintenance	Debt Service			
2008 and prior	Various	Various	Various	\$ 682,378	
2009	1.040	0.377	10,212,543,961	156,350	
2010	1.040	0.446	10,518,985,594	159,686	
2011	1.040	0.491	10,838,009,000	206,662	
2012	1.040	0.500	11,200,638,123	221,067	
2013	1.040	0.500	11,303,854,760	207,258	
2014	1.040	0.500	11,925,386,754	242,731	
2015	1.040	0.500	12,950,447,900	400,070	
2016	1.040	0.500	12,902,894,457	849,501	
2017 (current)	1.040	0.480	14,963,935,148	-	
<b>Totals</b>				<u>\$ 3,125,703</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, 2017
\$ -	\$ 2,797	\$ 762	\$ 3,559	\$ (92,308)	\$ 586,511
-	3,918	1,420	5,338	44	151,056
-	1,258	540	1,798	(179)	157,709
-	26,740	12,614	39,354	(8,596)	158,712
-	56,778	27,297	84,075	20,459	157,451
-	78,331	37,660	115,991	90,780	182,047
-	91,383	43,934	135,317	84,870	192,284
-	103,335	49,681	153,016	(65,551)	181,503
-	265,718	127,749	393,467	12,608	468,642
222,329,840	155,611,210	71,820,553	227,431,763	6,320,423	1,218,500
<u>\$ 222,329,840</u>	<u>\$ 156,241,468</u>	<u>\$ 72,122,210</u>	<u>\$ 228,363,678</u>	<u>\$ 6,362,550</u>	<u>\$ 3,454,415</u>
	<u>\$ 2,852,110</u>				

**Keller Independent School District**  
 Budgetary Comparison Schedule  
 Child Nutrition Fund  
 For The Year Ended August 31, 2017

**Exhibit J-2**

Control Codes		Budgeted Amounts		Actual Amounts	Variance with
		Original	Final	(GAAP Basis)	Final Budget (Negative)
<b>REVENUES</b>					
5700	Total local and intermediate sources	\$ 7,853,056	\$ 7,853,056	7,733,417	\$ (119,639)
5800	State program revenues	255,334	255,334	351,252	95,918
5900	Federal program revenues	5,619,566	5,619,566	5,924,218	304,652
5020	Total revenues	13,727,956	13,727,956	14,008,887	280,931
<b>EXPENDITURES</b>					
0035	Food service	12,877,956	14,340,542	14,214,227	126,315
6030	Total expenditures	12,877,956	14,340,542	14,214,227	126,315
1200	Net changes in fund balances	850,000	(612,586)	(205,340)	407,246
0100	Fund balance - September 1 (beginning)	2,115,599	2,115,599	2,115,599	-
3000	<b>FUND BALANCE - AUGUST 31 (ENDING)</b>	<b>\$ 2,965,599</b>	<b>\$ 1,503,013</b>	<b>\$ 1,910,259</b>	<b>\$ 407,246</b>



**Keller Independent School District**  
 Budgetary Comparison Schedule  
 Debt Service Fund  
 For the Year Ended August 31, 2017

**Exhibit J-3**

Data Control Codes		Budgeted Amounts		Actual	Variance With
		Original	Final	Amounts (GAAP Basis)	Final Budget Positive or (Negative)
<b>REVENUES</b>					
5700	Total local and intermediate sources	\$ 73,932,401	\$ 73,932,401	\$ 72,890,067	\$ (1,042,334)
5800	State program revenues	-	-	1,870,499	1,870,499
5020	Total revenues	73,932,401	73,932,401	74,760,566	828,165
<b>EXPENDITURES</b>					
Current:					
0071	Debt service	63,806,116	63,806,116	63,766,377	39,739
6030	Total expenditures	63,806,116	63,806,116	63,766,377	39,739
1200	Net change in fund balance	10,126,285	10,126,285	10,994,189	867,904
0100	Fund balance - September 1 (beginning)	8,553,447	8,553,447	8,553,447	-
3000	<b>FUND BALANCE - AUGUST 31 (ENDING)</b>	<b>\$ 18,679,732</b>	<b>\$ 18,679,732</b>	<b>\$ 19,547,636</b>	<b>\$ 867,904</b>

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# Statistical Section

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## Statistical Section (Unaudited)

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

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

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

**Table I**

	Fiscal Year					2013
	2008	2009	2010	2011	2012	as restated
<b>Governmental activities</b>						
Net investment in capital assets	\$ (19,985,969)	\$ (33,180,143)	\$ (39,790,063)	\$ (38,159,556)	\$ (43,992,374)	\$ (31,475,706)
Restricted	2,324,821	8,467,449	6,575,067	6,749,910	7,812,705	7,588,984
Unrestricted	16,612,108	15,707,608	12,395,863	23,775,858	50,167,324	41,920,606
<b>Total primary government net position</b>	<b>\$ (1,049,040)</b>	<b>\$ (9,005,086)</b>	<b>\$ (20,819,133)</b>	<b>\$ (7,633,788)</b>	<b>\$ 13,987,655</b>	<b>\$ 18,033,884</b>

	Fiscal Year			
	2014	2015	2016 as restated	2017
<b>Governmental activities</b>				
Net investment in capital assets	\$ (25,308,063)	\$ (22,871,720)	\$ (20,615,977)	\$ (14,625,003)
Restricted	6,759,290	3,889,959	10,109,546	21,433,525
Unrestricted	39,809,055	(10,832,736)	(19,715,591)	(28,946,706)
<b>Total primary government net position</b>	<b>\$ 21,260,282</b>	<b>\$ (29,814,497)</b>	<b>\$ (30,222,022)</b>	<b>\$ (22,138,184)</b>

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

	Fiscal Year			
	2008	2009	2010	2011
<b>Expenses</b>				
Governmental activities				
Instruction	\$ 130,853,347	\$ 147,615,180	\$ 160,197,180	\$ 159,641,776
Instructional Resources and Media Services	3,791,403	4,548,868	3,261,124	3,743,225
Curriculum and Staff Development	3,245,795	3,490,394	3,497,953	2,889,302
Instructional Leadership	2,392,807	2,459,408	2,310,199	2,269,740
School Leadership	12,661,163	13,325,500	13,594,932	14,478,924
Guidance, Counseling and Evaluation Services	7,815,695	8,822,213	9,129,293	10,101,315
Social Work Services	224,136	283,831	262,992	279,278
Health Services	1,927,807	2,110,792	2,252,365	2,458,895
Student (Pupil) Transportation	5,105,905	6,035,224	6,222,185	6,808,740
Food Services	9,713,959	10,407,692	10,538,803	10,974,335
Cocurricular/Extracurricular Activities	6,643,550	7,298,740	8,057,423	8,771,031
General Administration	4,988,376	6,271,204	5,837,704	5,584,569
Plant Maintenance and Operations	22,487,313	18,653,300	21,065,268	14,671,718
Security and Monitoring Services	756,555	1,154,381	1,468,225	1,675,711
Data Processing Services	4,053,626	3,639,516	3,379,340	4,380,257
Community Services	472,403	801,894	1,086,051	1,075,017
Debt Service - Interest on Long Term Debt	32,158,191	31,561,209	39,427,642	41,249,450
Facilities Acquisition and Construction	3,466,383	-	-	-
Shared Services Agreement	-	3,811,277	3,945,201	3,329,680
Juvenile Justice Alternative Ed Program	-	5,500	-	-
Payments to Tax Increment Fund	1,097,395	1,831,416	1,925,666	1,750,904
Other governmental charges	-	-	-	-
<b>Total Primary Government Expenses</b>	<b>253,855,809</b>	<b>274,127,539</b>	<b>297,459,546</b>	<b>296,133,867</b>
<b>Program Revenues</b>				
Charges for services				
Instruction	5,304,345	5,657,131	6,315,099	6,309,615
Instructional Resources and Media Services	126,865	142,871	119,037	164,173
Curriculum and Staff Development	67,640	69,490	94,857	113,478
Instructional Leadership	98,478	93,844	103,019	105,594
School Leadership	522,364	559,767	600,663	627,088
Guidance, Counseling and Evaluation Services	334,565	344,598	411,113	444,807
Social Work Services	4,521	5,153	5,016	13,266
Health Services	17,488	90,105	99,258	107,640
Student (pupil) services	38,860	60,974	42,653	-
Food Services	7,068,398	7,368,464	7,499,282	8,038,128
Cocurricular/Extracurricular Activities	585,666	667,347	727,064	380,766
General Administration	69,176	160,056	170,883	259,481
Plant Maintenance and Operations	1,014,592	833,404	825,571	917,800
Security and Monitoring Services	632	4,426	6,176	72,715
Data Processing Services	67,981	60,163	59,782	174,991
Community Services	497,538	500,131	548,056	646,909
Facilities Acquisition and Construction	69,691	40,245	-	-
Shared services agreement	-	-	-	158,544
Payments to Juvenile Justice Alternative Ed	-	-	-	-
Payments to tax increment fund	-	-	-	83,370
Other governmental charges	-	-	-	-
Operating Grants and Contributions	14,532,569	13,532,702	22,629,116	31,969,236
<b>Total Primary Government Program Revenues</b>	<b>30,421,369</b>	<b>30,190,871</b>	<b>40,256,645</b>	<b>50,587,601</b>
<b>Net (Expense)/Revenue</b>				
Total Primary Government Net Expense	\$ (223,434,440)	\$ (243,936,668)	\$ (257,202,901)	\$ (245,546,266)



Table II

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 149,547,022	\$ 158,093,657	\$ 169,674,602	\$ 185,202,372	\$ 192,543,062	\$ 204,784,429
3,506,194	3,669,131	3,976,459	4,064,395	4,101,419	4,295,319
2,754,701	2,899,611	4,289,446	4,928,683	5,011,692	5,508,074
2,091,486	2,465,543	2,945,318	2,855,696	3,067,583	3,697,518
14,317,804	15,324,170	17,083,843	17,247,461	17,975,838	18,981,354
10,056,213	10,963,668	12,199,237	13,527,953	14,350,156	15,278,414
156,066	204,112	149,486	186,794	186,441	191,823
3,099,151	3,306,124	3,543,211	3,224,463	4,520,733	4,927,856
5,448,661	5,687,815	6,807,163	6,686,403	7,680,726	8,774,400
12,085,660	12,452,594	13,247,466	13,580,453	13,460,964	14,626,820
7,985,415	8,838,689	10,013,525	10,579,801	10,986,247	12,323,976
8,082,486	6,178,573	5,772,175	6,904,386	7,385,418	7,668,059
18,625,453	20,029,457	21,774,504	23,417,979	25,475,399	27,353,038
1,299,191	1,591,648	2,053,138	2,301,600	2,453,664	2,792,900
5,227,588	4,960,996	5,203,488	5,241,972	5,279,989	4,658,225
1,541,352	1,023,234	1,012,650	964,285	1,008,673	1,118,744
33,103,972	38,588,692	29,753,356	40,665,465	33,855,378	32,800,765
-	-	226,588	-	-	-
3,410,020	3,059,151	3,425,122	2,887,489	261,892	283,581
2,375	-	-	9,804	-	11,352
1,732,427	1,973,187	2,055,966	2,294,948	2,679,362	2,852,110
-	-	1,068,490	1,153,257	1,095,381	1,205,128
<u>284,073,237</u>	<u>301,310,052</u>	<u>316,275,233</u>	<u>347,925,659</u>	<u>353,380,017</u>	<u>374,133,885</u>
4,795,456	5,153,446	6,214,788	5,399,497	\$ 5,754,413	\$ 5,934,808
108,282	103,893	129,162	108,058	110,959	112,249
73,913	89,283	139,535	172,978	142,202	148,717
64,515	75,705	100,677	89,771	93,248	110,724
414,131	469,161	599,345	496,425	537,111	545,697
335,308	410,717	525,376	463,205	386,825	391,960
5,153	6,989	5,869	5,786	5,826	5,799
75,805	91,614	107,422	92,965	100,410	106,261
182,176	195,915	269,584	212,425	248,380	275,808
7,704,516	7,442,377	7,276,413	7,283,932	7,693,450	7,967,621
839,066	909,624	985,275	874,016	887,247	961,000
170,378	183,971	199,923	197,638	214,944	225,478
1,238,443	1,372,248	1,376,577	1,222,925	1,339,813	1,400,085
34,634	54,277	74,694	61,028	70,149	71,300
151,902	150,317	182,898	157,278	163,674	137,390
29,857	35,978	35,358	50,374	22,365	22,728
-	-	-	-	-	-
112,888	96,181	135,645	91,555	4,913	5,135
79	-	-	310	-	358
1,732,427	-	-	72,619	86,658	89,892
-	-	81,422	-	-	-
24,161,384	20,475,623	22,155,964	23,619,227	24,146,792	25,867,032
<u>42,230,313</u>	<u>37,317,319</u>	<u>40,595,927</u>	<u>40,672,012</u>	<u>42,009,379</u>	<u>44,380,042</u>
<u>\$ (241,842,924)</u>	<u>\$ (263,992,733)</u>	<u>\$ (275,679,306)</u>	<u>\$ (307,253,647)</u>	<u>\$ (311,370,638)</u>	<u>\$ (329,753,843)</u>

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

	Fiscal Year			
	2008	2009	2010	2011
<b>Net (Expense)/Revenue</b>				
Total primary government net expense	\$ (197,399,118)	\$ (223,434,440)	\$ (243,936,668)	\$ (257,202,901)
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property Taxes, Levied for General Purposes	99,265,515	108,794,551	113,892,990	111,315,561
Property Taxes, Levied for Debt Service	30,153,606	39,240,626	48,657,348	53,168,610
State Aid - Formula Grants	75,667,541	78,938,143	78,839,121	92,872,674
Grants and Contributions not Restricted	4,247,899	4,685,515	4,686,451	-
Investment Earnings	10,047,879	4,110,151	583,181	364,742
Miscellaneous Local and Intermediate Revenue	-	211,636	1,706,719	686,139
Special Item - Gain on Sale of Capital Assets	-	-	-	-
Special Item - Lease of Mineral Rights	-	-	-	-
Total Primary Government	219,382,440	235,980,622	248,365,810	258,407,726
<b>Change in Net Position</b>				
Total Primary Government	\$ 21,983,322	\$ 12,546,182	\$ 4,429,142	\$ 1,204,825

Table III

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ (245,222,381)	\$ (241,842,924)	\$ (275,679,306)	\$ (307,253,647)	\$ (311,370,638)	\$ (329,753,843)
114,660,445	117,999,604	123,722,646	133,949,135	138,389,296	157,492,713
55,758,482	56,616,666	59,396,906	64,344,372	66,455,898	72,643,326
88,208,113	83,578,692	94,396,991	98,759,927	104,034,451	101,554,176
-	-	-	-	-	-
436,411	503,704	205,056	425,718	1,335,280	1,603,406
4,400,916	16,555,404	1,184,105	1,236,846	1,831,069	4,544,060
-	-	-	-	-	-
-	-	-	-	-	-
263,464,367	275,254,070	278,905,704	298,715,998	312,045,994	337,837,681
\$ 18,241,986	\$ 33,411,146	\$ 3,226,398	\$ (8,537,649)	\$ 675,356	\$ 8,083,838

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

	Fiscal Year			
	2008	2009	2010	2011
<b>General Fund</b>				
Nonspendable	\$ -	\$ -	\$ -	\$ 478,717
Assigned	-	-	-	2,135,000
Committed	-	-	-	39,821,169
Unassigned	-	-	-	21,704,248
Reserved	1,449,859	1,532,963	1,734,879	-
Unreserved	46,355,894	44,972,848	50,591,988	-
<b>Total General Fund</b>	<b>\$ 47,805,753</b>	<b>\$ 46,505,811</b>	<b>\$ 52,326,867</b>	<b>\$ 64,139,134</b>
<b>All Other Governmental Funds</b>				
Nonspendable	\$ -	\$ -	\$ -	\$ 3,820,273
Restricted	92,983,867	159,330,604	84,315,947	7,653,724
Committed	2,106,586	2,358,333	2,971,732	47,466,171
<b>Total All Other Governmental Funds</b>	<b>\$ 95,090,453</b>	<b>\$ 161,688,937</b>	<b>\$ 87,287,679</b>	<b>\$ 58,940,168</b>
<b>Total Governmental Funds</b>	<b>\$ 142,896,206</b>	<b>\$ 208,194,748</b>	<b>\$ 139,614,546</b>	<b>\$ 123,079,302</b>

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

Table IV

Fiscal Year					
2012	2013	2014	2015	2016, as restated	2017
\$ 507,277	\$ 1,220,509	\$ 2,035,489	\$ 1,351,973	\$ 1,373,721	\$ 1,450,479
2,233,000	3,538,000	5,611,000	4,049,750	1,698,788	-
42,951,888	45,962,311	49,904,046	51,554,002	50,361,656	45,174,517
37,287,784	27,599,602	18,869,538	9,661,367	380,305	1,265,837
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 82,979,949</u>	<u>\$ 78,320,422</u>	<u>\$ 76,420,073</u>	<u>\$ 66,617,092</u>	<u>\$ 53,814,470</u>	<u>\$ 47,890,833</u>
\$ 203,371	\$ 136,188	\$ 59,169	\$ 383,319	\$ 426,326	\$ 177,007
8,662,864	8,229,583	7,798,705	178,432,758	74,088,698	35,584,663
43,344,629	47,569,680	33,405,954	3,760,919	3,975,069	3,976,935
<u>\$ 52,210,864</u>	<u>\$ 55,935,451</u>	<u>\$ 41,263,828</u>	<u>\$ 182,576,996</u>	<u>\$ 78,490,093</u>	<u>\$ 39,738,605</u>
<u>\$ 135,190,813</u>	<u>\$ 134,255,873</u>	<u>\$ 117,683,901</u>	<u>\$ 249,194,088</u>	<u>\$ 132,304,563</u>	<u>\$ 87,629,438</u>

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

	Fiscal Year			
	2008	2009	2010	2011
Federal sources:				
Distributed by TEA	\$ 2,388,359	\$ 2,901,556	\$ 3,500,740	\$ 19,511,673
Distributed by other State of Texas Government Agencies	33,815	33,808	-	3,423,621
Distributed directly from the Federal Government	3,913,060	6,794,383	17,567,415	679,717
Total federal sources	6,335,234	9,729,747	21,068,155	23,615,011
State sources:				
Per capita and foundation school program act revenues	82,130,671	81,074,303	78,839,121	93,111,147
Program revenues distributed by TEA	1,239,341	1,772,973	1,631,654	1,749,313
Revenues from State of Texas Government Agencies	7,488,381	7,612,709	8,600,792	9,409,975
Total state sources	90,858,393	90,459,985	89,071,567	104,270,435
Local and intermediate sources:				
Real and personal property taxes	130,365,048	146,468,671	161,844,911	165,451,751
Tuition and fees	389,982	347,508	316,339	353,426
Other revenues	15,326,676	11,268,146	8,210,040	6,279,085
Cocurricular, enterprising services or activities	7,506,213	8,077,074	8,172,591	9,298,060
Intermediate sources	-	-	-	-
Total local and intermediate sources	153,587,919	166,161,399	178,543,881	181,382,322
Total revenues	\$ 250,781,546	\$ 266,351,131	\$ 288,683,603	\$ 309,267,768

Table V

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 11,831,059	\$ 7,296,537	\$ 6,164,527	\$ 5,989,017	\$ 7,242,164	\$ 7,161,700
4,404,830	5,140,284	6,739,147	8,139,928	8,633,753	9,730,182
198,346	253,235	235,365	261,491	198,293	211,422
16,434,235	12,690,056	13,139,039	14,390,436	16,074,210	17,103,304
88,298,739	83,578,692	96,100,114	98,972,062	104,126,784	101,649,010
10,509,894	9,791,808	14,011,593	12,759,172	11,713,165	12,606,639
51,501	-	22,800	970	25,995	43,252
98,860,134	93,370,500	110,134,507	111,732,204	115,865,944	114,298,901
172,484,714	174,381,741	182,037,145	197,413,380	205,078,837	229,551,099
198,843	131,243	133,891	112,518	149,256	175,164
9,626,893	24,715,810	8,083,241	6,339,829	8,650,206	10,102,598
8,360,630	5,437,179	7,993,222	8,519,517	8,138,867	8,553,507
-	-	-	-	-	-
190,671,080	204,665,973	198,247,499	212,385,244	222,017,166	248,382,368
\$ 305,965,449	\$ 310,726,529	\$ 321,521,045	\$ 338,507,884	\$ 353,957,320	\$ 379,784,573

## Keller Independent School District

### Governmental Funds Expenditures and Debt Service Ratio

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Instruction	\$ 123,238,031	\$ 137,966,424	\$ 143,731,660	\$ 147,728,382
Instructional Resources and Media Services	3,609,718	4,023,598	3,073,705	3,509,334
Curriculum and Instructional Staff Development	3,234,342	3,307,415	3,398,086	2,868,473
Instructional Leadership	2,388,084	2,330,351	2,293,997	2,226,975
School Leadership	11,626,540	12,607,682	12,614,563	13,210,075
Guidance, Counseling and Evaluation Services	7,247,584	8,359,238	8,699,241	9,471,451
Social Work Services	224,177	268,954	263,532	278,615
Health Services	1,767,584	1,999,997	2,106,395	2,262,925
Student (Pupil) Transportation	5,106,034	5,719,227	6,223,306	6,807,858
Food Services	9,679,025	9,862,758	10,601,047	10,893,263
Cocurricular/Extracurricular Activities	6,415,289	6,495,765	7,311,068	8,269,409
General Administration	5,006,260	5,615,508	5,220,506	5,480,294
Facilities Maintenance and Operations	22,382,711	18,104,552	18,753,283	19,377,794
Security and Monitoring Services	752,179	979,151	1,220,503	1,542,978
Data Processing Services	4,070,647	2,331,712	1,852,169	3,675,083
Community Services	469,717	765,056	895,726	852,899
Debt Service				
Principal	9,751,128	10,030,963	9,650,999	12,756,706
Interest	31,661,335	34,443,024	41,994,683	42,447,453
Bond Issuance Cost and Fees	-	1,509,659	464,129	167,667
Facilities Acquisition and Construction	78,024,833	77,956,170	71,488,717	27,066,197
Shared Services Agreement	-	3,811,277	3,945,201	3,329,680
Juvenile Justice Alternative Education Program	-	5,500	-	-
Payments to Tax Increment Fund	1,097,395	1,831,416	1,925,666	1,750,904
Other governmental charges	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 327,752,613</b>	<b>\$ 350,325,397</b>	<b>\$ 357,728,182</b>	<b>\$ 325,974,415</b>
Debt Service as a Percentage of				
Noncapital Expenditures	16.21%	16.41%	16.09%	17.46%



Table VI

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 137,478,868	\$ 144,563,470	\$ 156,612,149	\$ 176,132,985	\$ 173,991,768	\$ 181,295,806	
3,178,713	3,345,419	3,619,137	3,810,470	3,803,914	3,962,790	
2,130,562	2,465,712	3,654,330	4,837,526	4,860,782	5,271,019	
1,886,237	2,112,412	2,446,534	2,774,756	2,938,823	3,540,550	
12,555,229	13,671,533	15,186,047	15,768,172	16,711,207	17,552,941	
9,271,339	10,224,865	11,431,030	12,625,002	13,631,399	14,314,729	
155,656	202,973	148,189	182,939	180,126	184,001	
2,287,508	2,683,242	2,743,828	2,964,515	3,117,838	3,383,307	
5,447,852	5,687,815	6,807,163	6,686,403	7,706,062	8,770,502	
11,502,826	12,180,602	12,899,687	13,749,031	13,696,544	14,221,227	
7,015,477	8,158,341	9,827,485	10,210,050	10,476,096	11,455,275	
7,432,120	5,583,815	5,113,321	6,406,375	6,834,724	7,333,075	
17,722,083	19,531,372	21,029,781	23,500,150	24,775,021	26,197,867	
1,080,540	1,694,051	2,709,758	3,759,373	3,331,315	2,457,156	
4,590,653	4,390,347	4,891,652	5,540,617	5,064,464	4,428,534	
691,259	828,185	767,228	1,503,077	712,357	789,662	
12,694,742	14,508,842	23,934,768	23,278,028	20,642,572	21,744,471	
44,192,957	42,948,531	35,136,159	41,058,833	43,595,799	42,011,645	
87,034	950,783	226,588	6,744,314	1,224,732	10,261	
7,392,685	11,851,971	12,582,876	13,343,717	105,979,279	53,030,920	
3,410,020	3,059,151	3,425,122	2,887,489	261,892	283,581	
2,375	-	-	9,804	-	11,352	
1,732,427	1,973,187	2,055,966	2,294,948	2,679,362	2,852,110	
-	-	1,068,490	1,153,257	1,095,381	1,205,128	
<u>\$ 293,939,162</u>	<u>\$ 312,616,619</u>	<u>\$ 338,317,288</u>	<u>\$ 381,221,831</u>	<u>\$ 467,311,457</u>	<u>\$ 426,307,909</u>	
18.92%	19.81%	19.08%	18.20%	14.53%	17.00%	

## 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			
	2008	2009	2010	2011
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ (76,971,067)	\$ (83,974,266)	\$ (69,044,579)	\$ (16,706,647)
<b>Other Financing Sources (Uses)</b>				
General Long-term Debt Issued	-	153,419,950	30,809,991	9,445,000
Transfers In	7,093,543	6,198,732	-	-
Premium or Discount on Issuance of Bonds	-	7,084,810	1,159,821	530,449
Transfers Out	(7,093,543)	(6,198,732)	-	-
Payment to Bond Refunding Escrow Agent	-	(11,231,952)	(31,505,435)	(9,804,046)
Other (Uses)	-	-	-	-
Total Other Financing Sources (Uses)	8,161,848	145,218,939	-	149,272,808
<b>Net Change in Fund Balances</b>	\$ (53,271,648)	\$ 119,081,071	\$ (76,971,067)	\$ 65,298,542

Table VII

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 12,026,287	\$ (1,890,090)	\$ (16,796,243)	\$ (42,713,947)	\$ (113,354,137)	\$ (46,523,336)
2,710,000	85,419,998	45,650,000	425,692,588	126,935,000	-
-	-	-	3,285,775	-	-
200,974	15,269,804	3,645,068	66,744,576	25,527,395	-
-	-	-	(3,285,775)	-	-
(2,825,750)	(99,734,652)	(49,070,797)	(318,213,030)	(152,246,597)	-
-	-	-	-	331,695	1,848,211
464,377	171,403	85,224	955,150	547,493	1,848,211
\$ (68,580,202)	\$ (16,535,244)	\$ 12,111,511	\$ (934,940)	\$ (112,806,644)	\$ (44,675,125)

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

**Table VIII**

Fiscal Year	Assessed Value		Less: Tax-Exempt Property	Total Taxable Assessed <sup>a</sup> Value	Total Direct Tax Rate <sup>b</sup>	Estimated Actual Taxable <sup>c</sup> Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Real Property	Personal Property					
2008	\$ 10,166,073,644	\$ 461,656,910	\$ 1,145,215,956	\$ 9,482,514,598	1.3574	\$10,627,730,554	89.22%
2009	10,833,000,112	510,021,252	1,130,477,403	10,212,543,961	1.4169	11,343,021,364	90.03%
2010	11,251,605,888	571,747,425	1,304,367,719	10,518,985,594	1.4863	11,823,353,313	88.97%
2011	11,695,681,740	703,851,758	1,561,524,498	10,838,009,000	1.5306	12,399,533,498	87.41%
2012	12,079,424,023	665,686,946	1,544,472,846	11,200,638,123	1.5400	12,745,110,969	87.88%
2013	12,222,225,208	732,942,046	1,651,312,494	11,303,854,760	1.5400	12,955,167,254	87.25%
2014	12,815,685,228	684,572,978	1,574,871,452	11,925,386,754	1.5400	13,500,258,206	88.33%
2015	13,816,512,116	693,171,025	1,559,235,241	12,950,447,900	1.5400	14,509,683,141	89.25%
2016	14,147,290,643	715,396,851	1,959,793,037	12,902,894,457	1.5400	14,862,687,494	86.81%
2017	16,295,187,107	785,317,276	2,116,569,235	14,963,935,148	1.5200	17,080,504,383	87.61%

Source: Tarrant County Tax Appraisal District

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

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

<sup>c</sup>Market value

**Keller Independent School District**

**Table IX**

Property Tax Rates for Direct and Overlapping Governments

Last Ten Fiscal Years

(rate per \$100 of assessed value)

Fiscal Year	District Direct Rates			Overlapping Government Rates <sup>a</sup>				
	Operating	Debt Service	Total	Tarrant County	Tarrant Co. Hospital District	Tarrant County College	City of Colleyville	City of Fort Worth
2008	1.0400	0.3174	1.3574	0.26650	0.23040	0.13938	0.35590	0.85500
2009	1.0400	0.3769	1.4169	0.26400	0.22790	0.13796	0.35590	0.85500
2010	1.0400	0.4463	1.4863	0.26400	0.22790	0.13767	0.35590	0.85500
2011	1.0400	0.4906	1.5306	0.26400	0.22790	0.13764	0.35590	0.85500
2012	1.0400	0.5000	1.5400	0.26400	0.22790	0.14897	0.35590	0.85500
2013	1.0400	0.5000	1.5400	0.26400	0.22790	0.14897	0.35590	0.85500
2014	1.0400	0.5000	1.5400	0.26400	0.22790	0.14950	0.35590	0.85500
2015	1.0400	0.5000	1.5400	0.26400	0.22790	0.14950	0.35590	0.85500
2016	1.0400	0.5000	1.5400	0.26400	0.22790	0.14950	0.35590	0.85500
2017	1.0400	0.4800	1.5200	0.25400	0.22790	0.14473	0.33913	0.83500

Fiscal Year	Overlapping Government Rates <sup>a</sup>				
	City of Haltom City	City of Keller	City of North Richland	City of Southlake	City of Watauga
2008	0.59830	0.43219	0.57000	0.46200	0.58076
2009	0.59830	0.43219	0.57000	0.46200	0.58076
2010	0.59830	0.44219	0.57000	0.46200	0.58076
2011	0.64637	0.44219	0.57000	0.46200	0.58076
2012	0.65174	0.44219	0.57000	0.46200	0.58900
2013	0.65174	0.44219	0.61000	0.46200	0.59122
2014	0.69999	0.43719	0.61000	0.46200	0.59122
2015	0.69999	0.43719	0.61000	0.46200	0.59122
2016	0.69999	0.43719	0.61000	0.46200	0.61872
2017	0.69999	0.43000	0.61000	0.46200	0.61841

**Note:**

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

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

**Table X**

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Taxable Value	Taxable Assessed Value	Rank	Percentage of Taxable Value
Kroger Co	\$ 153,960,561	1	1.02%	\$ 59,729,346	3	0.71%
FMR Texas LP	130,577,906	2	0.87%	73,713,364	1	0.87%
ATC Investors LP	105,474,799	3	0.70%	47,453,705	4	0.56%
Wal-Mart Stores Texas LP	86,484,169	4	0.58%	61,116,438	2	0.72%
Hillwood Monterra LP	71,403,761	5	0.48%			
HCA Health Services of TX, Inc.	67,988,307	6	0.45%			-
FAA DFW Associates LLC	53,000,000	7	0.35%			-
North Beach TX Partners LLC	49,134,000	8	0.33%			-
Mansions at Timberline LP	46,767,948	9	0.31%			
BR Carroll Keller Crossing LLC	45,500,000	10	0.30%			-
Oncor Electric Delivery Co			-	44,664,608	5	0.53%
Inland Western Watauga LP			-	31,293,353	6	0.37%
SW Fossil Creek Apt LP			-	29,833,000	7	0.35%
5001 Enclave LLC ETAL			-	29,300,000	8	0.35%
Capri W DTC LLC			-	27,318,435	9	0.32%
Tri County Electric Coop, Inc.			-	26,956,258	10	0.32%
Subtotal	810,291,451		5.41%	431,378,507		5.10%
All other taxpayers	14,153,643,697		94.59%	8,033,342,500		94.90%
	<u>\$ 14,963,935,148</u>		<u>100%</u>	<u>\$ 8,464,721,007</u>		<u>100%</u>

Source: Tarrant Appraisal District

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

**Table XI**

Fiscal Year	Tax Year	Original Levy	Adjustments	Adjusted Levy	Collected in First Period		Collected in Subsequent Period	Total Collections	
					Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2008	2007	127,969,466	(105,401)	127,864,066	126,471,104	98.83%	1,288,424	127,759,528	99.92%
2009	2008	142,946,287	4,510,266	147,456,552	145,996,374	102.13%	1,294,910	147,291,284	99.89%
2010	2009	154,071,805	8,389,934	162,461,740	160,286,383	104.03%	1,808,527	162,094,911	99.77%
2011	2010	163,551,452	2,206,607	165,758,060	163,908,760	100.22%	1,457,685	165,366,445	99.76%
2012	2011	170,135,313	247,601	170,382,913	169,139,007	99.41%	834,410	169,973,416	99.76%
2013	2012	171,779,167	1,699,878	173,479,044	172,379,024	100.35%	535,862	172,914,886	99.67%
2014	2013	181,143,398	875,301	182,018,699	181,059,454	99.95%	57,318	181,116,772	99.50%
2015	2014	196,325,293	135,955	196,461,248	195,308,567	99.48%	41,507	195,350,075	99.55%
2016	2015	195,978,901	7,605,408	203,584,309	202,734,808	103.45%	444,331	203,179,139	99.85%
2017	2016	222,329,840	6,320,423	228,601,703	227,431,763	102.29%	130,693	227,562,456	99.55%

**Source:** Tarrant County Tax Office

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

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

**Table XII**

**Governmental Activities**

<b>Fiscal Year</b>	<b>Bonded Debt</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income<sup>a</sup></b>	<b>Estimated Population</b>	<b>Per Capita<sup>a</sup></b>	<b>Ratio of Net Bonded Debt to Estimated Actual Property Value<sup>b</sup></b>
2008	673,489,537	673,489,537	55.13%	38,701	\$ 17,402	45.78
2009	812,210,202	812,210,202	58.62%	39,450	20,588	13.97
2010	801,400,945	801,400,945	51.12%	39,675	20,199	14.75
2011	787,273,317	787,273,317	44.74%	40,604	19,389	15.75
2012	763,228,988	763,228,988	39.89%	40,790	18,711	16.70
2013	745,139,167	745,139,167	39.94%	41,923	17,774	17.39
2014	735,787,755	735,787,755	38.91%	42,907	17,148	18.35
2015	901,631,722	901,631,722	47.68%	43,287	20,829	14.36
2016	867,851,273	867,851,273	46.81%	44,050	19,702	17.13
2017	834,031,187	834,031,187	35.09%	45,749	18,231	20.48

**Notes:**

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

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



# Keller Independent School District

Direct and Overlapping Governmental Activities Debt  
As of August 31, 2017

Table XIII

Governmental Unit	Total Tax Supported Debt as of 08/31/17	Estimated Percentage Applicable <sup>b</sup>	Estimated Share of Direct and Overlapping Debt
City of Colleyville	\$ 7,125,000	10.36%	\$ 738,150
City of Fort Worth	588,386,798	10.18%	\$ 59,897,776
City of Haltom City	34,240,000	4.25%	\$ 1,455,200
City of Hurst	52,026,772	1.28%	\$ 665,943
City of Keller	44,955,353	98.02%	\$ 44,065,237
City of North Richland Hills	132,075,000	11.41%	\$ 15,069,758
City of Southlake	77,350,122	4.96%	\$ 3,836,566
City of Watauga	15,902,620	39.25%	\$ 6,241,778
Town of Westlake	3,177,000	51.31%	\$ 1,630,119
Tarrant County	321,795,000	9.40%	\$ 30,248,730
Tarrant Co. Hospital District	20,835,000	9.40%	\$ 1,958,490
Subtotal, Overlapping Debt			\$ 165,807,746
<b>District Direct Debt</b>			834,031,187
<b>Total Direct and Overlapping Debt</b>			\$ 999,838,933
<b>Ratio of Total Direct and Overlapping Debt to Assessed Valuation</b>			6.68%
<b>Per Capita Overlapping Debt</b>			\$ 3,624

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

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

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

	Fiscal Year			
	2008	2009	2010	2011
Assessed value <sup>a</sup>	\$ 9,482,514,598	\$ 10,212,543,961	\$ 10,518,985,594	\$ 10,838,009,000
Debt limit <sup>b</sup>	948,251,460	1,021,254,396	1,051,898,559	1,083,800,900
Amount of debt applicable to debt limit:				
Total bonded debt	603,100,522	735,369,508	725,718,509	712,856,767
Less: Reserve for debt service	5,066,051	6,689,998	5,167,382	3,820,031
Total net debt applicable to limit	598,034,471	728,679,510	720,551,127	709,036,736
Legal debt margin	\$ 350,216,989	\$ 292,574,886	\$ 331,347,432	\$ 374,764,164
Total net debt applicable to the limit as a percentage of debt limit	63.07%	71.35%	68.50%	65.42%

**Notes:**

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

<sup>b</sup>This percentage is in accordance with the recommendations of the Texas Education Agency as stated in the Texas Education Code, Bulletin 721, Sec. 20.04.

Table XIV

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 11,200,638,123	\$ 11,303,854,760	\$ 11,925,386,754	\$ 12,950,447,900	\$ 12,902,894,457	\$ 14,963,935,148
1,120,063,812	1,130,385,476	1,192,538,675	1,295,044,790	1,290,289,446	1,496,393,515
700,087,012	681,493,165	657,363,397	771,227,957	728,705,385	706,960,914
3,892,876	3,406,682	4,062,753	5,188,673	8,548,914	19,542,506
696,194,136	678,086,483	653,300,644	766,039,284	720,156,471	687,418,408
<u>\$ 423,869,676</u>	<u>\$ 452,298,993</u>	<u>\$ 539,238,031</u>	<u>\$ 529,005,506</u>	<u>\$ 570,132,975</u>	<u>\$ 808,975,107</u>
62.16%	59.99%	54.78%	59.15%	55.81%	45.94%

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

**Table XV**

<u>Calendar Year</u>	<u>Population<sup>a</sup></u>	<u>Personal Income<sup>b</sup></u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate<sup>c</sup></u>
2008	38,701	\$ 1,221,674,467	\$ 31,567	4.10%
2009	39,450	1,385,484,000	35,120	5.70%
2010	39,675	1,567,717,950	39,514	6.50%
2011	40,604	1,759,817,964	43,341	8.50%
2012	40,790	1,913,254,950	46,905	7.30%
2013	41,923	1,865,489,654	44,498	6.40%
2014	42,907	1,890,825,676	44,068	4.40%
2015	43,287	1,926,184,926	44,498	2.90%
2016	44,050	2,000,530,750	45,415	3.50%
2017	45,749	2,376,843,546	51,954	3.44%

**Notes:**

All information above is for the Keller municipal area.

**Sources:**

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

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

<sup>c</sup>Texas Workforce Commission

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

**Table XVI**

Employer	2017			2008*		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Bell Helicopter	5,580	1	13.79%	6,048	1	23.48%
BNSF Railway	4,900	2	12.11%	3,100	2	12.04%
Fidelity Investments	4,800	3	11.86%	2,700	5	10.49%
Keller ISD	4,154	4	10.26%	3,032	4	11.78%
Amazon	4,000	5	9.88%	-		
AMR Corporation	4,000	6	9.88%			
Walmart	3,542	7	8.75%	-		
ATC Logistics	3,500	8	8.65%	-		
Genco	3,000	9	7.41%	-		
Sabre Holdings	2,999	10	7.41%	3,100	3	12.04%
DFW Airport				1,713	6	6.65%
Motorola	-		-	1,700	7	6.60%
Gaylord Texas Resort	-		-	1,500	8	5.83%
Healthmarkets	-		-	1,450	9	5.63%
Transporation Security Admin	-		-	1,406	10	5.46%
	<u>40,475</u>		<u>100%</u>	<u>25,749</u>		<u>100%</u>

Source: City of Keller

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

**Table XVII**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Percentage Change 2008-2017
<b>Supervisory</b>											
Instructional administrators	15	14	15.5	15.5	12.5	12.5	13.5	17	18	21	40.0%
Noninstructional administrators	38	40	46.5	46.5	39.5	43.5	49.5	57.8	60.25	66.25	74.3%
Consultants/supervisors of instruction	13	12	19.5	19.5	9.5	8.5	12	32	25	41	215.4%
Principals	34	35	36	39	39	39	39	39	40	42	23.5%
Assistant Principals	63	66	62	65	66	66	66	67	69	70	11.1%
<b>Total supervisory</b>	<b>163.00</b>	<b>167.00</b>	<b>179.50</b>	<b>185.50</b>	<b>166.50</b>	<b>169.50</b>	<b>180.00</b>	<b>212.80</b>	<b>212.25</b>	<b>240.25</b>	<b>47.4%</b>
<b>Instruction</b>											
Elementary classroom teachers	1050	1092	1130	1120	1097	1117.33	1134.25	1200.5	1228.5	1260	20.0%
Secondary classroom teachers	732	752	822	884	798	787.44	901.75	961.5	979.67	1060.81	44.9%
Other teachers (adult)	-	-	-	-	-	-	-	-	-	-	0.0%
Other professionals (instructional)	88	95	85	83	73	79	81	85.5	89	80.4	-8.6%
Aides	297	260	301.75	303.5	277.5	283	302	333	342	367.5	23.7%
<b>Total Instruction</b>	<b>2,167.00</b>	<b>2,199.00</b>	<b>2,338.75</b>	<b>2,390.50</b>	<b>2,245.50</b>	<b>2,266.77</b>	<b>2,419.00</b>	<b>2,580.50</b>	<b>2,639.17</b>	<b>2,768.71</b>	<b>27.8%</b>
<b>Student Services</b>											
Guidance counselors	59	74.5	74.5	78.5	78	82	98	100	108	111	88.1%
Visiting teacher/social workers	1	1	2	2	2	2	2	3	3	3	200.0%
Psychologists	7	7	7	8	8	8	8	8	8	8	14.3%
Librarians	32	35	36	37	38	38	38	38	38	39	21.9%
Other professionals (noninstructional)	49	53	69.5	78	78.5	83.5	83.5	92.5	97	98	100.0%
Technicians	32	31	30	30	0	0	0	0	0	4	-87.5%
<b>Total student services</b>	<b>180.00</b>	<b>201.50</b>	<b>219.00</b>	<b>233.50</b>	<b>204.50</b>	<b>213.50</b>	<b>229.50</b>	<b>241.50</b>	<b>254.00</b>	<b>263.00</b>	<b>46.1%</b>
<b>Support and Administration</b>											
Clerical/secretarial	264	281	262	297	203.5	205.5	235	246	252.25	261.75	-0.9%
Service workers	289	290	250	256	271	271	270	272	268	274	-5.2%
Skilled crafts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unskilled Laborers	269	275	271	318	318	318	323	333	334	346	28.6%
<b>Total support and administration</b>	<b>822.00</b>	<b>846.00</b>	<b>783.00</b>	<b>871.00</b>	<b>792.50</b>	<b>794.50</b>	<b>828.00</b>	<b>851.00</b>	<b>854.25</b>	<b>881.75</b>	<b>7.3%</b>
<b>Total</b>	<b>3,332.00</b>	<b>3,413.50</b>	<b>3,520.25</b>	<b>3,680.50</b>	<b>3,409.00</b>	<b>3,444.27</b>	<b>3,656.50</b>	<b>3,885.80</b>	<b>3,959.67</b>	<b>4,153.71</b>	<b>24.7%</b>

Source: Keller Independent School District records.

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

**Table XVIII**

<b>Fiscal Year</b>	<b>Peak Enrollment</b>	<b>Operating Expenditures</b>	<b>Cost per Pupil</b>	<b>Teaching Staff</b>	<b>Pupil-Teacher Ratio</b>	<b>Percentage of Students Receiving Free or Reduced-Price Meals</b>
2008	29,424	194,800,822	6,620	1,782	16.5	15.88%
2009	30,299	192,347,154	6,348	1,908	15.9	18.00%
2010	31,569	206,804,154	6,551	1,952	16.2	18.75%
2011	32,469	205,281,451	6,322	1,981	16.4	20.40%
2012	33,130	216,592,510	6,538	1,871	17.7	21.47%
2013	33,423	236,713,295	7,082	1,940	17.2	21.82%
2014	33,440	257,028,150	7,686	2,036	16.4	23.79%
2015	33,619	278,400,408	8,281	2,151	15.6	23.26%
2016	34,180	288,671,453	8,446	2,216	15.4	23.26%
2017	34,660	304,045,079	8,772	2,321	14.9	24.20%

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

**Source:** Nonfinancial information from district records.

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

	Fiscal Year			
	2008	2009	2010	2011
<b>Schools</b>				
<b>Elementary</b>				
Buildings	19	21	21	22
Square feet	1,516,623	1,684,123	1,684,123	1,744,123
Capacity	14,170	15,570	15,570	16,170
Enrollment	12,228	12,330	12,774	12,805
<b>Intermediate/Middle</b>				
Buildings	10	10	10	11
Square feet	1,295,858	1,295,858	1,295,858	1,478,683
Capacity	10,710	10,710	10,710	11,910
Enrollment	8,388	10,021	10,119	10,393
<b>High</b>				
Buildings	4	4	5	5
Square feet	1,128,974	1,128,974	1,578,974	1,578,974
Capacity	7,500	7,500	10,000	10,000
Enrollment	7,956	8,467	8,675	9,272
<b>Administrative</b>				
Buildings	2	2	2	3
Square feet	84,566	84,566	84,566	119,566
<b>Athletics</b>				
Stadiums	11	11	12	13
Football/soccer/play fields	41	43	44	45
Running tracks	8	8	9	10
Baseball/softball	12	12	13	14
Natatorium	1	1	1	1



Table XIX

Fiscal Year					
2012	2013	2014	2015	2016	2017
22	22	22	22	22	25
1,744,123	1,744,123	1,744,123	1,744,123	1,744,123	1,933,237
16,170	16,170	16,170	16,170	16,170	17,170
13,292	13,033	13,019	12,713	12,915	13,064
11	11	11	11	11	11
1,478,683	1,478,683	1,478,683	1,478,683	1,478,683	1,756,873
11,910	11,910	11,910	11,910	11,910	11,910
10,656	10,595	10,518	10,366	10,426	10,533
5	5	5	5	5	6
1,578,974	1,578,974	1,613,974	1,613,974	1,613,974	1,946,615
10,000	10,000	10,000	10,000	10,000	12,300
9,635	9,795	10,226	10,540	10,839	11,063
3	3	3	3	3	3
119,566	119,566	119,566	119,566	139,299	138,983
13	13	13	13	13	13
45	45	45	45	45	45
10	10	10	10	10	10
14	14	14	14	14	14
1	1	1	1	1	1

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## **Federal Awards Section**

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**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

Board of Trustees  
Keller Independent School District  
Keller, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keller Independent School District (the District), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Keller Independent School District's basic financial statements, and have issued our report thereon dated January 17, 2018.

***Internal Control over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

Board of Trustees  
Keller Independent School District

**Purpose of this Report**

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
January 17, 2018



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

Board of Trustees  
Keller Independent School District  
Keller, Texas

### Report on Compliance for Each Major Federal Program

We have audited Keller Independent School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

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

#### *Auditor's Responsibility*

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

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

#### *Opinion on Each Major Federal Program*

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

## Report on Internal Control over Compliance

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

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

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

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
January 17, 2018



**Keller Independent School District**  
 Schedule Of Expenditures Of Federal Awards  
 Year Ended August 31, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
<i>ESEA Title I, Part A Improving Basic Programs</i>	84.010A	17610101220907	\$ 1,878,805
<i>IDEA-B Formula <sup>(1)</sup></i>	84.027A	176600012209076600	4,340,727
<i>IDEA-B Preschool Grant <sup>(1)</sup></i>	84.173A	176610012209076610	49,319
<i>IDEA-B Residential Discretionary Grant <sup>(1)</sup></i>	84.027A	176600122209076677	64,356
<i>IDEA-B High Cost Risk Discretionary Grant <sup>(1)</sup></i>	84.027A	176600062209076680	94,641
<i>Carl D. Perkins Basic Formula Grant</i>	84.048A	17420006220907	235,102
<i>ESEA Title II, Part A Teacher/Principal Training/Recruiting</i>	84.367A	17694501220907	232,738
<i>ESEA Title III, Part A English Language Acquisition- Summer LEP</i>	84.369A	69551602	9,318
<i>ESEA Title III, Part A English Language Acquisition</i>	84.365A	17671001220907	256,695
Total U.S. Department of Education			7,161,701
Passed through State Department of Agriculture:			
<i>National School Breakfast Program <sup>(2)</sup></i>	10.553	71401401	835,775
<i>National School Lunch Program <sup>(2)</sup></i>	10.555	71301401	4,240,369
<i>National School Lunch Program - Non-cash Assistance <sup>(2)</sup></i>	10.555	71301401	848,074
Total U.S. Department of Agriculture			5,924,218
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 13,085,919
School Health and Related Services (SHARS) <sup>(3)</sup>			3,805,964
Schools and Libraries Program (E-Rate) <sup>(3)</sup>			211,421
TOTAL FEDERAL REVENUES, RECONCILED TO EXHIBIT C-3			\$ 17,103,304

(1) Reported as Special Education Cluster, as required by Compliance Supplement June 2017

(2) Reported as Child Nutrition Cluster, as required by Compliance Supplement June 2017

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

Note 1: The schedule of federal awards is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2017, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note 3: Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and disbursed. For the year ended August 31, 2017, the District received and disbursed food commodities totaling \$848,074.

**Keller Independent School District**  
 Schedule of Findings and Questioned Costs  
 Year Ended August 31, 2017

**Section I – Summary of Auditors’ Results**

**Financial Statements**

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weakness(es)?  Yes  No
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weakness(es)?  Yes  No

An unmodified opinion was issued on compliance for major programs.

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major programs:

Special Education Cluster:

84.027A	IDEA-B Formula
84.173A	IDEA-B Preschool Grant
84.027A	IDEA-B Residential Discretionary Grant
84.027A	IDEA-B High Cost Risk Discretionary Grant

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

Auditee qualified as low-risk auditee?  Yes  No

## **Keller Independent School District**

Schedule of Findings and Questioned Costs - Continued  
Year Ended August 31, 2017

### **Section II – Financial Statement Findings**

There were no matters reported.

### **Section III – Federal Award Findings and Questioned Costs**

There were no matters reported.