

**KELLER INDEPENDENT
SCHOOL DISTRICT**

FINANCIAL REPORT

AUGUST 31, 2006

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DEC 28 2006

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INTRODUCTORY SECTION

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KELLER INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD

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Keller Independent
School District
Name of Local Education Agency

Tarrant
County

220-907
County-District-Number No.

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

approved disapproved

for the year ended August 31, 2006 at a meeting of the Board of Trustees of such school district on the 22nd day of January, 2007.

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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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

DEC 28 2006

Board of Trustees
Keller Independent School District
Keller, Texas

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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 as of and for the year ended August 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Keller Independent School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Keller Independent School District as of August 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 12 and budgetary comparison schedule on page 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Board of Trustees
Keller Independent School District
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In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2006, on our consideration of Keller Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Keller Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and in addition to the combining nonmajor fund financial statements, and the required TEA schedules listed in the table of contents, are not a required part of the basic financial statements. Such information, excluding the Fund Balance and Cash Flow Worksheet – General Fund (Exhibit I-2) marked unaudited on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
December 20, 2006

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BASIC FINANCIAL STATEMENTS

KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2006

EXHIBIT A-1

Data Control Codes	Primary Government
ASSETS	Governmental Activities
1110 Cash and Cash Equivalents	\$ 116,854,426
1220 Property Taxes Receivable (Delinquent)	2,482,717
1230 Allowance for Uncollectible Taxes	(620,679)
1240 Due from Other Governments	9,707,309
1250 Accrued Interest	700
1290 Other Receivables, net	346,157
1300 Inventories	418,963
1410 Deferred Expenses	19,288
1420 Capitalized Bond & Other Debt Issuance Costs	4,452,052
1430 Premium on Issuance of Debt	(16,655,730)
Capital Assets:	
1510 Land	18,920,981
1520 Buildings, Net	348,207,509
1530 Furniture and Equipment, Net	2,946,045
1580 Construction in Progress	72,538,551
1000 Total Assets	559,618,289
LIABILITIES	
2110 Accounts Payable	15,168,361
2140 Interest Payable	2,866,519
2150 Payroll Deductions & Withholdings	784,817
2160 Accrued Wages Payable	4,236,079
2180 Due to Other Governments	9,889
2300 Unearned Revenues	132,026
Noncurrent Liabilities	
2501 Due Within One Year	11,064,894
2502 Due in More Than One Year	517,998,804
2000 Total Liabilities	552,261,389
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	(8,902,401)
3840 Restricted for Food Service	657,008
3850 Restricted for Debt Service	2,066,560
3900 Unrestricted Net Assets	13,535,733
3000 Total Net Assets	\$ 7,356,900

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The notes to the financial statements are an integral part of this statement.

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KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2006

EXHIBIT B-1

DEC 28 2006

Net (Expense)
Revenue and
Changes in Net
Assets

Data Control Codes	Program Revenues			6 Primary Gov. Governmental Activities
	1 Expenses	3 Charges for Services	4 Operating Grants and Contributions	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 98,587,392	\$ 6,272,892	\$ 9,505,232	\$ (82,809,268)
12 Instructional Resources and Media Services	3,393,890	-	141,728	(3,252,162)
13 Curriculum and Instructional Staff Development	1,597,141	228,808	455,252	(913,081)
21 Instructional Leadership	2,010,123	-	177,758	(1,832,365)
23 School Leadership	9,143,670	-	529,442	(8,614,228)
31 Guidance, Counseling and Evaluation Services	5,624,412	-	649,963	(4,974,449)
32 Social Work Services	150,658	-	6,234	(144,424)
33 Health Services	1,141,184	-	71,339	(1,069,845)
34 Student (Pupil) Transportation	3,896,874	-	-	(3,896,874)
35 Food Services	8,808,647	5,642,148	2,018,960	(1,147,539)
36 Cocurricular/Extracurricular Activities	5,396,992	667,486	33,828	(4,695,678)
41 General Administration	4,275,140	-	143,280	(4,131,860)
51 Plant Maintenance and Operations	19,844,895	-	427,297	(19,417,598)
52 Security and Monitoring Services	328,584	-	-	(328,584)
53 Data Processing Services	1,963,295	-	64,800	(1,898,495)
61 Community Services	612,526	-	22,153	(590,373)
72 Debt Service - Interest on Long Term Debt	28,218,780	-	-	(28,218,780)
73 Debt Service - Bond Issuance Cost and Fees	202,214	-	-	(202,214)
81 Facilities Acquisition and Construction	3,897,189	-	512	(3,896,677)
97 Payments to Tax Increment Fund	1,116,700	-	-	(1,116,700)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 200,210,306	\$ 12,811,334	\$ 14,247,778	(173,151,194)

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Data
Control
Codes

General Revenues:

Taxes:		
MT	Property Taxes, Levied for General Purposes	106,402,811
DT	Property Taxes, Levied for Debt Service	21,151,865
SF	State Aid - Formula Grants	28,187,060
GC	Grants and Contributions not Restricted	5,096,212
IE	Investment Earnings	7,951,970
MI	Miscellaneous Local and Intermediate Revenue	1,304,089
S1	Special Item - Gain on Sale of Capital Assets	5,699,992
TR	Total General Revenues and Special Items	175,793,999
CN	Change in Net Assets	2,642,805
NB	Net Assets--Beginning	4,714,095
NE	Net Assets--Ending	\$ 7,356,900

The notes to the financial statements are an integral part of this statement.

KELLER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2006

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Data Control Codes	DEC 28 2006	10 General Fund	50 Debt Service Fund	60 Capital Projects
TO BE USED ONLY FOR MANAGEMENT DISCUSSION PURPOSES. ENGAGEMENT IS INCOMPLETE. THE DRAFT IS SUBJECT TO THE FINANCIAL STATEMENT REVIEW.				
ASSETS				
1110	Cash and Cash Equivalents	\$ 41,442,954	\$ 1,703,577	\$ 63,106,319
1220	Property Taxes - Delinquent	2,049,430	433,287	-
1230	Allowance for Uncollectible Taxes (Credit)	(512,357)	(108,322)	-
1240	Due from Other Governments	8,559,520	372,495	9,987
1250	Accrued Interest	700	-	-
1260	Due from Other Funds	707,998	2,530,139	-
1290	Other Receivables	185,122	-	48,889
1300	Inventories	141,901	-	-
1410	Deferred Expenditures	15,179	4,109	-
1000	Total Assets	\$ 52,590,447	\$ 4,935,285	\$ 63,165,195
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	Accounts Payable	\$ 2,049,412	\$ -	\$ 9,301,427
2150	Payroll Deductions and Withholdings Payable	784,817	-	-
2160	Accrued Wages Payable	4,136,568	-	-
2170	Due to Other Funds	1,824,204	2,206	2,412,851
2180	Due to Other Governments	-	-	-
2300	Deferred Revenues	1,615,098	324,965	54,000
2000	Total Liabilities	\$ 10,410,099	\$ 327,171	\$ 11,768,278
Fund Balances:				
Reserved For:				
3410	Investments in Inventory	\$ 141,901	\$ -	\$ -
3420	Retirement of Long Term Debt	-	4,608,114	-
3450	Food Service	-	-	-
3470	Capital Acquisition Program	-	-	51,396,917
Unreserved Designated For:				
3590	Other Purposes	13,374,603	-	-
Unreserved and Undesignated:				
3600	Reported in the General Fund	28,663,844	-	-
3610	Reported in Special Revenue Funds	-	-	-
3000	Total Fund Balances	\$ 42,180,348	\$ 4,608,114	\$ 51,396,917
4000	Total Liabilities and Fund Balances	\$ 52,590,447	\$ 4,935,285	\$ 63,165,195

The notes to the financial statements are an integral part of this statement.

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Other Funds	Total Governmental Funds
\$ 3,743,437	\$ 109,996,287
-	2,482,717
-	(620,679)
765,307	9,707,309
-	700
-	3,238,137
112,146	346,157
277,062	418,963
-	19,288
<u>\$ 4,897,952</u>	<u>\$ 125,588,879</u>

\$ 1,481,937	\$ 12,832,776
-	784,817
99,511	4,236,079
705,792	4,945,053
9,889	9,889
-	1,994,063
<u>\$ 2,297,129</u>	<u>\$ 24,802,677</u>

\$ 277,062	\$ 418,963
-	4,608,114
657,008	657,008
-	51,396,917
-	13,374,603
-	28,663,844
1,666,753	1,666,753
<u>\$ 2,600,823</u>	<u>\$ 100,786,202</u>

<u>\$ 4,897,952</u>	<u>\$ 125,588,879</u>
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KELLER INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2006

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	100,786,202
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.		6,229,470
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.		521,031,415
3 Accumulated depreciation has not been recorded in the fund financial statements.		(78,418,329)
4 Bonds payable have not been included in the fund financial statements.		(484,579,357)
5 Accreted interest on capital appreciation bonds is not capitalized in the fund financial statements .		(53,788,710)
6 Bond issue costs are not capitalized in the fund financial statements.		4,452,052
7 Premiums on the issuance of bonds are not capitalized in the fund financial statements		(16,655,730)
8 Revenue from property taxes is reported as deferred revenue in the fund financial statements but is recognized as revenue in the government-wide financial statements.		1,862,037
9 Accrued liabilities for compensated absences have not been reflected in the fund financial statements.		(358,680)
10 Interest is accrued on outstanding debt in the government-wide financial statements whereas in the fund financial statements interest expenditures are reported when due.		(2,866,519)
11 Deferred loss on bond refunding has not been reflected in the fund financial statements.		9,663,049
19 Net Assets of Governmental Activities	\$	7,356,900

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KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2006

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 111,878,807	\$ 21,710,060	\$ 4,026,693
5800 State Program Revenues	34,166,309	5,201,057	-
5900 Federal Program Revenues	1,677	-	-
5020 Total Revenues	146,046,793	26,911,117	4,026,693
EXPENDITURES:			
Current:			
0011 Instruction	83,146,417	-	-
0012 Instructional Resources and Media Services	2,620,038	-	-
0013 Curriculum and Instructional Staff Development	1,191,021	-	16,281
0021 Instructional Leadership	1,886,722	-	-
0023 School Leadership	8,772,938	-	-
0031 Guidance, Counseling and Evaluation Services	5,094,685	-	-
0032 Social Work Services	149,675	-	-
0033 Health Services	1,087,437	-	-
0034 Student (Pupil) Transportation	3,866,442	-	-
0035 Food Services	-	-	-
0036 Cocurricular/Extracurricular Activities	4,102,239	-	-
0041 General Administration	4,066,828	-	27,457
0051 Facilities Maintenance and Operations	19,882,515	-	-
0052 Security and Monitoring Services	325,805	-	-
0053 Data Processing Services	1,707,663	-	-
0061 Community Services	416,540	-	-
Debt Service:			
0071 Debt Service - Principal on Long Term Debt	-	4,913,597	-
0072 Debt Service - Interest on Long Term Debt	-	23,269,220	-
0073 Debt Service - Bond Issuance Cost and Fees	-	2,462,538	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	834,585	-	68,825,123
Intergovernmental:			
0097 Payments to Tax Increment Fund	1,116,700	-	-
6030 Total Expenditures	140,268,250	30,645,355	68,868,861
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	5,778,543	(3,734,238)	(64,842,168)
OTHER FINANCING SOURCES (USES):			
7901 Refunding Bonds Issued	-	89,844,973	-
7912 Sale of Real and Personal Property	-	-	6,838,452
7915 Transfers In	-	2,412,851	-
7916 Premium or Discount on Issuance of Bonds	-	2,966,015	-
7917 Prepaid Interest	-	357,441	-
7949 Other Resources	2,009	-	-
8911 Transfers Out (Use)	-	-	(2,412,851)
8949 Other (Uses)	-	(91,847,042)	-
7080 Total Other Financing Sources (Uses)	2,009	3,734,238	4,425,601
1200 Net Change in Fund Balances	5,780,552	-	(60,416,567)
0100 Fund Balance - September 1 (Beginning)	36,399,796	4,608,114	111,813,484
3000 Fund Balance - August 31 (Ending)	\$ 42,180,348	\$ 4,608,114	\$ 51,396,917

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The notes to the financial statements are an integral part of this statement.

	Other Funds	Total Governmental Funds
\$	11,476,488	\$ 149,092,048
	2,627,604	41,994,970
	5,534,403	5,536,080
	19,638,495	196,623,098
	8,018,156	91,164,573
	316,710	2,936,748
	368,058	1,575,360
	97,023	1,983,745
	51,974	8,824,912
	371,419	5,466,104
	983	150,658
	14,887	1,102,324
	-	3,866,442
	7,852,329	7,852,329
	1,041,958	5,144,197
	16,298	4,110,583
	103,295	19,985,810
	-	325,805
	8,055	1,715,718
	12,471	429,011
	-	4,913,597
	-	23,269,220
	-	2,462,538
	512	69,660,220
	-	1,116,700
	18,274,128	258,056,594
	1,364,367	(61,433,496)
	-	89,844,973
	-	6,838,452
	-	2,412,851
	-	2,966,015
	-	357,441
	-	2,009
	-	(2,412,851)
	-	(91,847,042)
	-	8,161,848
	1,364,367	(53,271,648)
	1,236,456	154,057,850
\$	2,600,823	\$ 100,786,202

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KELLER INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2006

Total Net Change in Fund Balances - Governmental Funds	\$ (53,271,648)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net effect of this consolidation is to decrease net assets.	(1,397,899)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2006 capital outlays is to increase net assets.	66,186,144
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(8,843,173)
Current year long-term debt principal payments on bonds payable and payments of accreted interest on capital appreciation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	7,885,175
The current year issuance of bonds are shown as an other resource in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements.	(89,844,973)
Current year payments to bond refunding escrow agent are shown as other uses in the fund financial statements but are shown as reductions in long-term debt and as a deferred loss on bond refunding in the government-wide financial statements.	91,847,042
Current year accretion on capital appreciation bonds is not recorded in the fund financial statements, but is shown as an increase in the accreted interest on the government-wide financial statements.	(6,731,200)
Current year bond issue costs are expenditures in the fund financial statements, but are capitalized net of amortization in the government-wide financial statements.	2,460,587
Current year amortization of bond issue costs is not reflected in the fund financial statements, but is shown as a reduction to the bond issue costs asset in the government-wide financial statements.	(200,263)
The premium on the current year bond issuance is recorded as an other resource in the fund financial statements, but is capitalized net of amortization in the government-wide financial statements.	(2,966,015)

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The notes to the financial statements are an integral part of this statement.

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 DISCUSSION PURPOSES. FINANCIAL STATEMENTS
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 FINAL REVIEW AND POSSIBLE REVISIONS.

KELLER INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2006

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.	719,004
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed net of an allowance for uncollectible accounts in the government-wide statements.	220,127
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(15,260)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(1,849,732)
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.	(416,651)
Proceeds received from the sale of capital assets is recorded as an other resource in the fund financial statements but is shown as a component of the gain on sale of capital assets in the government-wide financial statements.	(6,838,452)
The gain on sale of capital assets has not been recorded in the fund financial statements.	5,699,992
Change in Net Assets of Governmental Activities	\$ 2,642,805

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KELLER INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 AUGUST 31, 2006

EXHIBIT D-1

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 6,858,139
Due from Other Funds	1,706,916
Total Assets	8,565,055
LIABILITIES	
Current Liabilities:	
Accounts Payable	2,335,585
Total Liabilities	2,335,585
NET ASSETS	
Unrestricted Net Assets	6,229,470
Total Net Assets	\$ 6,229,470

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The notes to the financial statements are an integral part of this statement.

KELLER INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2006

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 9,756,308
Total Operating Revenues	9,756,308
OPERATING EXPENSES:	
Payroll Costs	8,921
Professional and Contracted Services	108,835
Supplies and Materials	9,291,231
Other Operating Costs	2,053,105
Total Operating Expenses	11,462,092
Operating Income (Loss)	(1,705,784)
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	307,885
Total Nonoperating Revenue (Expenses)	307,885
Change in Net Assets	(1,397,899)
Total Net Assets - September 1 (Beginning)	7,627,369
 Total Net Assets - August 31 (Ending)	 \$ 6,229,470

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 DISCUSSION PURPOSES. STATEMENT IS
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KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2006

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 14,264,085
Cash Payments to Employees for Services	(8,921)
Cash Payments for Insurance Claims	(8,478,003)
Cash Payments for Other Operating Expenses	(3,473,967)
Net Cash Provided by Operating Activities	<u>2,303,194</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>307,885</u>
Net Increase in Cash and Cash Equivalents	2,611,079
Cash and Cash Equivalents at Beginning of the Year:	<u>4,247,060</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 6,858,139</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>	
Operating Income (Loss):	\$ (1,705,784)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease in Due from Other Funds	4,507,777
Increase in Accounts Payable	813,228
Decrease in Due to Other Funds	(1,312,027)
Net Cash Provided by Operating Activities	<u>\$ 2,303,194</u>

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PROVISION PURPOSES. DISTRICT'S
RESERVE FOR CONTINGENCIES IS
MAINTAINED IN THE DISTRICT'S
GENERAL FUND AND SHOULD REMAIN

The notes to the financial statements are an integral part of this statement.

KELLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2006

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 247,440
Other Receivables	1,161
Total Assets	\$ 248,601
LIABILITIES	
Accounts Payable	\$ 28,393
Due to Student Groups	220,208
Total Liabilities	\$ 248,601

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The notes to the financial statements are an integral part of this statement.

KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

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A. Reporting Entity

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity" as amended by GASB 39 "Determining Whether Certain Organizations are Component Units". There are no component units included within the reporting entity and the District is not included in any other governmental reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Keller Independent School District non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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*.

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

KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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LEGAL COUNSEL AND FINANCIAL SERVICES

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – continued

B. Government-Wide and Fund Financial Statements - continued

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

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. 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 are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – continued

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. Net assets are segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. Fund Accounting

The District reports the following major governmental funds:

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

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

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

Additionally, the District reports the following non major fund types:

Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

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

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SCHOOL DISTRICT AND IS SUBJECT TO
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NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – continued

D. Fund Accounting - continued

Proprietary Funds:

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

Fiduciary Funds:

Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity fund.

E. 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.

F. Temporary Investments

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

G. Inventory

Inventories on the balance sheet consist of material and supplies and are recorded at first-in, first-out (FIFO) cost. The District follows the consumption method of accounting whereby supplies and materials are recorded as expenditures when utilized.

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

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DEC 28 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – continued

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H. Compensated Absences

Any district employee who is professionally certified and has at least five years of service to the district is paid for all leave days upon termination of employment with the district. Leave days are earned at a rate of five days per year. The leave days accrue with no limit. A resigning employee shall receive \$30 per day, 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.

I. 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.

J. Accounting Estimates

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

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula becomes available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate as of August 31, 2006 will change.

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

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NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – continued

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K. 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.

L. Capital Assets

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

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

KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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DEC 28 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – continued

L. Capital Assets - continued

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

M. Long-Term Debt

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

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

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

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DEC 28 2006

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NOTE 2. BONDED DEBT PAYABLE

Bonded debt payable as of August 31, 2006 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding 9/01/05</u>	<u>Issued Current Year</u>	<u>Refunded Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding 8/31/06</u>
Refunding and School Building Bonds Series 1992 & 1992A	5.625-6.25	\$29,245,000	\$ 740,000	\$ -	\$ -	\$ -	\$ 740,000
Refunding and School Building Bonds Series 1993 & 1993A	3.50-6.25	31,065,000	505,000	-	170,000	20,000	315,000
Unlimited Tax School Building Bonds Series 1995	5.10-6.40	5,799,387	222,120	-	-	-	222,120
Unlimited Tax School Building and Refunding Bonds Series 1996A	3.60-5.90	59,539,931	28,769,931	-	12,555,000	140,608	16,074,323
Unlimited Tax School Building and Refunding Bonds Series 1997A	3.85-6.00	29,698,013	23,123,013	-	9,385,000	714,095	13,023,918
Unlimited Tax School Building and Refunding Bonds Series 1998	4.20-5.00	90,610,038	75,470,739	-	-	1,150,000	74,320,739
Unlimited Tax School Building and Refunding Bonds Series 1999	4.00-4.90	30,190,000	29,820,000	-	-	305,000	29,515,000
Unlimited Tax School Building and Refunding Bonds Series 2000	4.90-6.00	83,961,810	18,356,810	-	-	-	18,356,810
Unlimited Tax School Building and Refunding Bonds Series 2001	5.25-5.5	117,068,480	91,405,410	-	67,735,000	1,013,897	22,656,513

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

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NOTE 2. BONDED DEBT PAYABLE – continued

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Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 9/01/05	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 8/31/06
Unlimited Tax Refunding Bonds Series 2002	3.00-4.20	7,184,997	6,839,997	-	-	1,219,997	5,620,000
Unlimited Tax Refunding Bonds Series 2005	4.75-5.00	98,339,961	97,544,961	-	-	350,000	97,194,961
Unlimited Tax Building and Refunding Bonds Series 2005A	4.00-5.00	117,165,000	116,695,000	-	-	-	116,695,000
Unlimited Tax School Refunding Bonds Series 2005A	4.00-5.00	89,844,973	-	89,844,973	-	-	89,844,973
Total bonded debt payable			<u>\$489,492,981</u>	<u>\$89,844,973</u>	<u>\$89,845,000</u>	<u>\$4,913,597</u>	<u>\$484,579,357</u>

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

Due Fiscal Year Ending August 31	Principal	Interest	Total
2007	\$ 7,540,582	\$ 25,022,258	\$ 32,562,840
2008	9,680,558	25,262,172	34,942,730
2009	9,724,958	25,850,362	35,575,320
2010	8,949,795	28,405,126	37,354,921
2011	10,352,305	29,012,190	39,364,495
2012-2016	56,092,419	137,431,039	193,523,458
2017-2021	75,218,741	120,549,604	195,768,345
2022-2026	141,800,000	62,474,396	204,274,396
2027-2031	<u>165,220,000</u>	<u>23,021,640</u>	<u>188,241,640</u>
	<u>\$ 484,579,357</u>	<u>\$ 477,028,788</u>	<u>\$ 961,608,145</u>

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

In 2006, the District issued \$89,844,973 in Unlimited Tax Refunding Bonds to advance refund \$89,845,000 of outstanding 1993A, 1996A, 1997A and 2001 series bonds. The net proceeds of \$90,350,401 (\$89,844,973 par amount of the bonds plus \$2,966,015 of premium paid on the bonds less \$963,946 of underwriting fees, insurance, and other issuance costs) were used to purchase U.S. and State and Local Government Series Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993A, 1996A, 1997A and 2001 series bonds. As a result, those bonds were considered to be defeased and the liability for those bonds was removed from long-term debt.

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

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KELLER INDEPENDENT SCHOOL DISTRICT
1000 WEST 10TH STREET
KELLER, TEXAS 75424

NOTE 2. BONDED DEBT PAYABLE – continued

The refundings were undertaken to reduce the District's total debt service payments over the next 25 years by approximately \$5,237,067 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$4,152,502.

In prior years, the District issued \$80,090,316 in Refunding and School Building Bonds to defease \$80,713,994 in School Building Bonds then outstanding. Of the \$80,713,994 of bonds originally defeased, \$16,262,108 remain outstanding at August 31, 2006.

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, 2005	\$ 343,420
New entrants and salary increments	86,818
Payments to participants	<u>(71,558)</u>
 Balance, August 31, 2006	 <u>\$ 358,680</u>

NOTE 4. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and notes payable					
General obligation bonds	\$489,492,981	\$89,844,973	\$94,758,597	\$484,579,357	\$ 7,540,582
Accreted interest	50,029,088	6,731,200	2,971,578	53,788,710	3,869,405
Deferred loss on bond refunding	(8,077,658)	(2,002,042)	(416,651)	(9,663,049)	(416,651)
Compensated absences	<u>343,420</u>	<u>86,818</u>	<u>71,558</u>	<u>358,680</u>	<u>71,558</u>
 Total Governmental activities long-term liabilities	 <u>\$531,787,831</u>	 <u>\$94,660,949</u>	 <u>\$97,385,082</u>	 <u>\$529,063,698</u>	 <u>\$11,064,894</u>

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

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NOTE 5. CAPITAL ASSET ACTIVITY

Capital asset activity for the district for the year ended August 31, 2006 was as follows:

Primary government:

	Balance 9/01/05	Additions (Transfers)	Deletions	Balance 8/31/06
Capital assets, not being depreciated				
Land	\$ 19,980,953	\$ 78,488	\$ 1,138,460	\$ 18,920,981
Construction in progress	<u>7,437,792</u>	<u>65,100,759</u>	<u>-</u>	<u>72,538,551</u>
Total capital assets, not being depreciated	<u>27,418,745</u>	<u>65,179,247</u>	<u>1,138,460</u>	<u>91,459,532</u>
Capital assets, being depreciated				
Buildings and improvements	422,364,174	643,075	-	423,007,249
Furniture and equipment	<u>6,200,812</u>	<u>363,822</u>	<u>-</u>	<u>6,564,634</u>
Total capital assets, being depreciated	<u>428,564,986</u>	<u>1,006,897</u>	<u>-</u>	<u>429,571,883</u>
Less accumulated depreciation on:				
Buildings and improvements	66,429,365	8,370,375	-	74,799,740
Furniture and equipment	<u>3,145,791</u>	<u>472,798</u>	<u>-</u>	<u>3,618,589</u>
Total capital assets, being depreciated, net	<u>358,989,830</u>	<u>(7,836,276)</u>	<u>-</u>	<u>351,153,554</u>
Governmental activities capital assets, net	<u>\$386,408,575</u>	<u>\$ 57,342,971</u>	<u>\$ 1,138,860</u>	<u>\$ 442,613,086</u>

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

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KELLER INDEPENDENT SCHOOL DISTRICT

NOTE 5. CAPITAL ASSET ACTIVITY – continued

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

Instruction	\$ 6,328,196
Instructional resources & media services	423,026
Curriculum and staff development	4,723
Instructional leadership	9,320
School leadership	218,576
Guidance, counseling and evaluation services	90,077
Health services	38,860
Student (pupil) transportation	30,432
Food services	871,029
Cocurricular/extracurricular activities	235,737
General administration	137,180
Plant maintenance and operations	160,578
Security and monitoring services	4,514
Data processing services	15,546
Community services	187,079
Facilities acquisition and construction	<u>88,300</u>
 Total Depreciation Expense	 <u><u>\$ 8,843,173</u></u>

NOTE 6. DEPOSITS AND INVESTMENTS

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

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

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

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NOTE 6. DEPOSITS AND INVESTMENTS – continued

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

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

Cash and investments as of August, 31 2006 are classified in the accompanying financial statements as follows:

Primary government	\$116,854,426
Fiduciary funds	<u>247,440</u>
	<u>\$117,101,866</u>

Cash and investments as of August 31, 2006 consist of the following:

Deposits with financial institutions	(\$ 805,661)
Investments	<u>117,907,527</u>
	<u>\$117,101,866</u>

Disclosures relating to interest rate risk

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

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

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NOTE 6. DEPOSITS AND INVESTMENTS – continued

As of August 31, 2006, the District had the following investments:

Investment Type	Amount	Weighted Average Maturity
TexPool	\$5,348,085	25 days
TexStar	112,543,639	14 days
LOGIC	15,803	45 days
	<u>\$117,907,527</u>	

As of August 31, 2006 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.

Investment Type	Amount	Minimum Legal Rating	Rating as of August 31, 2006
Texpool	\$5,348,085	AAA	AAAm
TexStar	112,543,639	AAA	AAAm
LOGIC	15,803	AAA	AAA

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. As of August 31, 2006, other than external investment pools, the District did not have 5% or more of its investment with one issuer.

KELLER INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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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 MARKET VALUE OF THE PLEDGED
SECURITIES IN THE COLLATERAL POOL
MUST EQUAL AT LEAST THE BANK BALANCE
LESS THE FDIC INSURANCE AT ALL TIMES.

NOTE 6. DEPOSITS AND INVESTMENTS – continued

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

As of August 31, 2006 the District deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

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

- A. Depository: Bank of America
- B. Security pledged as of the date of the highest combined balance on deposit was \$536,732.
- C. Largest cash, savings and time deposit combined account balance amounted to \$554,323 and occurred during the month of April 2006.
- D. Total amount of FDIC coverage at the time of largest combined balance was \$100,000.

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

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NOTE 6. DEPOSITS AND INVESTMENTS – continued

Investment in State Investment Pools

The District is a voluntary participant in various investment pools. These pools included the following: TexPool and Lone Star.

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

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

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

NOTE 7. RETIREMENT PLAN

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

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

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NOTE 7. RETIREMENT PLAN – continued

Funding Policy. State law provides a state contribution rate of 6.0% and a member contribution rate of 6.4% for fiscal years 2004, 2005 and 2006. In certain instances, the reporting district is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of the District's employees and reflected in the District's financial statements as both revenue and expenditures for the years ended August 31, 2004, 2005 and 2006 were \$4,915,344, \$4,934,149 and \$6,085,771 respectively. The District paid additional state contributions for the years ended August 31, 2004, 2005 and 2006 in the amount of \$828,164, \$941,162 and \$1,110,838, respectively, on a portion of the employees' salaries that exceeded the statutory minimum.

NOTE 8. RISK MANAGEMENT

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

Effective January 1994, the District discontinued its participation in the Texas Association of School Boards (TASB) workers' compensation risk pool and established a self-insurance plan for workers' compensation benefits for employees. The District's retention of risk is \$200,000 per occurrence with an aggregate stop-loss limit of \$1,000,000 over a three year period. Claims incurred by the employees of the District are handled by a third party administrator who is responsible for estimating losses to be incurred by the District and ultimately paid to the claimant.

Effective December 2002, the District established a self-funded health insurance plan. The District and employees share the cost of employee coverage. Employees, at their option, can authorize payroll withholdings to pay contributions or premiums for dependents. The plan is authorized by Article 3.51-2, Texas Insurance Code and is documented by a contractual agreement. The District's retention of risk is \$125,000 per employee with an aggregate stop-loss limit of approximately \$2,900,000 at August 31, 2006.

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

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NOTE 8. RISK MANAGEMENT – continued

Settled claims have not exceeded the aggregate coverage in any of the past three fiscal years. Insurance coverage has not been reduced for the year from the prior year. Accrued claims payable of \$2,335,585 as of August 31, 2006, includes provisions for claims reported but not paid and claims incurred but not reported. The provision for reported claims is determined by estimating the amount that will ultimately be paid each claimant and is calculated and provided by the District's third party administrator. The District estimates the provision for claims incurred but not yet reported. Accrued claims payable have not been discounted to their present value as the District expects such claims to be paid within the following fiscal year. The District believes that any discount of the claims payable would not be material to the overall financial statements.

Changes in the fund's claims liability amount for the year ended August 31, 2006 and 2005 are as follows:

	2006	2005
Liability, beginning of year	\$ 1,522,357	\$ 1,122,376
Current year claims and changes in estimates	9,291,231	7,450,475
Claim payments	(8,478,003)	(7,050,494)
Liability, end of year	<u>\$ 2,335,585</u>	<u>\$ 1,522,357</u>

NOTE 9. LITIGATION

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

NOTE 10. COMMITMENTS

In a prior year, the District entered into an agreement with Stock Transportation, Inc. (Stock) for the outsourcing of student transportation, whereby the District sold its existing fleet of school buses to Stock for a price of \$1,021,000 and Stock 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 on August 1, 2004 and ending July 31, 2009.

The District has also entered into operating leases for office equipment which expire between October 2006 and May 2009.

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

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NOTE 10. COMMITMENTS – continued

The District's financial commitment for the fiscal years ending August 31, are as follows:

2007		\$ 2,977,764
2008		2,937,795
2009		<u>2,827,520</u>
		<u>\$ 8,473,079</u>

NOTE 11. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2006, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Other Local Governments	Total
General	\$ 8,406,150	\$ -	\$ 153,370	\$ 8,559,520
Special Revenue	181,629	583,678	-	765,307
Debt Service	372,495	-	-	372,495
Capital Projects	-	-	<u>9,987</u>	<u>9,987</u>
Total	<u>\$ 8,960,274</u>	<u>\$ 583,678</u>	<u>\$ 163,357</u>	<u>\$ 9,707,309</u>

NOTE 12. DEFERRED REVENUE

Deferred revenue at August 31, 2006 consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Net tax revenue	\$1,537,072	\$ 324,965	\$ -	\$1,862,037
Contract funds received in Advance	-	-	54,000	54,000
Grant funds received in advance of expenditures	<u>78,026</u>	<u>-</u>	<u>-</u>	<u>78,026</u>
Total	<u>\$1,615,098</u>	<u>\$ 324,965</u>	<u>\$ 54,000</u>	<u>\$1,994,063</u>

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

NOTE 13. INTERFUND BALANCES AND ACTIVITIES

Interfund balances at August 31, 2006 consisted of the following individual fund balances:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	ESEA Title I	\$ 91,047	Reclass of deficit pooled cash
General Fund	IDEA-B Formula	135,637	Reclass of deficit pooled cash
General Fund	IDEA-B Preschool	2,705	Reclass of deficit pooled cash
General Fund	Vocational Education	2,389	Reclass of deficit pooled cash
General Fund	ESEA Title II	49,970	Reclass of deficit pooled cash
General Fund	Language Enhancement	40,049	Reclass of deficit pooled cash
General Fund	Emergency Impact Aid	161,003	Reclass of deficit pooled cash
General Fund	Early Childhood	1,489	Reclass of deficit pooled cash
General Fund	Student Success	42,532	Reclass of deficit pooled cash
General Fund	Technology	35,114	Reclass of deficit pooled cash
General Fund	Telecom Infrastructure	101,959	Reclass of deficit pooled cash
General Fund	Employees Health Ins.	41,898	Reclass of deficit pooled cash
Debt Service	General Fund	117,288	Tax revenues owed
General Fund	Debt Service	2,206	Reimbursement of expenditures
Debt Service	Capital Projects	2,412,851	Operating transfers owed
Internal Service	General Fund	<u>1,706,916</u>	Insurance premiums owed
		<u>\$ 4,945,053</u>	

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

NOTE 14. DESIGNATIONS OF FUND BALANCE

The District has the following designations of fund balance as of August 31, 2006:

Student transportation	\$ 1,025,000
Replacement of athletic turf	80,000
Maintenance projects	117,472
Budgetary contingencies	<u>12,152,131</u>
	<u>\$13,374,603</u>

NOTE 15. SUBSEQUENT EVENT

On October 1, 2006 the District issued \$64,749,980 in unlimited tax refunding bonds to advance refund \$64,750,000 of series 1998 and 1999 bonds with original maturities between 2016 and 2031. The refundings were undertaken to reduce the District's total debt service payments over the next 25 years by approximately \$3,287,582 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$1,635,444.

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EXHIBIT G-1

KELLER INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2006

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 PURPOSES. ENGAGEMENT IS
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 LAW AND POSSIBLE REVISION.

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 111,264,418	\$ 111,608,096	\$ 111,878,807	\$ 270,711
5800	State Program Revenues	25,115,916	31,069,241	34,166,309	3,097,068
5900	Federal Program Revenues	20,000	20,000	1,677	(18,323)
5020	Total Revenues	136,400,334	142,697,337	146,046,793	3,349,456
EXPENDITURES:					
Current:					
0011	Instruction	81,228,064	85,819,709	83,146,417	2,673,292
0012	Instructional Resources and Media Services	2,846,568	2,929,990	2,620,038	309,952
0013	Curriculum and Instructional Staff Development	990,725	1,323,056	1,191,021	132,035
0021	Instructional Leadership	2,697,249	2,181,421	1,886,722	294,699
0023	School Leadership	8,979,418	9,510,773	8,772,938	737,835
0031	Guidance, Counseling and Evaluation Services	5,028,236	5,260,037	5,094,685	165,352
0032	Social Work Services	83,659	156,410	149,675	6,735
0033	Health Services	992,882	1,121,787	1,087,437	34,350
0034	Student (Pupil) Transportation	3,845,222	3,915,222	3,866,442	48,780
0036	Cocurricular/Extracurricular Activities	4,433,820	4,561,175	4,102,239	458,936
0041	General Administration	4,178,022	4,377,428	4,066,828	310,600
0051	Facilities Maintenance and Operations	17,493,524	19,896,073	19,882,515	13,558
0052	Security and Monitoring Services	299,247	656,905	325,805	331,100
0053	Data Processing Services	1,706,976	1,726,822	1,707,663	19,159
0061	Community Services	398,816	447,805	416,540	31,265
Capital Outlay:					
0081	Facilities Acquisition and Construction	75,000	1,388,200	834,585	553,615
Intergovernmental:					
0097	Payments to Tax Increment Fund	1,122,906	1,122,906	1,116,700	6,206
6030	Total Expenditures	136,400,334	146,395,719	140,268,250	6,127,469
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,698,382)	5,778,543	9,476,925
OTHER FINANCING SOURCES (USES):					
7949	Other Resources	-	-	2,009	2,009
7080	Total Other Financing Sources (Uses)	-	-	2,009	2,009
1200	Net Change in Fund Balances	-	(3,698,382)	5,780,552	9,478,934
0100	Fund Balance - September 1 (Beginning)	36,399,796	36,399,796	36,399,796	-
3000	Fund Balance - August 31 (Ending)	\$ 36,399,796	\$ 32,701,414	\$ 42,180,348	\$ 9,478,934

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

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FINAL REVIEW AND POSSIBLE REVISION.

BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" on a GAAP basis for the General Fund, Food Service Fund which is included in the Special Revenue funds and Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget appears in Exhibit G-1 and the other two budgets are in Exhibit I-3 and I-4.

The following procedures are followed in establishing the budgetary data:

1. Prior to August 20th the District prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment is made 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:

<u>Function</u>	<u>Increase (Decrease)</u>
Instruction	\$ 4,591,645.00
Instructional Leadership	\$ (515,828.00)
School Leadership	\$ 531,355.00
Facilities Maintenance and Operations	\$ 2,402,549.00
Facilities Acquisition and Construction	\$ 1,313,200.00

4. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
5. The Texas Education Agency requires these budgets to be filed with the Texas Education 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 used in this report.

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COMBINING STATEMENTS

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KELLER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2006

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Data Control Codes		204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
	<small>TO BE USED ONLY FOR NONMAJOR GOVERNMENTAL FUNDS DISCLOSED IN PARTS B-2 AND C-2 OF THE FINANCIAL STATEMENTS. THIS STATEMENT IS INCOMPLETE. DO NOT USE FOR FINANCIAL REVIEW PURPOSES.</small>				
ASSETS					
1110	Cash and Cash Equivalents	\$ 514	\$ 73,178	\$ -	\$ 2,705
1240	Due from Other Governments	-	23,362	222,302	2,844
1290	Other Receivables	-	-	500	-
1300	Inventories	-	-	-	-
1000	Total Assets	\$ 514	\$ 96,540	\$ 222,802	\$ 5,549
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 5,493	\$ 87,165	\$ 2,844
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	91,047	135,637	2,705
2180	Due to Other Governments	514	-	-	-
2000	Total Liabilities	514	96,540	222,802	5,549
Fund Balances:					
Reserved For:					
3410	Investments in Inventory	-	-	-	-
3450	Food Service	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	\$ 514	\$ 96,540	\$ 222,802	\$ 5,549

EXHIBIT H-1 (Cont'd)

240 National Breakfast and Lunch Program	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs	289 Emergency Impact Aid	385 Visually Impaired	390 (LEP) Early Childhood Summer Prog.
\$ 1,398,631	\$ 2,389	\$ 39,144	\$ 37,582	\$ -	\$ -	\$ -	\$ 11,204
144,132	-	11,055	2,467	-	177,516	-	-
2,322	-	-	-	-	-	-	-
277,062	-	-	-	-	-	-	-
<u>\$ 1,822,147</u>	<u>\$ 2,389</u>	<u>\$ 50,199</u>	<u>\$ 40,049</u>	<u>\$ -</u>	<u>\$ 177,516</u>	<u>\$ -</u>	<u>\$ 11,204</u>
\$ 788,566	\$ -	\$ 229	\$ -	\$ -	\$ 16,513	\$ -	\$ -
99,511	-	-	-	-	-	-	-
-	2,389	49,970	40,049	-	161,003	-	1,489
-	-	-	-	-	-	-	-
<u>888,077</u>	<u>2,389</u>	<u>50,199</u>	<u>40,049</u>	<u>-</u>	<u>177,516</u>	<u>-</u>	<u>1,489</u>
277,062	-	-	-	-	-	-	-
657,008	-	-	-	-	-	-	-
-	-	-	-	-	-	-	9,715
<u>934,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,715</u>
<u>\$ 1,822,147</u>	<u>\$ 2,389</u>	<u>\$ 50,199</u>	<u>\$ 40,049</u>	<u>\$ -</u>	<u>\$ 177,516</u>	<u>\$ -</u>	<u>\$ 11,204</u>

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KELLER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2006

Data Control Codes	393 Texas Successful Schools Prog.	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment	
ASSETS					
1110	Cash and Cash Equivalents	\$ 5,049	\$ 76,627	\$ 7,997	\$ 276,671
1240	Due from Other Governments	-	-	106,827	49,319
1290	Other Receivables	-	-	-	109,324
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 5,049</u>	<u>\$ 76,627</u>	<u>\$ 114,824</u>	<u>\$ 435,314</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ 72,292	\$ 385,483
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	42,532	35,114
2180	Due to Other Governments	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>114,824</u>	<u>420,597</u>
Fund Balances:					
Reserved For:					
3410	Investments in Inventory	-	-	-	-
3450	Food Service	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	5,049	76,627	-	14,717
3000	Total Fund Balances	<u>5,049</u>	<u>76,627</u>	<u>-</u>	<u>14,717</u>
4000	Total Liabilities and Fund Balances	<u>\$ 5,049</u>	<u>\$ 76,627</u>	<u>\$ 114,824</u>	<u>\$ 435,314</u>

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EXHIBIT H-1

413 Telecom Infrastruct. Fund	418 Employee Health Insurance	429 Auto License Fee Reading Program	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 127,152	\$ 25,790	\$ 3,284	\$ 1,655,520	\$ 3,743,437
-	25,483	-	-	765,307
-	-	-	-	112,146
-	-	-	-	277,062
<u>\$ 127,152</u>	<u>\$ 51,273</u>	<u>\$ 3,284</u>	<u>\$ 1,655,520</u>	<u>\$ 4,897,952</u>
\$ -	\$ -	\$ -	\$ 123,352	\$ 1,481,937
-	-	-	-	99,511
101,959	41,898	-	-	705,792
-	9,375	-	-	9,889
<u>101,959</u>	<u>51,273</u>	<u>-</u>	<u>123,352</u>	<u>2,297,129</u>
-	-	-	-	277,062
-	-	-	-	657,008
25,193	-	3,284	1,532,168	1,666,753
<u>25,193</u>	<u>-</u>	<u>3,284</u>	<u>1,532,168</u>	<u>2,600,823</u>
<u>\$ 127,152</u>	<u>\$ 51,273</u>	<u>\$ 3,284</u>	<u>\$ 1,655,520</u>	<u>\$ 4,897,952</u>

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KELLER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2006

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	43,755	458,045	2,186,759	36,112
5020 Total Revenues	43,755	458,045	2,186,759	36,112
EXPENDITURES:				
Current:				
0011 Instruction	-	453,036	1,822,102	36,112
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	3,285	-	-
0021 Instructional Leadership	947	1,665	81,085	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	42,808	-	283,572	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	59	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	43,755	458,045	2,186,759	36,112
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

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TO BE USED ONLY FOR
 PROGRAMS
 FUND BALANCE
 AND EXPENDITURES

EXHIBIT H-2 (Cont'd)

240 National Breakfast and Lunch Program	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs	289 Emergency Impact Aid	385 Visually Impaired	390 (LEP) Early Childhood Summer Prog.
\$ 5,642,397	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
178,482	-	-	-	-	-	17,304	10,454
1,640,374	97,963	325,062	59,500	38,376	648,457	-	-
7,461,253	97,963	325,062	59,500	38,376	648,457	17,304	10,454
-	97,963	-	37,022	33,966	648,457	17,304	3,800
-	-	-	-	-	-	-	-
-	-	319,109	20,192	4,410	-	-	-
-	-	5,953	2,286	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,697,911	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,697,911	97,963	325,062	59,500	38,376	648,457	17,304	3,800
(236,658)	-	-	-	-	-	-	6,654
1,170,728	-	-	-	-	-	-	3,061
\$ 934,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,715

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 AVAILABLE AT A LATER DATE.

KELLER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2006

Data Control Codes	393 Texas Successful Schools Prog.	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	68,537	427,041
5900	Federal Program Revenues	-	-	-
5020	Total Revenues	-	68,537	427,041
EXPENDITURES:				
Current:				
0011	Instruction	-	4,160	426,359
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	-	15,723	682
0021	Instructional Leadership	-	-	-
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-
0032	Social Work Services	-	-	-
0033	Health Services	-	-	-
0035	Food Services	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0053	Data Processing Services	-	-	-
0061	Community Services	-	-	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-
6030	Total Expenditures	-	19,883	427,041
1200	Net Change in Fund Balance	-	48,654	-
0100	Fund Balance - September 1 (Beginning)	5,049	27,973	-
3000	Fund Balance - August 31 (Ending)	\$ 5,049	\$ 76,627	\$ -

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 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

413 Telecom Infrastruct. Fund	418 Employee Health Insurance	429 Auto License Fee Reading Program	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 5,834,091	\$ 11,476,488
-	1,204,087	2,451	-	2,627,604
-	-	-	-	5,534,403
-	1,204,087	2,451	5,834,091	19,638,495
-	855,948	-	2,873,777	8,018,156
-	25,087	-	291,623	316,710
-	4,657	-	-	368,058
-	5,087	-	-	97,023
-	51,974	-	-	51,974
-	45,039	-	-	371,419
-	983	-	-	983
-	14,887	-	-	14,887
-	67,658	-	86,760	7,852,329
-	4,104	-	1,037,854	1,041,958
-	14,945	-	1,353	16,298
-	102,584	-	711	103,295
-	8,055	-	-	8,055
-	2,567	-	9,845	12,471
-	512	-	-	512
-	1,204,087	-	4,301,923	18,274,128
-	-	2,451	1,532,168	1,364,367
25,193	-	833	-	1,236,456
\$ 25,193	\$ -	\$ 3,284	\$ 1,532,168	\$ 2,600,823

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KELLER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2006

Last 10 Years Ended August 31	Tax Rates		(3) Assessed/Appraised Value for School Tax Purposes
	(1) Maintenance	(2) Debt Service	
1997 and prior years	Various	Various	\$ Various
1998	1.150000	0.350000	2,069,268,689
1999	1.175000	0.335000	2,378,877,844
2000	1.245000	0.230000	2,769,928,956
2001	1.273200	0.249500	3,456,116,638
2002	1.273000	0.255900	4,368,831,855
2003	1.392600	0.259300	5,188,548,506
2004	1.421300	0.254900	5,897,543,422
2005	1.433600	0.263900	6,630,965,629
2006 (School year under audit)	1.433600	0.282200	7,316,146,304
100 TOTALS			

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 KELLER INDEPENDENT SCHOOL DISTRICT
 12/28/06

(10) Beginning Balance 9/1/2005	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2006
\$ 158,086	\$ -	\$ 5,017	\$ 1,913	\$ (958)	\$ 150,198
41,337	-	3,854	1,173	(214)	36,096
56,907	-	9,114	2,598	(220)	44,975
57,581	-	8,298	1,533	(209)	47,541
108,326	-	53,596	10,503	23,953	68,180
158,490	-	103,928	20,892	122,225	155,895
197,811	-	152,458	28,387	152,942	169,908
322,574	-	219,492	39,364	159,154	222,872
1,088,102	-	509,179	93,731	(77,922)	407,270
-	124,241,484	105,471,296	20,761,714	3,171,308	1,179,782
<u>\$ 2,189,214</u>	<u>\$ 124,241,484</u>	<u>\$ 106,536,232</u>	<u>\$ 20,961,808</u>	<u>\$ 3,550,059</u>	<u>\$ 2,482,717</u>

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 FINANCIAL STATEMENTS

KELLER INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2006

UNAUDITED

1	Total General Fund Balance as of 8/31/06 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 42,180,348
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 141,901	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	13,374,603	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/06-5/31/07).	11,689,021	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	3,416,047	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	-	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)		<u>28,621,572</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ 13,558,776</u>

Explanation of need for and/or projected use of net positive Undesignated Unreserved General Fund Fund Balance:

One of the stated board goals is to maintain a fund balance equal to three months of expenditures. The \$42,180,348 accomplishes this goal.

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KELLER INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2006

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)	
	Original	Final			
	REVENUES:				
5700	Total Local and Intermediate Sources	\$ 4,195,937	\$ 5,225,462	\$ 5,642,397	\$ 416,935
5800	State Program Revenues	36,850	178,482	178,482	-
5900	Federal Program Revenues	1,113,064	1,965,976	1,640,374	(325,602)
5020	Total Revenues	5,345,851	7,369,920	7,461,253	91,333
EXPENDITURES:					
0035	Food Services	5,345,851	7,814,535	7,697,911	116,624
6030	Total Expenditures	5,345,851	7,814,535	7,697,911	116,624
1200	Net Change in Fund Balances	-	(444,615)	(236,658)	207,957
0100	Fund Balance - September 1 (Beginning)	1,170,728	1,170,728	1,170,728	-
3000	Fund Balance - August 31 (Ending)	\$ 1,170,728	\$ 726,113	\$ 934,070	\$ 207,957

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KELLER INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2006

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 24,405,926	\$ 24,609,577	\$ 21,710,060	\$ (2,899,517)
5800	State Program Revenues	5,360,550	7,349,549	5,201,057	(2,148,492)
5020	Total Revenues	29,766,476	31,959,126	26,911,117	(5,048,009)
EXPENDITURES:					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	4,913,597	4,913,597	4,913,597	-
0072	Debt Service - Interest on Long Term Debt	23,269,220	23,269,220	23,269,220	-
0073	Debt Service - Bond Issuance Cost and Fees	1,147,659	2,462,547	2,462,538	9
6030	Total Expenditures	29,330,476	30,645,364	30,645,355	9
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	436,000	1,313,762	(3,734,238)	(5,048,000)
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	89,844,973	89,844,973	-
7915	Transfers In	-	357,441	2,412,851	2,055,410
7916	Premium or Discount on Issuance of Bonds	-	2,966,015	2,966,015	-
7917	Prepaid Interest	-	357,441	357,441	-
8949	Other (Uses)	-	(91,847,042)	(91,847,042)	-
7080	Total Other Financing Sources (Uses)	-	1,678,829	3,734,238	2,055,409
1200	Net Change in Fund Balances	436,000	2,992,591	-	(2,992,591)
0100	Fund Balance - September 1 (Beginning)	4,608,114	4,608,114	4,608,114	-
3000	Fund Balance - August 31 (Ending)	\$ 5,044,114	\$ 7,600,705	\$ 4,608,114	\$ (2,992,591)

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12/28/05

FEDERAL AWARDS SECTION

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OF THE BUREAU OF LAND MANAGEMENT

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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

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Board of Trustees
KELLER INDEPENDENT SCHOOL DISTRICT
Keller, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keller Independent School District as of and for the year ended August 31, 2006, which collectively comprise Keller Independent School District's basic financial statements and have issued our report thereon dated December 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Keller Independent School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keller Independent School District's financial statements are free of material misstatement, we performed tests of Keller Independent School District's 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 that are required to be reported under Government Auditing Standards.

Board of Trustees
Keller Independent School District
Page Two

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

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
December 20, 2006

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

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Board of Trustees
KELLER INDEPENDENT SCHOOL DISTRICT
Keller, Texas

DEC 28 2006

Compliance

We have audited the compliance of Keller Independent School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2006. Keller Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Keller Independent School District's management. Our responsibility is to express an opinion on Keller Independent School District's compliance based on our audit.

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

In our opinion, Keller Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2006.

Internal Control Over Compliance

The management of Keller Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Keller Independent School District's internal control over compliance with requirements

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Board of Trustees
Keller Independent School District
Page Two

that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
December 20, 2006

**KELLER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2006**

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SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

An unqualified opinion was issued on the financial statements.

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weakness(es)? Yes None reported

An unqualified opinion was issued on compliance for major programs.

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

Identification of major programs:

84.010A	ESEA Title I, Part A
84,367A	ESEA Title II, Part A
84,938C	Emergency Impact Aid

- Dollar threshold used to distinguish between type A and type B programs? \$300,000

Auditee qualified as low-risk auditee? Yes No

**KELLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2006**

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SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

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INTERNAL PURPOSES
NOT TO BE DISTRIBUTED
OUTSIDE THE DISTRICT

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

**KELLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
AUGUST 31, 2006**

NONE

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WITHOUT THE WRITTEN
APPROVAL OF THE
AUDIT DEPARTMENT.

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**KELLER INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
AUGUST 31, 2006**

N/A

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PURPOSES OF THE
KELLER INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN

KELLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2006

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	06610101220907	\$ 458,045
IDEA - Part B, Formula	84.027	066600012209076600	2,186,759
Vocational Education - Basic Grant	84.048	0642000622090711	97,963
IDEA - Part B, Preschool	84.173	066610012209076610	36,112
ESEA Title IV - Safe and Drug-Free Schools	84.186A	06691001220907	43,755
Title V, Part A - Innovative Programs	84.298A	06685001220907	38,376
Title III, Part A - English Language Acquisition	84.365A	06671001220907	59,500
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	06694501220907	325,062
Emergency Impact Aid	84.938C	06520301220907	648,457
Total Passed Through State Department of Education			\$ 3,894,029
TOTAL DEPARTMENT OF EDUCATION			\$ 3,894,029
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
National School Breakfast & Lunch Program*	10.555		\$ 1,217,038
National School Breakfast Program*	10.553		169,581
USDA Donated Commodities	10.559		253,755
Total Passed Through the State Department of Agriculture			\$ 1,640,374
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,640,374
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,534,403

*Clustered Programs as required by Compliance Supplement March, 2006

Note 1: MAC reimbursements of \$1,677, which are recorded as federal revenue in the general fund, are not considered federal awards for the purposes of this schedule.

Note 2: The schedule of federal awards is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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KELLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2006