

*Killeen
Independent
School
District*

**Comprehensive
Annual
Financial
Report**

*Fiscal Year Ended
August 31, 2012*



*200 North W.S. Young Drive
Killeen, Texas 76543*

Comprehensive Annual Financial Report

of the

Killeen Independent School District

For the Fiscal Year Ended August 31, 2012

*Issued by:
Robert Muller, PhD
Superintendent*

*Killeen Independent School District
200 North W.S. Young Drive
Killeen, Texas 76543*

KILLEEN INDEPENDENT SCHOOL DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED AUGUST 31, 2012

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Certificate of Board	iv
 <u>Introductory Section</u>	
Letter of Transmittal	I
Principal Officers	XVI
Organizational Chart	XVII
ASBO Certificate of Excellence in Financial Reporting	XVIII
GFOA Certificate of Achievement for Excellence in Financial Reporting	XIX
 <u>Financial Section</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
 <u>Basic Financial Statements</u>	
Government Wide-Statements:	
A-1 Statement of Net Assets	13
B-1 Statement of Activities	15
Governmental Fund Financial Statements:	
C-1 Balance Sheet	16
C-2 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	19
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	20
C-4 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
C-5 Budgetary Comparison Statement - General Fund	23
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Assets	24
E-2 Statement of Changes in Fiduciary Net Assets	25
Notes to the Financial Statements	26
 <u>Supplementary Information:</u>	
<u>Combining Statements</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	60
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	66
Agency Funds:	
H-9 Combining Statement of Changes in Assets and Liabilities	73
Private Purpose Trust Funds:	
H-10 Combining Statement of Net Assets	74
H-11 Combining Statement of Changes in Net Assets	75
 <u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes Receivable	78
J-2 Schedule of Expenditures for Computations of Indirect Cost for 2013 -2014	80

<u>Exhibit</u>		<u>Page</u>
J-3	Budgetary Comparison Schedule – National Breakfast and Lunch Program	81
J-4	Budgetary Comparison Schedule - Debt Service Fund	82
J-5	Bond Schedule	84
J-6	Mandated Programs Schedule - General Fund	86

Statistical Section

	Statistical Section – Description of Contents	89
1	Net Assets by Component, Last Ten Fiscal Years	90
2	Expenses, Program Revenues, and Net Expense /Revenue, Last Ten Fiscal Years	92
3	General Revenues and Total Change in Net Assets, Last Ten Fiscal Years	94
4	Fund Balances, Governmental Funds, Last Ten Fiscal Years	96
5	Governmental Funds Revenues, Last Ten Fiscal Years	98
6	Governmental Funds Expenditures and Debt Service Ratio, Last Ten Fiscal Years	100
7	Other Financing Sources and Uses and Net Change in Fund Balances, Governmental Funds, Last Ten Fiscal Years	102
8	Assessed Value and Actual Value of Taxable Property, Last Ten Fiscal Years	104
9	Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	106
10	Principal Property Tax Payers, Current Year and Nine Years Ago	107
11	Property Tax Levies and Collections, Last Ten Fiscal Years	108
12	Outstanding Debt by Type, Last Ten Fiscal Years	109
13	Direct and Overlapping Governmental Activities Debt, As of August 31, 2012	111
14	Legal Debt Margin Information, Last Ten Fiscal Years	112
15	Demographic and Economic Statistics, Last Ten Calendar Years	114
16	Principal Employers, Current Year and Nine Years Ago	115
17	Full-Time-Equivalent District Employees by Type, Last Ten Fiscal Years	116
18	Operating Statistics, Last Ten Fiscal Years	119
19	Capital Asset Information, Last Ten Fiscal Years	120



CERTIFICATE OF BOARD

Killeen Independent School District
Name of School District

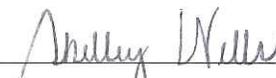
Bell
County

014906
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2012 at a meeting of the Board of Trustees of such school district on the 15th day of January, 2013.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)





KILLEEN INDEPENDENT SCHOOL DISTRICT

P.O. Box 967 • 200 North W.S. Young Drive • Killeen, Texas 76540-0967
254/336-0000

Robert Muller, Ph.D.
Superintendent

December 21, 2012

Board of Trustees
Killeen Independent School District
200 North W. S. Young Drive
Killeen, Texas 76543

To the Members of the Board, and Citizens of the Killeen Independent School District:

The comprehensive annual financial report of the Killeen Independent School District (District) for the fiscal year ended August 31, 2012, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge, the enclosed data is accurate in all material aspects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. This is based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introductory overview, and analysis of the basic financial statements and should be read in conjunction with this letter.

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

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act as amended in 1996 by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations are included in a separate report.

ECONOMIC CONDITION AND OUTLOOK

The Killeen area’s economy continues to grow. New retail, medical service, and food service businesses continue to locate in the area. Jobs are created regularly which encourage people leaving the Army at Fort Hood to choose to stay in this area. The area continues to reap the benefits of having Ft. Hood as an economic neighbor directly through continued expansion and indirectly through associated professional business services.

Major metropolitan areas are easily accessible - 150 miles to San Antonio, 162 miles to Dallas-Fort Worth, and 190 miles to Houston. Killeen is located on the main line of the Santa Fe Railroad and straddles U.S. Highway 190/Central Texas Expressway, a four-lane divided highway with near interstate standards. Austin is just 60 miles to the south. This close proximity lends a "big city advantage." Killeen is far enough away to enjoy its own lifestyle, yet close enough to enjoy one of the most sophisticated, urban population centers in the Southwest.

Low cost of living, excellent schools, regional medical facilities, regional airport, abundant shopping, mild climate, area lakes, and recreational facilities, each have played a positive role in the rapid growth of the Killeen/Harker Heights area.

Killeen, Texas, is home to Fort Hood, the largest active duty armored post in the United States Armed Forces and the largest single location employer in the state of Texas. Many soldiers who separate from Fort Hood each month remain in the area and provide a constant supply of labor-trained personnel in microelectronics, hydro-mechanical devices, laser optics, and other high-tech fields. Well-trained and educated military spouses and retirees provide an experienced labor force needed by a relocating industry.

Commercial and residential building remained constant throughout 2012. Diversification of the Killeen economic base has stayed steady in the current year as more industries and industrial site consultants discover that Killeen has an abundant labor force, excellent climate, good schools and overall excellence in quality of life. Restaurant and retail shopping establishments continue to open throughout the area, but at a slower pace. The area vigorously seeks new opportunities and is fortunate to be situated near the I-35 trade corridor with Mexico, is currently constructing a new Texas A&M – Central Texas Campus and anticipates significant expansion of the medical complex at Ft. Hood. The area recognizes that diversification is paramount to success and continues to provide a hospitable business environment tailored to expansion and relocation.

The following table indicates the historical change in dollar value of building permits:

VALUATION OF BUILDING PERMITS

Calendar Year	Killeen	Harker Heights	Total	Change
2000	147,081,830	25,106,554	172,188,384	-8%
2001	197,121,933	42,959,910	240,081,843	39%
2002	213,652,321	40,367,053	254,019,374	6%
2003	208,139,868	79,369,412	287,509,280	13%
2004	211,245,733	83,147,270	294,393,003	2%
2005	257,684,913	168,273,751	425,958,664	45%
2006	315,818,349	104,850,232	420,668,581	-1%
2007	229,823,247	99,034,705	328,857,952	-22%
2008	263,582,235	72,142,443	335,724,678	2%
2009	210,267,727	44,514,886	254,782,613	-24%
2010	271,644,287	47,906,060	319,550,347	25%
2011	204,486,630	146,171,009	350,657,639	9%

ECONOMIC GROWTH RESULTS IN CONTINUED GROSS SALES INCREASE

The Killeen-Temple-Fort Hood Metropolitan Statistical Area (MSA) experienced a .5% decrease in gross sales during the 2011 calendar year. In spite of this decline in gross sales for the period, the MSA ranks 5th in Best-performing cities for business among the 200 largest MSAs in the nation for creating and sustaining jobs, according to the United States Bureau of Labor Statistics. This ranking is a testament to the resilient nature of the local economy of our MSA and its continued success. Texas Comptroller of Public Accounts, Economic Analysis Center published the following information:

***GROSS RETAIL SALES BY CALENDAR YEAR
KILLEEN-TEMPLE-FORT HOOD MSA
(IN 000's)***

	2007	2008	2009	2010	2011
Motor Vehicle and Parts Dealers	\$1,050,857	\$941,299	\$849,196	\$929,229	\$1,008,214
Furniture and Home Furnishings Stores	107,639	106,805	108,859	115,039	104,766
Electronics and Appliance Stores	106,459	112,931	98,592	95,851	96,214
Building Material and Garden Equipment	343,548	347,178	284,310	302,053	298,479
Food and Beverage Stores	477,971	513,977	545,714	617,597	720,758
Health and Personal Care Stores	136,344	168,484	189,630	198,143	204,959
Gasoline Stations	544,590	632,836	499,696	582,699	638,622
Clothing and Accessories Stores	111,257	113,280	114,658	113,748	117,242
Sporting Goods, Hobby, Book & Movies	50,832	72,159	82,099	91,499	97,656
General Merchandise Stores	2,243,657	2,542,788	2,537,614	1,510,964	1,004,206
Miscellaneous Stores	121,442	120,409	126,799	135,484	117,383
Nonstore Retailers	34,169	40,230	24,954	29,049	35,836
Food Services and Drinking Places	403,830	448,834	459,058	492,620	488,958
Total	\$5,732,595	\$6,161,210	\$5,921,179	\$5,213,975	\$4,933,293

FORT HOOD

Fort Hood is the Army's premier maneuver installation and strategic power projection platform, providing facilities and resources to sustain, maintain, train, and deploy combat-ready forces capable of meeting our nation's needs at all points along the ground warfare conflict spectrum. Fort Hood's primary mission focus is supporting the training of its assigned units as a mobilization station for Army Reserve and National Guard units, and as a strategic power projection platform.

The training installation contains 199,000 acres of training area, of which 196,894 acres are set aside for maneuvers. Its largest single training segment is the Western Maneuver Area - an area that stretches 20 miles from north to south and from the western boundary of the installation eastward to the live fire impact area.

It is also home to the largest combat aviation training area in the free world, comprising 15,900 square miles, permitting both US and allied military helicopter crews to train over a variety of terrain, in a realistic environment that affords the distances and depths required in combat aviation operations.

With approximately 45,431 assigned soldiers and airmen, in addition to approximately 20,495 civilian and contractor employees. Fort Hood is the largest single site employer in the state of Texas. The installation also serves a wide variety of tenant organizations and ensures the highest quality of life and support for a diverse military community of soldiers, family members and retirees.

KILLEEN-FORT HOOD REGIONAL AIRPORT

The Killeen-Fort Hood Regional Airport is centrally located in the heart of Texas, adjacent to Fort Hood, and offers direct, non-stop air access to Dallas/Fort Worth, Houston and Atlanta airports.

City of Killeen Aviation Services offers a variety of services for the airline traveler and the General Aviation community; to include three scheduled airlines and ample parking. The Killeen-Fort Hood Regional Airport (GRK) and Skylark Field (ILE) offer general aviation services for corporate/business travelers and Skylark has aircraft tie-down spaces, fuel sales, aircraft rental, flight instruction and other airport amenities.

HEALTH CARE

The outstanding medical facilities in the area are key attractions of the Killeen community. The area serves as a regional medical center with over 2,163 hospital beds within 20 miles.

Metroplex Hospital, Scott & White Hospital, Scott & White Clinic, Seton Medical Center, and King's Daughters Clinic provide medical care to all citizens. Darnall Army Medical Center provides comprehensive health care to more than 187,000 beneficiaries that include active duty military, their family members and retirees who live within 40 miles of the hospital.

Seton Medical Center Harker Heights, a full-service acute care facility opened in June 2012 with more than 300 employees. Among the services offered at the 83-bed facility are emergency care, women's services, orthopedics, cardiology, imaging and diagnostics, to name a few.

Located just west of Killeen, Metroplex Health System provides 208 beds and more than 200 physicians in 42 specialties. Metroplex Hospital offers high-end, state-of-the-art technology and equipment. The hospital houses a 24-hour emergency center, advanced diagnostic imaging capabilities, general and same day surgery, a birthing center and the Pavilion, a full service behavioral health facility offering inpatient and outpatient services for all ages.

The Scott and White Killeen Clinic and Killeen Clinic West accommodate more than 19 physicians. The Killeen Clinics provide primary care for all patients. Specialty clinics offering comprehensive care in cardiology, oncology, nephrology, obstetrics/gynecology and dialysis services are located nearby. The Scott and White Health Care System is composed of a network of Regional Clinics, a 636 bed not-for-profit hospital in Temple and the not-for-profit Scott & White Health Plan. Scott & White Hospital and Darnall Army Medical Center are both teaching hospitals affiliated with the Texas A&M Health Science Center College of Medicine. Darnall is also home to the Robertson Blood Center, the largest blood center in the Department of Defense.

CULTURAL ACTIVITIES

The Killeen Special Events Center Complex is composed of the Civic and Conference Center, Exhibition Hall, Rodeo Arena and Vive Les Arts Theatre. The 64,000 square-foot Civic and Conference Center with a multi-functional ballroom can house 100 booths and subdivides into three smaller halls. There are six meeting rooms seating 40 each or 80 with partition open. A beautiful Special Events Room seats 125 people, and the Executive Board Room seats 25. Yearly bookings include: meetings, banquets, weddings, conventions, workshops and trade shows. Gallery hanging equipment was added in the hallways providing free space for exhibits of local art and other travelling exhibits. The multiuse complex provides a variety of flexible space for conventions and can host multiple events simultaneously.

Shilo Inn and Suites, a 160 room, full-service, all-suites hotel opened in early 2007. In addition, over 2,500 hotel rooms, most located within one mile, provide a variety of rooms to suit every budget.

The Vive Les Arts Societe was organized in May 1976 to provide a base for cultural activities in the greater Killeen area. Vive Les Arts not only supports both performing and visual arts, but also brings concerts, symphonies and children's theater productions to the area. In 1991 The Societe opened a center for the performing arts. The center features a 370 seat theater and a combination gallery/reception area.

EDUCATION

KILLEEN INDEPENDENT SCHOOL DISTRICT

The Killeen Independent School District (KISD) has grown from an enrollment of 30,608 students in 2001-2002 to a peak enrollment of 41,172 in 2011-2012.

The largest school District between Austin and Dallas, KISD employs over 6,400 teachers and support personnel to serve the District's 55 campuses. KISD serves as the area's second largest employer (Fort Hood is the largest). Students from Killeen, Harker Heights, Fort Hood, Nolanville and rural West Bell County attend classes at thirty-two elementary schools (PK-5), eleven middle schools (6-8), four high schools (9-12), seven alternative schools, and one area vocational school. Besides the 47 regular schools and several specialized campuses, the District utilizes 217 portable buildings, which provide approximately 259 potential classrooms.

Killeen High, Ellison High, Harker Heights High and Shoemaker High schools provide multi-level academic instruction on a seven-period schedule with extracurricular activities. The KISD Career Center provides core academic courses and upper level Career & Technical courses in the following career clusters: Agriculture, Food & Natural Resources; Architecture & Construction; Arts, A/V Technology & Communications; Education & Training; Health Science; Human Services; Information Technology; Manufacturing; and Transportation, Distribution & Logistics. These courses include state & national certifications, hands-on labs, work-based learning, and job site training. Hospitality & Tourism courses are contracted service dual credit courses taught at Central Texas College. The Firefighter program is taught through collaboration with the City of Killeen Fire Department. All KISD Career Center programs have co-curricular youth leadership organizations.

Transportation is provided for secondary students who live two or more miles from their designated school, for elementary students who live one or more miles from their designated schools, and for any students who live in an area that has been designated as hazardous by school officials. Students in grades pre-kindergarten through 12 board buses at designated bus stops. Students who are assigned to special education transportation are transported between the locations specified by Admissions Review and Dismissal (ARD) Committee without regard for minimum distance from school. Special program transportation is also provided for students in Alternative Education Programs (AEP). Elementary AEP students who live one or more miles from the supporting campus (Cavazos Elementary) are provided transportation between their residence and school. Secondary AEP students and JJAEP students are provided transportation between the supporting campus (Gateway Campus or Bell County Juvenile Detention Facility, respectively) to bus stops that are within two miles of their residence. International Baccalaureate (IB) students are provided transportation on a limited basis between the supporting campus (Killeen High) and bus stops that are within two miles of their residence. The District also provides transportation for extra-curricular and co-curricular student activities.

CENTRAL TEXAS COLLEGE

Central Texas College (CTC) is a public, two-year community college offering associate degrees, certificates of completion and continuing education courses for personal or professional development. Programs are available online, in traditional classroom settings, and by online and multimedia delivery methods for academic, professional and vocational/technical fields. In 2010- 2011 CTC awarded 2,863 associate degrees and 771 certificates of completion at more than 146 sites around the world. Outside Texas, CTC offers classes on military installations, ships at sea and correctional institutions. CTC's central campus is situated on 543.9 acres between the cities of Killeen and Copperas Cove. Central Texas College has maintained its accredited status with the Southern Association of Colleges and Schools since first being awarded accreditation in 1969, and was reaffirmed most recently in June 2005.

TEXAS A&M UNIVERSITY – CENTRAL TEXAS

Texas A&M University – Central Texas, is more commonly referred to as A&M– Central Texas. A&M Central Texas is a member of The Texas A&M University System, and an agency of the State of Texas. A&M Central Texas offers affordable, upper-level and graduate-level public higher education opportunities to Central Texans. Individuals can select from among 38 undergraduate degree and 26 graduate degree program areas. A&M Central Texas provides course offerings at Fort Hood, Central Texas College, Temple College and at Shoemaker High School.

MAJOR INITIATIVES

KISD DIRECTIONAL PLAN FOR SCHOOL YEAR 2011/2012

VISION STATEMENT

Through the implementation of a full, innovative, rigorous, comprehensive education program, KISD will provide superior learning opportunities so that upon graduation, students are prepared for success in the workforce and/or in higher education.

MISSION:

Teach so that students learn to their maximum potential.

OBJECTIVES:

Achievement

Responsiveness

Classroom Support

Leadership Development

Financial Accountability

VALUES:

Teamwork

Quality

Integrity

Caring Attitude

Maximum Effort

Innovation

DISTRICT ACCOMPLISHMENTS

1. **Parent and Community Involvement** - The KISD Parent and Community Involvement program continues to offer multiple ways for parents to be involved in the education of their children at the district and campus levels. The Title I funded parenting component serves 30 school-wide campuses at the elementary level. Local funds are provided to support and offer services for families at the district's two non-Title I elementary schools, eleven middle schools, four high schools, and four of our special campuses. The special campus sites include: KISD Career Center, Gateway High, Gateway Middle and Pathways Academic Campus. The District Parent and Community Involvement Specialist coordinates events and activities at the district level and supports parent liaisons and parent program contacts at the campus level.
2. **Parent Liaisons** – KISD has twenty Parent Liaisons in place at nineteen of our thirty-two elementary campuses. Parent Program contacts, made up of Counselors and other staff facilitate parent involvement activities at the remaining thirteen elementary schools. Five of the liaisons are bilingual. Parent liaisons and program contacts assist campus principals with various parental involvement activities and serve as one of the front-line links between the home and school. They facilitate distribution of parent education materials, offer

informative presentations and assist in coordinating, scheduling and leading meetings between parents, teachers and volunteers. Monthly professional development is provided. Nineteen of the liaisons also serve as the campus Volunteer Coordinators. Parent liaisons provide early literacy club activities for families with children 0-4 years of age. These literacy clubs serve as an early intervention strategy to help prepare children before they enroll in school by building the basic learning foundation that is needed to be successful in school. Parent liaisons and program contacts also support district level parent and community involvement events.

3. **Parent-Teacher Conferences** – Parent–teacher conferences during the 2012-2013 school year will be conducted based on schedules designed by each of our campuses. These days will give parents the opportunity to meet with their child’s teacher and discuss the progress being made. Due to the KISD partnership with Fort Hood, parents who are active duty military are able to attend and know that their child’s school is their expected place of duty during parent–teacher conference times. In 2010-2011, KISD achieved an average of 83.5% overall parent participation during these conference times.
4. **Newsletters for Parents** - The Home-School Connection and Recipes for Success are a parent involvement newsletter that is printed in both English and Spanish and distributed to the parents of all students at the elementary level. This initiative was expanded to include Middle Years and High School Years for our secondary schools. The newsletters at the secondary level are printed in English, Spanish, German, and Korean. All of our newsletters are available on our district Parent & Community Involvement website.
5. **For Kids’ Sake** - Efforts to address multiple needs within the KISD community include the offering of the “For Kids’ Sake” curriculum for divorcing parents. These four hour evening classes are offered once a month for a small fee. KISD is the only service provider for non-military parents within an hour’s drive in any direction. The focus of “For Kids’ Sake” is to provide parents with effective tools to assist and guide them and their children through the process of divorce with as little trauma as possible. Two certified instructors both with master’s degrees provide the instruction. All participants receive a curriculum workbook at the beginning of the seminar, and a certificate of completion at the end of the workshop. During the 2011-2012 school year, 45 participants took advantage of this family support system. Program participation is court ordered or by lawyer referral. Participant feedback indicates a positive view of the program. Ninety-five percent of participants reported that they felt this program is helpful to families.
6. **Adopt-A-School Program** - Our Fort Hood/KISD Adopt-A-School Program is a partnership between the school district’s Student, District and Community Relations Office, KISD schools, Fort Hood, and Parent and Community Involvement/Volunteer Program which tracks volunteers and hours of service. Working together, we are able to partner with an adopted military unit for each school campus, as well as provide and track volunteer opportunities. This allows us to monitor the number of hours and type of service our military members and parent/community volunteers provide to the district. KISD registered over 11,676 volunteers and 112,664 hours during the 2011-2012 school year. This includes 2,616 of those volunteers being Adopt-A-School unit members. Monthly reports are utilized to track service.
7. **Recurring Activities and Events Serving Parents/Community** - Parent and Community Involvement continues to provide a variety of district–level events and activities to encourage parent engagement and community involvement. The events and activities include: 2nd & 4th Wednesday-“*Morning Chats-Let’s Talk*”, (*topic specific morning workshops for parents/community*). Other activities include: book studies, Family Holiday Celebration, Parent Academy, Family Literacy Festival, Early Literacy Clubs, Monthly Parent Newsletters, Computers for Parents, Practical Parent Education Series, Parent Advisory Council, Volunteer Program, and the Family Fitness and Wellness Fair.
8. **Computers for Parents** –(*PIP- Plugged In Parents*) -The program intent is to provide consistent computer learning opportunities for parents so that their computer literacy increases. Opportunities will be offered providing hands-on instruction that expands access to the technology that empowers parent access to tools that supports student achievement and performance in areas such as Home Access Center and C-Scope for Parents. Increases in computing skills- basic, intermediate, and advanced are also goals. An Instructional Technologist, Parent & Community Involvement Specialist, and the 21st Century Learning Specialist will provide support to parents in this program. A mobile unit of 20 Dell laptops, charging cart, and two printers have been purchased to support this initiative.
9. **Professional Development** - Professional development opportunities will be provided for campus parent liaisons and parent program contacts, parents and community members which will allow for increased learning about research-based practices, requirements for Title I parent involvement, written parent involvement

policies, and home-school compacts as required by the No Child Left Behind Act- PL107-110, Section 1118. The Program Specialist will travel to the Statewide NCLB Conference November 29-December 1, 2012. Best practices and other innovative ideas learned will be presented during scheduled monthly training sessions.

10. **Parenting Program Curriculum** – *Practical Parent Education*- Year two implementation of our newly purchased, researched-based curriculum to be used for parent education workshops will provide information that supports the families of the Killeen Independent School District. We will continue implementation and refinement of the Practical Parent Education Curriculum and provide technical training support for parent liaisons and campus parent contacts. The sessions will be designed around identified needs as disaggregated from survey in-put and training discussions completed by our team of parent educators. We continue to receive evaluative support, a curriculum for each participant, on-line access, quick-tip handouts for parents and continued consultation and evaluation support.
11. **Student Achievement** - The 2010-2011 school year produced significant gains in student achievement for KISD elementary campuses. Math achievement for students in grades 3, 4, and 5 improved by 3.1% with almost a third of the students scoring at the commended level. Science achievement at 5th grade improved by 3.2% with over 40% of the students achieving commended performance. Elementary campuses have historically achieved at high levels in reading and writing, even so, this year showed a gain of 1.5% in writing with 24.1% commended and a 1.3% gain in reading with 31.7% commended.

KISD students in Math gained on average 3 percentage points in all students tested as well as other student groups. In science there was significant growth and improvement as the achievement of all students and the Economically Disadvantaged subgroup increased 4% while the African American & Hispanic subgroups increased by more than 6%. In Social Studies 95% of all students passed the exam. In Reading the achievement gap in all five subgroups has closed and KISD has met or exceeded the state in overall scores for reading and writing and the commended performance for all students in reading and writing was 28%, which exceeds the exemplary standard of 25%.

12. **District-Wide Curriculum** - The 2010-2011 school year also brought a district-wide consistency, a deeper and clearer focus, and increased rigor and relevance to both elementary and secondary classroom instruction through the implementation of the CSCOPE curriculum. CSCOPE not only aligned and clearly articulated student-learning expectations, but also provided teachers with research-based instructional strategies and model lessons. The implementation of CSCOPE was supported by ongoing professional development opportunities for teachers and campus leaders. The CSCOPE-focused professional learning included studies of Marzano's high yield instructional strategies; 9-week math, science, and language arts content study sessions, hands-on math and science activities, the use of interactive notebooks, and the integration of technology.
13. **Secondary Science** – A team of science teacher wrote a scope and sequence for the new senior level science course called Earth and Space Science, this course is being taught for the first time in the 2010-2011 school year. KISD began the implementation of the T3 grant during the 2009 - 2010 school year. Teacher teams were formed, vendor showcases were held, and teacher selected vendor and products were ordered. The teacher teams selected PASCO as the vendor to purchase the probe ware from; equipment was ordered and shipped to the campuses in spring of 2011. There was extensive three day training for high school science teachers in the summer of 2011. Probes are being implemented in the high school science classroom for the 2010 - 2011 school year.
14. **Response-to-Intervention** - The improvement of the Response-to-Intervention process was a curriculum goal this school year. A district-wide documentation folder and a clearly defined flowchart of RtI actions was designed and implemented at all elementary campuses. In addition to implementing a student-centered, collaborative problem-solving continuum to ensure timely RtI actions, elementary campuses were provided with reading and math universal screening tools to identify and monitor the progress of struggling learners. Both reading and math research-based intervention programs were implemented district-wide to address the needs of the targeted students.
 - Reading Universal Screens: Texas Primary Reading Inventory and Tejas Lee are used to diagnose the reading skill and comprehension development of students in kindergarten through 2nd grade. The Scholastic Reading Inventory is the reading screen for students in grades 3-8. It is an assessment of reading comprehension skills and provides immediate, actionable data on students' reading levels and growth over time.
 - Reading Interventions: The Fountas and Pinnell Leveled Literacy Intervention System may be used with the RtI students in kindergarten through 5th grades. It is a small-group, supplementary intervention program

designed to help teachers provide powerful, daily, small-group instruction for the lowest achieving. The ReadAbout Intervention Program is an adaptive computer-based intervention that is used with RtI students in grades 3-5. Read180 Intervention Program is an adaptive computer-based intervention that is used with RtI students in grades 6-8. Achieve 3000 is an adaptive computer-based program used with RtI students in grades 9-12. In addition, all campuses have the option to use Fast ForWord, a computer-based intervention that focuses on phonetics, decoding, fluency, vocabulary building and comprehension.

- Math Universal Screens: The mCLASS: Math assessment is the universal screening tool used to identify K-2nd grade students who would benefit from math interventions. In 3rd-8th grades the Scholastic Math Inventory is used to evaluate students' math achievement and their level of math skills and concepts.
- Math Interventions: The Do the Math Intervention program focuses on “rebuilding” the foundations of mathematics – computation, number sense, and problem solving – for those students targeted for math intervention. In addition, struggling math students may also participate in FASTT Math and Fraction Nation interventions. Both of these intervention programs are computer-based and help develop fluency with basic math facts, fractions, and decimals.

15. **Professional Development** - Elementary and Secondary Curriculum provide on-going professional development opportunities to equip teachers with best practice instructional strategies and support their implementation of CSCOPE. Professional Development includes summer workshops and academies, Saturday learning opportunities, after-school specials, campus learning sessions, and facilitation of campus PLC's. Ongoing learning opportunities include the following:

- Interactive Science, Math and Reading Notebooks
- Authentic Assessment in the PreK and Kindergarten Classrooms
- Response to Intervention
- AIMS and Loose in the Lab Science Workshops
- Under-Resourced and Struggling Learners
- Math Strategies for the Under-Resource Learner
- Math Solutions: Best Practices for Struggling Learners
- Fountas and Pinnell: Leveled Literacy Intervention and Benchmark Assessments
- Using Running Records and Error Coding to Guide Reading Instruction
- CSCOPE Study Sessions
- 6+1 Traits Writing Workshop and Discover Writing Workshops
- Building Science Vocabulary and Transitioning to the New Science TEKS
- Guided Reading and Balanced Literacy
- Dana Center Science and Math Sessions
- Scholastic Read180/ReadAbout
- Scholastic FASTT Math / Fraction Nation
- Achieve3000 Training
- Write Path Workshops in Critical Reading, ELA, Math, Science, Social Studies, ELL, Writing
- Differentiated Instruction
- Secondary Job-A-Like Session and Secondary CSOPE Nights
- Calculator Training
- Math Intervention Professional Development
- Science Safety Training
- Worth the Wait Training and Parent Night
- High School Science PASCO (Probe) training
- High School Science TAKS prep training - Essential Science Concepts of Exit-Level TAKS training (ESCET)
- Secondary Notebook Foldable training
- Secondary Common Assessment (how to) training
- Dennis Johnston day with Secondary Social Studies Teachers
- *Drawing On Your Rights*, Professional Development provided by Law Related Education, State Bar of Texas for Secondary Social Studies Teachers
- *Explorers, Traders, and Immigrants: Tracking the Cultural and Social Impacts of the Global Commodity Trade/Restoring Women*, for World Studies Professional Development provided by Hemispheres, University of Texas, Austin for Secondary Social Studies Teachers
- SPARK training for Secondary Physical Education Teachers

16. **Teacher Recruiting Program** – The District’s recruiting initiative, with an annual budget of approximately \$57,000 continues to be effective in recruiting, hiring and retaining between 350 to 500 teachers each year. The efforts primarily focus inside Texas but extend throughout the nation, and include a KISD teacher job fair, multiple external job fairs, alternative teacher certification preparation programs, numerous internet recruiting sites and Troops to Teachers. KISD is profiled at www.killeenisd.org. The KISD on-line application and the Gallup Teacher Insight Interview, also on-line, provide immediate information about prospective employees. Additionally, the KISD Board of Trustees fund a bonus of \$2,925 for every new middle school math teacher hired and a \$2,080 sign-on bonus for incoming teachers certified in critical shortage subject areas. Additionally, a recurring stipend of \$2,335 is provided for Bilingual, Spanish and Special Education teachers and a \$3,120 stipend is provided to High School Chemistry, Physics and Mathematics teachers.

Once again, KISD remained consistent in minority hiring this year; nearly 21% of all classroom teachers hired were minorities. At KISD, over 35% of our total staff are minorities. Our goal continues to be a staff that mirrors the rich diversity of our students.

Our critical shortages this year continue reflecting the state-wide critical shortages of secondary math, science, Spanish and bilingual certificate holders.

TECHNOLOGY

KISD follows a Strategic Technology Framework encompassing all aspects of educational and administrative technology services. The framework is designed to align with the District vision and serve as a guide for the school District and campuses to implement and utilize technology as a tool to assist with facilitating engaging student experiences leading to profound student learning. This framework is composed of a Digital Review process, a Campus Lifecycle Management Plan (LCMP), and an Operations and Networking LCMP.

The process and framework provides guidance to the Office of the Superintendent, the Deputy Superintendent and the Assistant Superintendent for Curriculum and Instruction in support of the integration of technology into the curriculum. The key areas of framework support include:

- All curriculum areas will have hardware and software that supports the District vision.
- Each curriculum area will integrate technology into content scope and sequence to provide direction and support of the curriculum.
- All faculty and staff will have appropriate initial and ongoing training and support in the use of technology as related to their assignments.
- Access to technology resources will be available for all District staff.
- Access to information for staff, students, and parents will be readily available and easily accessible.
- All District departments will have access to technology resources that enhance departmental objectives.

In the acquisition and implementation of resources, each department or campus will create an action plan that will include an analysis, technology expenditures, and a measurement of student achievement. Campus action plans will be included in their Campus Improvement Plan, or CIP. District initiatives will be included in the District Improvement Plan (DIP) to determine its effectiveness and efficiency in the integration of technology in curriculum, administrative and support services, as well as infrastructure in order to determine resources needed, and their priority in advancing the District’s Strategic Technology Framework. Additionally, each year the District actively participates in the Texas STaR Chart process wherein teachers and campus administrators perform self-assessments on their access to technology, their use of technology, and the feedback on services the district offers. All new technologies, systems and resources go through a district Digital Review process.

Killeen ISD has a long history as pioneers of technology integration into daily curriculum. KISD provides teachers with state-of-the-art laptops leveraging content specific subscriptions and instructional software applications. All district staff has access to multiple digital resources and content as well as a comprehensive online curriculum system to enhance the learning opportunities in our classrooms. The district provides around the clock access for students, parents and staff to our digital library and media holdings as well as considerable digital media resources. We have recently completed refreshing classroom support technologies and all classrooms are equipped with digital projectors, document cameras, and support peripherals. The Killeen ISD supports a four-year lifecycle plan to ensure that instructional resources are up-to-date and equipped for today's digital classroom. Killeen ISD continues to strive to be a focused and purposeful leader in the nation in technology services by collaborating with all disciplines and embracing best practices of instruction.

ACADEMIC SERVICES

Professional learning opportunities are provided for all district employees by Assessment & Accountability, Elementary Curriculum & Professional Development, Leadership Development, Secondary Curriculum & Professional Development and Special Programs departments. In collaboration with the Superintendent, campuses and other departments, District-wide learning experiences as well as customized conferences, seminars, workshops and on-site work are organized for teachers, administrators and support personnel. Instructional employees have the opportunity to learn through a variety of formats and understand how to incorporate these structures for sustained learning.

INDUCTION

Leadership Development provides all professional employees who are new to the District with a comprehensive and differentiated induction experience. Induction is designed to assist new members of the District to understand and embrace the culture of Killeen ISD and develop the skills necessary to continuously improve the quality of work provided to students.

In August, the first day experience focuses on the district and campus culture for all district professionals new to KISD, their mentors and campus leadership teams. For the remainder of Induction, teachers learn concepts through focused conversations around topics such as under-resourced learners, the uniqueness of the military child, CSCOPE (District curriculum), relationship building and the tenets of effective classroom management. Appraisal training, a classroom observation day, and 6 elective professional learning hours based on new teachers' content and pedagogical needs are also included. All sessions, with the exception of the classroom observation day, are outside the school day or in the summer.

MENTORING

All inexperienced teachers in KISD are assigned a mentor; teachers with experience are assigned a buddy at the discretion of the building principal. Leadership Development provides professional growth for mentors through Initial Mentoring, Leadership for Mentors and Mentor Networking. Principals are asked to consider a list of critical attributes from which to select mentors. Initial Mentoring and Leadership for Mentors sessions are provided to assist first-time mentors with learning how to effectively mentor new teachers. Mentor Networking sessions are intended to deepen the capacity of experienced mentors to support new teachers. Mentors sign a commitment form agreeing to complete professional development and other expectations, including documentation of work with the new teacher. Mentor and Protégé handbooks are redesigned each year to support the work of mentors and new teachers and in response to their feedback.

TExES REVIEW

To assist with certification requirements, Leadership Development also provides pedagogy and content-specific TExES Review sessions for current KISD teachers.

CLASSROOM MANAGEMENT

The KISD classroom management framework and modules provide overviews for administrators, volunteer sessions for teachers, and support for campus implementation.

PROFESSIONAL DEVELOPMENT AND APPRAISAL SYSTEM (PDAS)

The Professional Development and Appraisal System (PDAS) training and documentation for administrators and teachers and Instructional Leadership certification for administrators are sponsored and managed by Leadership Development.

ADMINISTRATOR TRAINING

Principals are provided targeted support and networking opportunities to continue developing leadership skills during the first and second years of employment. Assistant principals meet monthly to continually develop their instructional leadership skills. An Aspiring Leaders Academy (L2L – Learning to Lead) prepares participants for the role of principal by providing various learning experiences that support the vision and mission of Killeen Independent School District.

ADDITIONAL PROFESSIONAL LEARNING OPPORTUNITIES AND SUPPORT

Additional learning opportunities that support the District's focus areas, as well as identified content/curricular needs and the diverse needs of KISD's students, are provided to employees. Sessions are offered throughout the school year and in the summer on topics such as Ruby Payne's work on under-resourced learners, differentiation, core content, effective CSCOPE (District curriculum) implementation, cooperative learning, and emerging technologies. Numerous sessions on digital literacy, podcasting, creating digital media, and other instructional technology offerings address the need to foster student creativity and innovation. Learning opportunities are continually redesigned to support District goals as a result of feedback from focus groups and session surveys.

Leadership Development also provides logistical and technology support for professional development and meetings sponsored by other departments and campuses. In addition to the Teacher Media Center and KISD professional library which are housed at Jackson Professional Learning Center, approximately 1,200 events are sponsored by all district departments at the center throughout the year.

KISD provides online registration and Continuing Professional Education (CPE) transcripts for KISD-sponsored professional learning for all employees, via LEARN, a system designed in collaboration with the Web Development Team from the Public Information Office.

FINANCIAL INFORMATION

SINGLE AUDIT

As a recipient of federal and state financial assistance, the District is responsible for maintaining an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the accounting staff of the District.

As a part of the District's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the District's single audit for the fiscal year ended August 31, 2012, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

BUDGETARY CONTROLS

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees. Every school District in Texas is required by law to prepare and file a budget with the Texas Education Agency. Activities of the general, school nutrition (special revenue) and debt service funds are included in the District's budget. Budgetary control (the level at which expenditures cannot legally exceed appropriations) is maintained at the functional category level within each fund. These functional categories are defined by the Texas Education Agency and identify the purpose of transactions. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. However, encumbrances generally are re-appropriated as part of the following year's budget.

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

RISK MANAGEMENT

The Risk Management Department provides risk management and employee benefits services to district employees and students on over 66 campuses and administrative sites. Risk Management's areas of responsibility include occupational safety, loss control, risk assessment, insurance management (property/casualty, automotive, workers' compensation, law enforcement liability, underground storage tank liability, general liability and professional liability),

unemployment compensation, cafeteria plan administration, COBRA/HIPPA compliance, and payroll deduction services for Section 403(b) and 403(b) (7) tax sheltered annuities and investment accounts.

KISD works with approximately 25 financial planning firms, approved for participation by the Texas Education Agency for tax sheltered annuities, with monthly contributions of approximately \$170,000.

The District's automotive and property insurance coverage protects over 400 vehicles and 213 portable buildings and permanent campus structures and facilities. Property is insured up to a maximum loss amount of approximately \$853 million.

KISD provides core benefits and the right to purchase optional benefits to all employees through the KISD Cafeteria Plan governed by Section 125 of the IRS Code. The District provides \$278.40 per month, for employees who are contributing members to the Teacher Retirement System of the State of Texas, to offset optional benefit costs. Contributions of \$189.14 per month are available for full-time employees not purchasing a KISD sponsored health plan. A complete list of voluntary benefits follows:

Benefit	Core/Optional Benefit
Basic Term Life	District Paid
Supplemental Term Life	Optional
Dependent Term Life	Optional
Health Plans (PPO & High deductible with HSA)	Optional
Dental	Optional
Long-Term Disability	Optional
Short-Term Disability	Optional
Medical/Dental/Vision Flexible Spending Account	Optional
Dependent Daycare Reimbursement	Optional
Health Savings Account (with High Deductible plan)	Optional

The District contracts with third party administrators for compliance in tax sheltered annuities (KAZDON, Inc.), COBRA/HIPPA compliance (CONEXIS), and cafeteria plan administration (KAZDON, Inc.) as of August 31, 2010.

Prior to September 1, 1998, the district was self-insured and contracted with a third party administrator for workers' compensation administration (Berkley Administrators). As of September 1, 1998, the district elected to contract with a commercial carrier for workers' compensation insurance. A contract was executed with the third party administrator to manage the "run off" claims resulting from the discontinuance of the self-insured fund. The final "run off" claim is now closed and the reserve has been reduced to zero.

CASH MANAGEMENT

The District is required to execute a depository agreement with a local banking institution for a period of two years. Competitive bidding is mandated and state law sets general terms. The current contract was signed in June 2009 to cover the period from September 2009 through August 2011. A 2 year extension was signed in March extending the contract to August 2013.

Investment instruments authorized for purchase by the District investment policy include:

1. Obligations of the United States or its agencies and instrumentalities.
 - a. Agency products will be defined as nonfloating, nonadjustable, nonprincipal reducing.
 - b. Agency products with call features shall not exceed 37.5% of the individual portfolio at the time of purchase.
 - c. Agencies at time of purchase shall not exceed 85% of total portfolio.
 - d. Agencies shall be limited to the following: Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Student Loan Marketing Association, and Federal Farm Credit Banks.
 - e. The maximum dollar par value to mature in any one month is limited to \$25 million.
2. Certificates of deposit and share certificates, as permitted by Government Code 2256.010.

3. Public fund investment pools as permitted by Government Code 2256.016 – 2256.019, if the Board authorizes the investment in the particular pool by resolution.
4. Repurchase and reverse repurchase agreements involving investment instruments approved above, for example, obligations of the U.S. or its agencies. The proceeds of a reverse repurchase agreement may not be leveraged to buy additional securities. Board officers must be notified before any reverse repurchase agreements are executed.
5. No-load money market mutual funds that:
 - a. Are registered with and regulated by the Securities and Exchange Commissions;
 - b. Provide the District with a prospectus and other information required by the Securities and Exchange Act of 1934 or the Investment Company Act of 1940;
 - c. Have a dollar-weighted average stated maturity of 90 days or fewer; and
 - d. Include in their investment objectives the maintenance of a stable net asset value of \$1 for each share.

Cash temporarily idle during the year was invested at TexStar, Lone Star and MBIA money market fund and in Agency Securities. In addition, interest was also earned on all checking accounts. The District, through a competitive bid, contracted for a new depository bank for the period of September 1, 2009 through August 31, 2011 that has been extended to August 31, 2013. The District's primary investment pools, Lone Star and TexStar, earned averages of 0.23% and 0.145%, respectively, in the month of August 2012. The total KISD investment portfolio yield (excluding cash in bank) from September 2011 through August 2012 was 0.143%.

The total amount of interest earnings for 2011-2012 for all funds was \$377,793.

OTHER INFORMATION

INDEPENDENT AUDIT

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Killeen Independent School District for its comprehensive annual financial report for the fiscal year ended August 31, 2011. This was the twenty-first consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting for School Systems to the Killeen Independent School District for its comprehensive annual financial report for the fiscal year ended August 31, 2011. This award certifies that the comprehensive annual financial report substantially conforms to the principles and standards of financial reporting as recommended and adopted by ASBO. The award is granted only after an intensive review of the CAFR by an expert panel of certified public accountants and practicing school business officials.

ASBO's Certificate of Excellence in Financial Reporting is valid for one year only. Killeen Independent School District has received a Certificate of Excellence in Financial Reporting for the past twenty consecutive years (fiscal years 1991-2011). We believe that our current CAFR continues to conform to the Certificate of Excellence program requirements, and we are submitting it to ASBO.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the financial services office and other administrative staff of the District. In addition, the Board of Trustees should be commended for its continued support and leadership in the planning and operations of the financial service area of the District. Their concern for the business of the District and that it be conducted efficiently and responsibly, as well as their recognition of the importance of such services, makes such tasks rewarding for the staff as a whole.

I would like to extend a special thanks to the independent auditors from Lott, Vernon and Company, P.C., for their technical assistance in the preparation of the Killeen Independent School District comprehensive annual financial report.

Respectfully submitted,



Robert Muller, PhD
Superintendent



Megan Bradley
Chief Financial Officer

KILLEEN INDEPENDENT SCHOOL DISTRICT

PRINCIPAL OFFICERS

BOARD OF TRUSTEES

Shelley Wells -- *President*

Terry Delano -- *Vice President*

Kenneth Ray -- *Secretary*

Corbett Lawler -- *Board Member*

Minerva Trujillo -- *Board Member*

JoAnn Purser -- *Board Member*

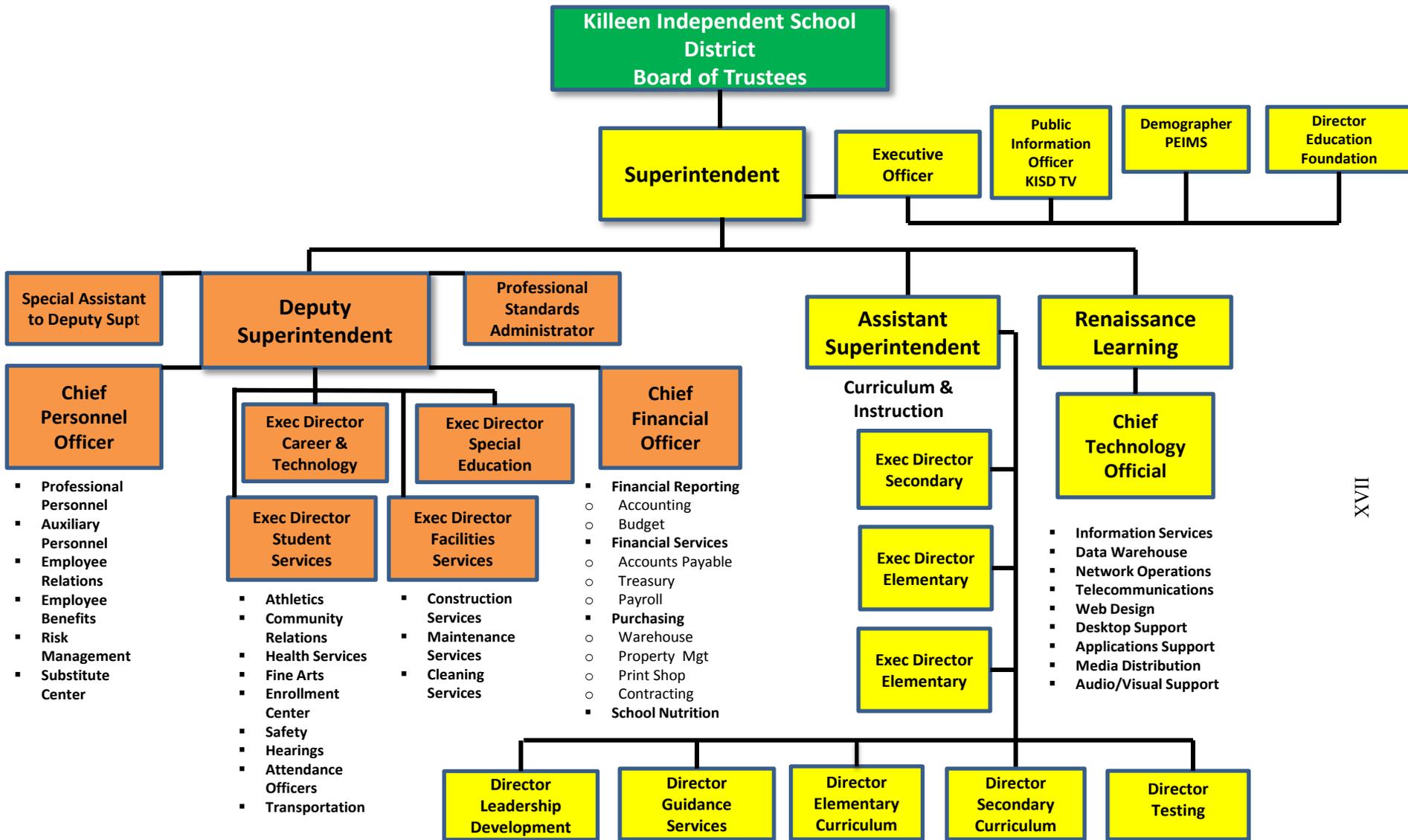
Susan Jones -- *Board Member*

BG James Richardson -- *Fort Hood Advisor*

SCHOOL DISTRICT ADMINISTRATION

Robert Muller, PhD
Superintendent

John Craft, Ed. D.
Deputy Superintendent



Elementary and Secondary Campuses are supported by all departments and offices.

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

KILLEEN INDEPENDENT SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended August 31, 2011

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Killeen
Independent School District
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2011

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



Christopher P. Morrell

President

Jeffrey R. Emery

Executive Director





LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET 254/778/4783
POST OFFICE BOX 160 800/460/4783
TEMPLE, TEXAS 76503 FAX 254/778/4792

*Member of
American Institute & Texas Society of
Certified Public Accountants*

KILLEEN • COPPERAS COVE • TEMPLE

Independent Auditor's Report

Board of Trustees
Killeen Independent School District
200 North W.S. Young Drive
Killeen, Texas 76543

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Killeen Independent School District (the District) as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. 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 basic 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 opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Jett, Vernon & Co., P.C.

Killeen, Texas
December 21, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Killeen Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

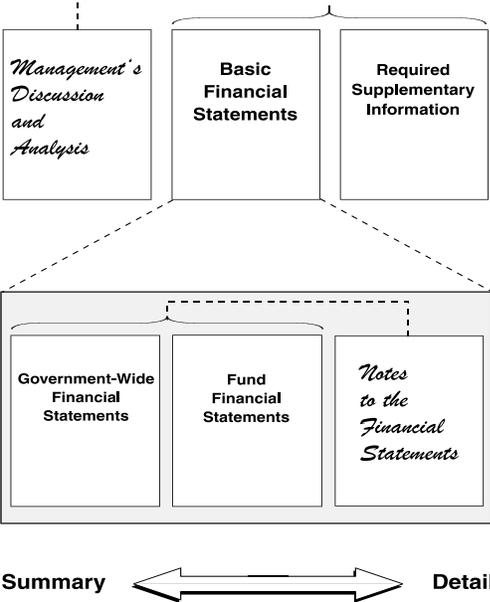
- The District's total combined net assets were \$499.5 million at August 31, 2012, compared to \$481.0 million at August 31, 2011 (see Table A-1).
- The District spent \$6,437,564 of the \$6,440,630 awarded, in Education Jobs grant funding on compensation and benefit expenditures for the period of August 10, 2010 – September 30, 2012.
- On August 27, 2012 the District opened its new Career Center to high school students seeking careers in vocational and technical fields at a cost to date of \$23,160,296 and an estimated completion value of \$24,377,197.
- The District issued \$28,290,000 in Unlimited Tax Refunding Bonds at an average rate of 3.75% to refund \$31,175,000 of the 2002 Unlimited Tax Refunding Bonds at a rate of 4.75% saving the District \$5,065,788 in future cash flows.
- In September 2011 Sallie Mae, Inc. donated a 30,000 square foot building with 5 acres of land to the District at an appraised value of \$1,008,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and an optional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as food service.

Figure A-1. Required Components of the District's Annual Financial Report



- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the District's Government-Wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	♦ Statement of net assets	♦ Balance sheet	♦ Statement of net assets	♦ Statement of fiduciary net assets
	♦ Statement of activities	♦ Statement of revenues, expenditures & changes in fund balances	♦ Statement of revenues, expenses and changes in fund net assets ♦ Statement of cash flows	♦ Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net assets* and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base and the condition of school buildings and other facilities.

The government-wide financial statements of the District are divided into two categories:

- *Governmental activities* - Most of the District's basic services are included here, such as instruction, transportation, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes, impact aid and grants finance most of these activities.
- *Business-type activities* – The District currently does not have any business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has two kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

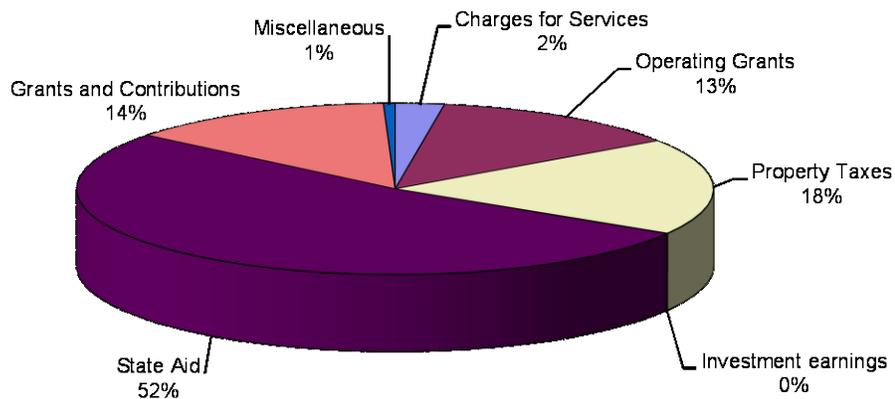
Net assets – The District's overall net position improved by \$18,498,924 from the prior fiscal year. The District's *combined* net assets were approximately \$499.5 million on August 31, 2012 (See Table A-1). The \$13.9 million of the District's restricted net assets represent fund balance that is restricted for the retirement of Long-Term Debt (\$1.7 million), scholarships (\$.2 million) and construction projects at year end (\$12.0 million). The \$189.0 million of General and Capital Projects Funds unrestricted net assets represents resources available to fund the programs of the District in future years. Current liabilities decreased by \$5.5 million largely due to a reduction of a payable to the State for Foundation overpayments in prior years. Additionally, long term liabilities decreased by \$10.9 million as a result of a current year refunding and current year payments on outstanding long term debt.

Table A-1
The District's Net Assets
(in millions of dollars)
Governmental Percentage
Activities Change

	<u>2012</u>	<u>2011</u>	
Current and Other Assets	238.3	237.6	0.3%
Capital Assets	380.4	379.0	0.4%
Total Assets	618.7	616.6	0.3%
Current Liabilities	16.1	21.6	-25.5%
Long Term Liabilities	103.1	114.0	-9.6%
Total Liabilities	119.2	135.6	-12.1%
Net Assets			
Invested in Capital Assets			
net of related debt	296.6	270.0	9.9%
Restricted	13.9	15.2	-8.6%
Unrestricted	189.0	195.8	-3.5%
Total Net Assets	499.5	481.0	3.8%

A significant portion, approximately 52 percent, of the District's revenue comes from state aid. (See Figure A-3.) 18 percent comes from taxes, while only 2 percent relates to charges for services. The total cost of all programs and services was approximately \$352 million; 86% of these costs are for instructional and student services.

Figure A-3 District Revenue for Fiscal Year 2012



Governmental Activities

- The District continues to build new instructional facilities.
- Property values grew by approximately \$152 million.
- Student enrollment was below projections.

Table A-2
Changes in the District's Net
Assets
(in millions of dollars)

	Governmental		Total %
	Activities		
	<u>2012</u>	<u>2011</u>	
Revenues			
<u>Program Revenues</u>			
Charges for Services	9.2	8.7	5.7%
Operating Grants and Contributions	48.1	57.7	-16.6%
<u>General Revenues</u>			
Property Taxes	67.5	66.4	1.7%
State Aid - Formula Grants	192.7	195.9	-1.6%
Grants and Contributions Not Restricted	50.5	70.0	-27.9%
Investment Earnings	0.4	0.4	0.0%
Other	2.2	1.3	69.2%
Total Revenues	370.6	400.4	-7.4%
Expenses			
Instruction and instructional related	225.6	237.3	-4.9%
Instructional leadership/school administration	22.2	23.4	-5.1%
Guidance, social work, health, transportation	27.3	29.6	-7.8%
Food services	19.1	18.6	2.7%
Extracurricular activities	7.3	7.7	-5.2%
General administration	6.8	6.6	3.0%
Plant maintenance and security	33.5	37.0	-9.5%
Data processing services	4.8	6.2	-22.6%
Community services	1.2	1.2	0.0%
Debt service	3.0	4.8	-37.5%
Facilities Acquisition	0.4	0.0	700.0%
Pmts to fiscal agent/member districts - shared service	0.4	0.1	300.0%
Other intergovernmental charges	0.5	0.5	0.0%
Total Expenses	352.1	373.0	-5.6%
Increase in Net Assets	18.5	27.4	
Beginning Net Assets	481.0	453.6	
Ending Net Assets	499.5	481.0	

Program Revenues – Operating Grants and Contributions decreased due to the elimination of American Recovery and Reinvestment Act funding. In addition, General Revenues – Grants and Contributions not Restricted decreased by \$19.5 million. The \$5.5 million science lab funding received from the State in the previous year, \$1 million less in SHARS funding and \$13.0 million less in Impact Aid funding make up the decrease. A shortened year to the Juvenile Justice Alternative Education Program in 2010-2011 is the major cause of the increase to other program revenues.

The expense variances from Table A-2 that exceed \$2,000,000 from the prior year occurred due to the following:

- (a) Instruction and instruction related expenses were reduced by \$9.6 million due to the loss of American Recovery and Reinvestment Act funding in addition to reductions in expenditures during the budgeting process.
- (b) Guidance, social work, health and transportation decreased by \$2.3 million due to expenditure reductions during the budgeting process.
- (c) Plant maintenance and security expenses reduced by \$3.5 million due to the loss of the technology allotment from the state and budgeting reductions.

Table A-3 presents costs of some of the District’s largest functions as well as each function’s *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$352 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$67.5 million (which is approximately 19%).
- Most of the cost was paid by federal grants and State Aid (TEA foundation payments).
- Some of the cost was paid by those who directly benefited from the programs (\$9.2 million).

Table A-3
Net Cost of Selected District Functions
(in million of dollars)

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>	
Instruction	\$ 206.7	\$ 216.3	-4.4%	\$ 178.7	\$ 181.4	-1.5%
Extracurricular	7.3	7.7	-5.2%	6.4	5.8	10.3%
Food Services	19.1	18.6	2.7%	0.5	0.5	0.0%
Plant Maintenance & Operations	30.7	34.1	-10.0%	30.0	32.0	-6.3%

Fiduciary Funds

Fiduciary Funds (trust and agency funds) are used to account for assets held by a government in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District accounts for scholarship funds that are received by a school that is to be awarded to current and former students for post-secondary education purposes as private-purpose trust funds. The District accounts for student activity funds as agency funds. These funds have no equity and do not include revenues and expenditures of the District.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Total governmental funds revenue decreased \$29.4 million from the prior year. The decrease is a net result of a \$4.3 million decrease in state foundation funding calculated through a target revenue calculation, \$10.6 million in State Fiscal Stabilization funding in the prior year, \$1 million decrease in SHARS funding and \$13.5 million decrease in Impact Aid funding. Impact Aid is a federal program aimed to compensate school Districts for lost property tax revenue where property is not taxed due to ownership by the federal government. Since Impact Aid is not an entitlement, we must maintain a large fund balance to cover any delayed payments due to continuing resolutions in Congress.

In addition, governmental fund expenditures decreased by \$34.3 million due to \$18.5 million less in construction, \$10.6 million in State Fiscal Stabilization, and \$5.2 million in technology, salary and operating expenditures.

General Fund Budgetary Highlights

Additional budget considerations were approved during the year to amend the original budget. These additional considerations included the following:

- Expenditures were carried over from the prior year for outstanding purchase orders, and approved capital improvement and construction projects not yet completed at year end.
- \$18.7 million was transferred to the capital projects funds to increase the fund balance available to fund future construction needs and to fund capital improvement projects.

Table A-4 summarizes five significant budget amendments as well as actual expenses made relating to the affected functional category. Budget amendments are presented to the Board of Trustees at regularly scheduled meetings. Each budget amendment must be approved by the Board and reflected in the official minutes of the Board before overspending in any functional category.

General Fund	Original Budget	Final Amended Budget	Amendment Increase (Decrease)	Actual Expense	Actual vs Final Amended Budget	Explanation Number
199-11-6XXX	\$ 191.1	\$ 179.0	\$ (12.1)	\$ 176.1	\$ (2.9)	1
199-21-6XXX	\$ 3.7	\$ 2.7	\$ (1.0)	\$ 2.6	\$ (0.1)	2
199-34-6XXX	\$ 10.4	\$ 9.7	\$ (0.7)	\$ 9.7	\$ 0.0	3
199-35-6XXX	\$ 0.3	\$ 0.4	\$ 0.1	\$ 0.4	\$ 0.0	4
199-41-6XXX	\$ 7.1	\$ 6.6	\$ (0.5)	\$ 6.7	\$ 0.1	5

1. The amendment decrease is the result of \$3.5 million of excess TRS on-behalf expenditures that were previously budgeted and not realized, \$1 million in unspent contracted services, \$5.1 million in the accrual of salaries and benefits due to personnel vacancies throughout the year, \$1.2 million as a result of salaries originally planned for the new career center, but not needed the first year of operation and \$1.3 million in unused miscellaneous expenditures.

2. The district’s curriculum and special program departments experienced significant staffing changes during the year resulting in an unpredicted savings of \$.4 million in salaries and benefits and \$.5 million in unused operating expenditures.

3. Overtime and benefits for transportation employees were reduced by \$.7 million due to staffing projections.

4. The district purchased a delivery truck for food services that was an unforeseen expenditure.
5. Survey, consulting services and salaries were reduced by \$.3 million, and \$.2 million in cafeteria plan administrative fees were mistakenly reduced for expenditures recorded in different budget codes.

Fund Balances

Fund balance is the accumulated excess of revenues over expenditures during the life of a school District. At any given point, the amount in fund balance represents the difference between governmental fund assets and liabilities. Although fund balances may change drastically during the business cycle of a school District, the standard measuring point is at the fiscal year end.

The amount maintained in fund balance is critical. First, such balances indicate financial stability. This is especially important when the District issues bonds. Second, by maintaining this balance at August 31, operations can continue without requiring debt until state funds and taxes are received. State funds are generally received proportionately each month.

Local property taxes are received primarily from early October through the end of January. The Board of Trustees has approved a resolution initiating discounts for prompt payments. The Appraisal District mails tax statements in early October. Payments received by October 31 receive a 3% discount; those received by November 30 receive a 2% discount; and those received by December 31 receive a 1% discount.

The District records five types of fund balance categories. The nonspendable portion of general fund balance is comprised of inventories, prepaid items, and permanent fund principal that cannot be converted to cash and spent. Restricted fund balance is the amount that is restricted to a specific purpose. The constraint on the use of these funds is externally imposed by creditors, grantors, contributors, laws and regulations. Committed fund balance is the amount that can only be used for specific purposes that the Board of Trustees determines through formal action. Assigned fund balance is the amount that the District intends to use on a specific purpose. The Superintendent has the authority to assign fund balance and does not need formal board approval. The remaining fund balance is unassigned and may be used for any purpose without constraints.

Fund balance in the General Fund at year-end was \$102,829,419. This is a \$9,643,107 increase from the prior year. The increase is the net result of a \$24,807,551 excess of revenues over expenditures and a reduction for other financing sources and uses of \$15,164,444. Transfers to capital projects funds in the amount of \$18,740,241 were the majority of the other financing sources and uses.

As discussed earlier in connection with governmental activities, the District saw a significant reduction in Impact Aid funding in the current year. Impact aid is a significant operating revenue source to the District. Expenditures remained constant as a result of budgetary reductions in the budgeting process. The District's yearly transfer from the General fund to the School Building Projects fund was supplemented by a \$3.5 million transfer from the Technology Allotment fund consequently transferring less in the current year than the previous year.

The General Fund unassigned fund balance of \$90,466,078 is equivalent to approximately four months of expenditures. The unassigned fund balance minimizes the likelihood that the District would be required to enter the short-term debt market to pay for current operating expenditures. In addition, \$4,558,481 of restricted fund balance is the amount remaining from state & federal grants. \$3,456,194 of fund balance is set aside to pay for new financial software and is reported as assigned.

The National Lunch and Breakfast program, a major fund in the current year, had a fund balance increase of \$806,166 resulting in a fund balance of \$6,003,081. The increase is a net result of \$18,128,281 in revenue, \$17,447,096 in expenditures, and \$124,981 in other financing sources. Fund balance contains \$1,122,149 of food item inventory, \$4,480,932 funding from school lunches, and \$400,000 committed for the acquisition of warehouse freezer equipment.

The School Building Projects fund accounts for funds transferred from the general fund to use in constructing future building needs due to student growth. Fund balance in the School Building Projects fund decreased by \$532,717. This decrease is the net result of \$163,955 in revenue, \$15,275,109 in facilities construction expenditures, \$15,440,241 transfer from the general fund, and an \$861,804 transfer to the New School Furniture & Equipment fund to furnish and equip new campuses. Fund balance at year end is \$106,114,858 and is comprised of \$4,008,241 in funds received from the State for high school science lab construction, \$14,714,826 committed by the board of trustees to pay for approved projects on the strategic facilities plan and fulfill uncompleted construction contracts currently in progress, and \$87,391,791 assigned for future facilities needs identified by the board in the strategic facilities plan.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the District had invested approximately \$380.4 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-5.) This amount represents a net increase (including additions and deductions) of \$1.4 million over last year. More detailed information about the District's capital assets activity is presented in Note E of the Notes to the Financial Statements.

Table A-5
District's Capital Assets
(in millions of dollars)

	Governmental Activities		Total % Change
	<u>2012</u>	<u>2011</u>	
Land	9.7	9.7	0.0%
Buildings and Improvements	501.8	479.5	4.7%
Furniture and Equipment	65.6	62.1	5.6%
Construction in Progress	31.7	39.1	-18.9%
Totals at historical cost	608.8	590.4	3.1%
Total accumulated depreciation	(228.4)	(211.4)	8.0%
Net capital assets	<u>380.4</u>	<u>379.0</u>	0.4%

Bond Ratings

The District's bonds presently carry an "Aaa" rating with Moody's Investor Service and an "AAA" rating with Standard & Poor's

Long-Term Debt

Debt Service requirements for the general obligation bonds outstanding on August 31, 2012 totaled \$94,535,000. The ratios of the District's net bonded debt to assessed valuation and the amount of net bonded debt per capita are disclosed in schedule 12 of the Statistical Section. The outstanding general obligation bonds are for school construction purposes.

As of the end of the fiscal year, the District requires \$123,185,450 (including principal, interest due and accrued interest) through 2028 to retire its outstanding general long-term bonds. The debt service fund has \$1,760,992 restricted in fund balance for retirement of funded indebtedness.

The District levied a debt service tax rate of \$0.11 during the 2011-2012 fiscal year to fund a portion of the principal and interest payments on our bonded indebtedness. Due to legislation to assist school Districts with school construction, a significant share (approximately 51%) of the District's debt service is paid by the state. The District's local share of debt service is covered by Interest & Sinking taxes or local revenue as outlined above. More detailed information about the District's debt is presented in Note F of the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND TAX RATES

The District expects student enrollment to continue to increase in the 2013 fiscal year, although at a more modest pace than the enrollment growth rates seen up to fiscal year 2011.

While there is uncertainty in the area of school finance at both the local and state levels, the district maintains a healthy fund balance both for operational purposes and for funding future facilities. Additionally, the district's debt service fund is generated through the interest and sinking rate. The district has taken steps to decrease the amount of debt service owed for future years by refunding higher interest bonds. This allows the District's interest and sinking rate to remain stable regardless of future changes in assessed values. Currently, with the budget discussions at the federal level contemplating reductions to expenditures, the district's federal revenues are subject to reductions. However, in many ways the outcome of these discussions will have a broader impact than simply school funding. Therefore, the district could be affected both directly and indirectly if sequestration occurs and federal revenues are reduced. The sequestration process that is being considered by the federal government potentially reduces federal funds by roughly 8% in fiscal year 2013.

While no new campuses will be opened in the 2014 fiscal year, the district has identified facility needs in the next ten years that include three elementary schools, two middle schools, a high school, science lab additions, two elementary school additions, a satellite transportation facility, a warehouse expansion, energy management projects and technology upgrades.

The Board approved the maintenance and operations tax rate for the 2012-2013 fiscal year of \$1.04 and a debt service rate of \$0.091 for a total of \$1.131. This is a reduction from the previous year total tax rate of \$1.14119.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Financial Services Department.

KILLEEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2012

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 16,503,559
1120 Current Investments	206,396,520
1220 Property Taxes Receivable (Delinquent)	2,240,086
1230 Allowance for Uncollectible Taxes	(336,012)
1240 Due from Other Governments	6,377,241
1267 Due from Fiduciary Funds	85,069
1290 Other Receivables, net	402,180
1300 Inventories	2,097,060
1410 Deferred Expenses	3,543,840
1420 Capitalized Bond and Other Debt Issuance Costs	844,934
Capital Assets:	
1510 Land	9,753,299
1520 Buildings, Net	321,203,444
1530 Furniture and Equipment, Net	17,762,061
1580 Construction in Progress	31,663,456
1990 Other Assets	231,375
1000 Total Assets	618,768,112
LIABILITIES	
2110 Accounts Payable	4,138,253
2120 Short Term Debt Payable	4,964,983
2160 Accrued Wages Payable	1,580,746
2177 Due to Fiduciary Funds	214
2180 Due to Other Governments	5,213,988
2300 Unearned Revenues	231,322
Noncurrent Liabilities	
2501 Due Within One Year	8,853,214
2502 Due in More Than One Year	94,251,213
2000 Total Liabilities	119,233,933
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	296,593,114
3850 Restricted for Debt Service	1,760,992
3860 Restricted for Capital Projects	11,992,579
3890 Restricted for Other Purposes	189,715
3900 Unrestricted Net Assets	188,997,779
3000 Total Net Assets	\$ 499,534,179

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



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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Gov. Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 206,705,132	\$ 1,781,493	\$ 26,235,735	\$ (178,687,904)
12 Instructional Resources and Media Services	8,699,637	-	317,440	(8,382,197)
13 Curriculum and Staff Development	10,149,414	11,264	2,673,474	(7,464,676)
21 Instructional Leadership	2,609,858	-	109,012	(2,500,846)
23 School Leadership	19,623,731	148,198	787,029	(18,688,504)
31 Guidance, Counseling and Evaluation Services	12,306,051	-	2,386,947	(9,919,104)
32 Social Work Services	1,219,964	-	41,267	(1,178,697)
33 Health Services	3,338,749	-	130,693	(3,208,056)
34 Student (Pupil) Transportation	10,413,483	-	295,858	(10,117,625)
35 Food Services	19,134,181	5,484,268	13,165,076	(484,837)
36 Extracurricular Activities	7,269,839	716,203	168,256	(6,385,380)
41 General Administration	6,830,014	11,264	269,480	(6,549,270)
51 Facilities Maintenance and Operations	30,739,183	45,057	717,855	(29,976,271)
52 Security and Monitoring Services	2,762,881	11,264	229,070	(2,522,547)
53 Data Processing Services	4,829,066	-	122,261	(4,706,805)
61 Community Services	1,196,690	141,009	491,867	(563,814)
72 Debt Service - Interest on Long Term Debt	2,983,682	-	-	(2,983,682)
73 Debt Service - Bond Issuance Cost and Fees	51,169	-	-	(51,169)
81 Capital Outlay	394,953	22,528	-	(372,425)
95 Payments to Juvenile Justice Alternative Ed. Prg.	378,193	823,154	-	444,961
99 Other Intergovernmental Charges	550,450	-	-	(550,450)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 352,186,320	\$ 9,195,702	\$ 48,141,320	(294,849,298)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	61,048,573
DT	Property Taxes, Levied for Debt Service	6,518,522
SF	State Aid - Formula Grants	192,717,006
GC	Grants and Contributions not Restricted	50,508,209
IE	Investment Earnings	377,267
MI	Miscellaneous Local and Intermediate Revenue	2,178,645
TR	Total General Revenues	313,348,222
CN	Change in Net Assets	18,498,924
NB	Net Assets--Beginning	481,035,255
NE	Net Assets--Ending	\$ 499,534,179

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

KILLEEN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2012

Data Control Codes	General Fund	National Breakfast and Lunch Program	School Building Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 3,622,527	\$ 364,076	\$ 7,206,274
1120 Investments - Current	104,745,497	6,547,759	94,366,052
1220 Property Taxes - Delinquent	2,034,170	-	-
1230 Allowance for Uncollectible Taxes (Credit)	(305,125)	-	-
1240 Receivables from Other Governments	226,853	306,943	-
1260 Due from Other Funds	2,362,721	32,417	5,764,614
1290 Other Receivables	389,098	13,082	-
1300 Inventories	974,777	1,122,149	-
1410 Deferred Expenditures	3,373,889	76,482	-
1900 Other Assets	-	-	-
1000 Total Assets	<u>\$ 117,424,407</u>	<u>\$ 8,462,908</u>	<u>\$ 107,336,940</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 1,983,436	\$ 294,498	\$ 1,222,082
2120 Short Term Debt Payable - Current	3,947,684	805,226	-
2160 Accrued Wages Payable	1,285,630	74,440	-
2170 Due to Other Funds	1,747,910	1,083,597	-
2180 Due to Other Governments	3,872,027	-	-
2300 Deferred Revenues	1,758,301	202,066	-
2000 Total Liabilities	<u>14,594,988</u>	<u>2,459,827</u>	<u>1,222,082</u>
Fund Balances:			
Nonspendable Fund Balance:			
3410 Inventories	974,777	1,122,149	-
3425 Endowment Principal	-	-	-
3430 Prepaid Items	3,373,889	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	4,558,481	4,480,932	-
3480 Retirement of Long-Term Debt	-	-	-
3490 Other Restricted Fund Balance	-	-	4,008,241
Committed Fund Balance:			
3510 Construction	-	-	14,714,826
3530 Capital Expenditures for Equipment	-	400,000	-
3545 Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
3550 Construction	-	-	87,391,791
3590 Other Assigned Fund Balance	3,456,194	-	-
3600 Unassigned Fund Balance	90,466,078	-	-
3000 Total Fund Balances	<u>102,829,419</u>	<u>6,003,081</u>	<u>106,114,858</u>
4000 Total Liabilities and Fund Balances	<u>\$ 117,424,407</u>	<u>\$ 8,462,908</u>	<u>\$ 107,336,940</u>

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

Nonmajor Governmental Funds		Total Governmental Funds	
\$	5,310,682	\$	16,503,559
	737,212		206,396,520
	205,916		2,240,086
	(30,887)		(336,012)
	5,843,445		6,377,241
	14,131		8,173,883
	-		402,180
	134		2,097,060
	93,469		3,543,840
	231,375		231,375
\$	<u>12,405,477</u>	\$	<u>245,629,732</u>
\$	638,237	\$	4,138,253
	212,073		4,964,983
	220,676		1,580,746
	5,257,521		8,089,028
	1,341,961		5,213,988
	175,028		2,135,395
	<u>7,845,496</u>		<u>26,122,393</u>
	-		2,096,926
	189,715		189,715
	-		3,373,889
	1,469,474		10,508,887
	1,760,992		1,760,992
	36,698		4,044,939
	-		14,714,826
	-		400,000
	699,220		699,220
	403,882		87,795,673
	-		3,456,194
	-		90,466,078
	<u>4,559,981</u>		<u>219,507,339</u>
\$	<u>12,405,477</u>	\$	<u>245,629,732</u>



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

Total Fund Balances - Governmental Funds	\$ 219,507,339
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$590,437,016 and the accumulated depreciation was \$211,450,399. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.	266,553,580
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The item also includes the effect of the issuance of refunding bonds in the current year. The net effect of including the 2011-2012 capital outlays and debt principal payments is to increase net assets.	28,554,133
3 The 2011-2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(17,473,952)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.	2,393,079
19 Net Assets of Governmental Activities	<u>\$ 499,534,179</u>

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

KILLEEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes		General Fund	National Breakfast and Lunch Program	School Building Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 65,650,674	\$ 5,491,135	\$ 163,955
5800	State Program Revenues	194,887,355	119,743	-
5900	Federal Program Revenues	51,770,897	12,517,403	-
5020	Total Revenues	<u>312,308,926</u>	<u>18,128,281</u>	<u>163,955</u>
EXPENDITURES:				
Current:				
0011	Instruction	176,061,138	-	-
0012	Instructional Resources and Media Services	8,224,047	-	-
0013	Curriculum and Instructional Staff Development	5,262,241	-	-
0021	Instructional Leadership	2,604,514	-	-
0023	School Leadership	18,726,649	-	-
0031	Guidance, Counseling and Evaluation Services	10,389,162	-	-
0032	Social Work Services	1,220,046	-	-
0033	Health Services	3,334,605	-	-
0034	Student (Pupil) Transportation	9,735,768	-	-
0035	Food Services	378,984	17,145,518	-
0036	Extracurricular Activities	6,741,942	-	-
0041	General Administration	6,756,477	-	-
0051	Facilities Maintenance and Operations	28,961,402	175,640	625,491
0052	Security and Monitoring Services	2,598,717	125,938	-
0053	Data Processing Services	4,856,498	-	-
0061	Community Services	714,226	-	16,222
Debt Service:				
0071	Principal on Long Term Debt	-	-	-
0072	Interest on Long Term Debt	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	5,272	-	14,633,396
Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	378,193	-	-
0099	Other Intergovernmental Charges	551,494	-	-
6030	Total Expenditures	<u>287,501,375</u>	<u>17,447,096</u>	<u>15,275,109</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>24,807,551</u>	<u>681,185</u>	<u>(15,111,154)</u>
OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued (Regular Bonds)	-	-	-
7912	Sale of Real and Personal Property	54,484	3,847	-
7915	Transfers In	3,521,313	121,134	15,440,241
7916	Premium or Discount on Issuance of Bonds	-	-	-
8911	Transfers Out (Use)	(18,740,241)	-	(861,804)
8949	Other (Uses)	-	-	-
7080	Total Other Financing Sources (Uses)	<u>(15,164,444)</u>	<u>124,981</u>	<u>14,578,437</u>
1200	Net Change in Fund Balances	9,643,107	806,166	(532,717)
0100	Fund Balance - September 1 (Beginning)	93,186,312	5,196,915	106,647,575
3000	Fund Balance - August 31 (Ending)	<u>\$ 102,829,419</u>	<u>\$ 6,003,081</u>	<u>\$ 106,114,858</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 8,326,072	\$ 79,631,836
8,248,294	203,255,392
23,822,843	88,111,143
<u>40,397,209</u>	<u>370,998,371</u>
20,627,978	196,689,116
45,028	8,269,075
2,450,943	7,713,184
9,560	2,614,074
187,890	18,914,539
1,918,936	12,308,098
-	1,220,046
3,225	3,337,830
-	9,735,768
404,546	17,929,048
316,993	7,058,935
75,170	6,831,647
1,133,733	30,896,266
38,648	2,763,303
82,834	4,939,332
465,502	1,195,950
9,685,000	9,685,000
4,569,660	4,569,660
323,668	323,668
2,562,271	17,200,939
-	378,193
-	551,494
<u>44,901,585</u>	<u>365,125,165</u>
<u>(4,504,376)</u>	<u>5,873,206</u>
28,290,000	28,290,000
-	58,331
4,161,804	23,244,492
3,400,383	3,400,383
(3,642,447)	(23,244,492)
<u>(31,357,014)</u>	<u>(31,357,014)</u>
852,726	391,700
(3,651,650)	6,264,906
8,211,631	213,242,433
<u>\$ 4,559,981</u>	<u>\$ 219,507,339</u>

KILLEEN 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, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	6,264,906
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. This item also includes the effect of the issuance of refunding bonds in the current year. The net effect of removing the 2011-2012 capital outlays, debt principal payments, and refunding issuance is to increase net assets.		28,554,133
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.		(17,473,952)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		1,153,837
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>18,498,924</u>

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

KILLEEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 63,921,066	\$ 65,159,405	\$ 65,650,674	\$ 491,269
5800 State Program Revenues	201,319,279	196,279,257	194,887,355	(1,391,902)
5900 Federal Program Revenues	53,401,000	51,539,998	51,770,897	230,899
5020 Total Revenues	318,641,345	312,978,660	312,308,926	(669,734)
EXPENDITURES:				
Current:				
0011 Instruction	191,114,301	178,979,253	176,061,138	2,918,115
0012 Instructional Resources and Media Services	8,712,791	8,436,214	8,224,047	212,167
0013 Curriculum and Instructional Staff Development	5,398,755	5,254,589	5,262,241	(7,652)
0021 Instructional Leadership	3,680,636	2,671,697	2,604,514	67,183
0023 School Leadership	18,701,368	18,896,642	18,726,649	169,993
0031 Guidance, Counseling and Evaluation Services	10,971,077	10,409,479	10,389,162	20,317
0032 Social Work Services	1,334,848	1,307,381	1,220,046	87,335
0033 Health Services	3,508,095	3,406,716	3,334,605	72,111
0034 Student (Pupil) Transportation	10,413,831	9,686,701	9,735,768	(49,067)
0035 Food Services	289,421	392,822	378,984	13,838
0036 Extracurricular Activities	6,968,350	6,762,663	6,741,942	20,721
0041 General Administration	7,138,335	6,623,311	6,756,477	(133,166)
0051 Facilities Maintenance and Operations	28,976,808	28,929,197	28,961,402	(32,205)
0052 Security and Monitoring Services	2,553,611	2,665,213	2,598,717	66,496
0053 Data Processing Services	4,859,322	4,774,737	4,856,498	(81,761)
0061 Community Services	767,099	686,857	714,226	(27,369)
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	13,780	5,272	8,508
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	401,100	404,461	378,193	26,268
0099 Other Intergovernmental Charges	592,597	559,767	551,494	8,273
6030 Total Expenditures	306,382,345	290,861,480	287,501,375	3,360,105
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	12,259,000	22,117,180	24,807,551	2,690,371
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	54,652	54,484	(168)
7915 Transfers In	41,000	3,521,314	3,521,313	(1)
8911 Transfers Out (Use)	(12,300,000)	(18,740,241)	(18,740,241)	-
7080 Total Other Financing Sources (Uses)	(12,259,000)	(15,164,275)	(15,164,444)	(169)
1200 Net Change in Fund Balances	-	6,952,905	9,643,107	2,690,202
0100 Fund Balance - September 1 (Beginning)	-	93,186,312	93,186,312	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 100,139,217	\$ 102,829,419	\$ 2,690,202

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

KILLEEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2012

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 21,828	\$ 636,374
Investments - Current	7,355	143,933
Due from Other Funds	-	214
Other Receivables	40	26,629
Long Term Investments	1,394,942	-
Total Assets	<u>1,424,165</u>	<u>\$ 807,150</u>
LIABILITIES		
Accounts Payable	-	\$ 609
Due to Other Funds	-	85,069
Due to Student Groups	-	562,242
Payable from Restricted Assets	-	159,230
Total Liabilities	<u>-</u>	<u>\$ 807,150</u>
NET ASSETS		
Unrestricted Net Assets	<u>1,424,165</u>	
Total Net Assets	<u>\$ 1,424,165</u>	

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

KILLEEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 166,689
Total Additions	<u>166,689</u>
DEDUCTIONS:	
Other Operating Costs	<u>73,900</u>
Total Deductions	<u>73,900</u>
Change in Net Assets	92,789
Total Net Assets - September 1 (Beginning)	<u>1,331,376</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 1,424,165</u></u>

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

I. Summary of Significant Accounting Policies

Killeen Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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." There are no component units included within the 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 Killeen Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "operating grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities within governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions within governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities. Certain indirect costs are included in the program expense reported for individual functions and activities.

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 District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the respective liability has been applied for and is payable as of the fiscal year end. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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. Recognition of grant revenues is dependent upon the related criteria established in the grant's eligibility requirements.

Grant funds are considered 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 amount.

The Proprietary Fund Types 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. Agency funds do not have a measurement focus. 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. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. Fund Accounting

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. Fund accounting segregates funds according to their internal purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which include each fund's assets, liabilities, fund equity, revenues and expenditures or expenses.

The District reports the following major governmental funds:

General Fund is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund. This is a budgeted fund and any fund balances are considered as resources available for use.

National Breakfast and Lunch Program is a Special Revenue Fund that is used to account for funds granted by the National School Lunch Program, the National School Breakfast Program and donated commodities received from the Food Distribution Program.

School Building Projects is a Capital Projects Fund that accounts for construction projects financed through transfers from the General Fund.

Additionally, the District reports the following fund types:

Governmental Fund Types:

Special Revenue Funds account for resources restricted or committed for specific purposes by the District or a grantor. 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. The National Breakfast and Lunch Program fund is the only required budgeted special revenue fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds. The following is a list of non-major Special Revenue funds used by the district:

Title X Part C Education for Homeless Children – Funds granted for a variety of staff development and supplemental services, including in service training, counseling, psychological services and tutoring for homeless students.

Title I – Improving Basic Programs – Used to account for funds allocated to improve the teaching of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

IDEA B Formula – Used to account, on a project basis, for funds granted to operate educational programs for children with disabilities.

IDEA B Preschool – Used to account, on a project basis, for funds granted for preschool children with disabilities.

IDEA B Discretionary – IDEA-B Discretionary (Deaf) funds are allocated to provide educational services to eligible students in an RDSPD and to support statewide activities that are approved by TEA.

IDEA B Deaf – Used to account, on a project basis, for funds granted to operate educational programs for children with disabilities.

Summer Feeding Program – Used to account, on a project basis, for funds received from the Department of Human Services that are awarded for meals provided to the community based on the average number of daily participants.

Career and Technical Basic Grant – Used to account for PL94-142 funds provided for purposes of vocational-technical education.

Title II Part A Teacher and Principal Training and Recruiting – Used to provide financial assistance to LEAs to (1) Increase student academic achievement through improving teacher and principal quality and increasing the number of highly qualified teachers in classrooms and highly qualified principals and assistant principals in schools, and (2) hold local education agencies and schools accountable for improving student academic achievement.

Title III Part A English Language Acquisition – Used to account, on a project basis, for funds granted to improve the education of limited English proficient children, by assisting the children to learn English and meet challenging State academic content and student academic achievement standards.

Title XIV ARRA State Stabilization (Stimulus) – Used to account, on a project basis, for funds granted to improve basic programs authorized by the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001; the Individuals with Disabilities Education Act (IDEA); the Adult and Family Literacy Act, the Carl D. Perkins and Technical Education Act of 2006, or for the modernization, renovation, or repair of public school facilities, including modernization, renovation, or repairs that are consistent with a recognized green building rating system. This grant is funded by the American Recovery Reinvestment Act (ARRA) of 2009, Title XIV.

Education Jobs – The 2011-2012 Education Jobs Fund (Ed Jobs) program is a new short-term Federal program authorized to provide essential resources to assist local educational agencies (LEAs) in saving or creating education jobs, and help to ensure that America's students are prepared to succeed in college and careers. Jobs funded under this program include those that provide educational and related services to early childhood, elementary and secondary education school levels.

Regional Day School for the Deaf – Used to account for funds allocated for staff and activities of the Regional Day School Program for the Deaf.

Advanced Placement Incentives – Used to account for funds designated to assist districts and schools

with enhancing their programs for advanced level students.

Student Success Initiative – This fund classification is to be used to account, on a project basis, for funds granted for teacher training and allocations to schools to implement scientific, research-based programs for students who have been identified as unlikely to achieve the third grade TAKS reading standard by the end of the third grade.

High School Completion and Success – The purpose of this program is to promote postsecondary readiness by providing assistance in developing the content knowledge and instructional expertise of teachers who instruct students in mathematics at the middle, junior high, or high school levels for eligible districts.

State Textbook Fund – Used to account, on a project basis, for funds awarded to schools under the textbook allotment.

Technology Allotment – These funds are used to account for funds to purchase software and technological equipment that contributes to student learning.

Read to Succeed – The purpose of these funds are to provide educational materials for the school library.

JJAEP – Used to account for Juvenile Justice Alternative Education Program funds associated with a shared service arrangement.

Campus Activity Funds – Used to account for funds for transactions related to a principal's activity fund if the monies generated are not subject to recall by the District's Board of Trustees.

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) – Designed to help more young Americans to stay in school, develop good study skills and take the right courses to go to college. A partnership funded by the U.S. Department of Education, the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) college link is administered in Central Texas by ESC Region 12 to give qualifying students the skills, encouragement and preparation to pursue a college education. Focusing on early intervention beginning in middle school, the program serves students as they progress through middle school and high school.

Debt Service Fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. This is a budgeted fund.

Capital Projects Funds (non-major, unbudgeted funds) account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisition. The following is a list of the District's non-major Capital Project Funds:

Capital Improvement Projects – Used to account for costs associated with the care and maintenance of existing district properties.

Impact Aid Section 8007 – Used to account for projects financed through proceeds from Impact Aid Section 8007.

Impact Aid ARRA Construction – Used to account for American Recovery and Reinvestment Act funds to be used from construction activities.

New Schools Furniture & Equipment – These funds are used to account for costs associated with equipping a new facility to include costs of furniture, equipment, technology and curriculum.

Permanent Fund accounts for a legally restricted endowment in the amount of \$189,715 to the extent that only earnings and not principal may be used by the District to supplement under funded programs for Shoemaker High School. The net amount of appreciation unavailable for expenditure is \$36,698 and is reflected as restricted on the statement of net assets on page 13. State law and District policies regarding the ability to spend net appreciation is addressed below under private purpose trust funds.

Fiduciary Fund Types:

Private Purpose Trust Funds account for donations for which the donor has stipulated that both the principal and income may not be used for purposes that benefit parties outside the District. These funds consist of special programs over which the school District acts as fiscal manager in a Trustee capacity. The local memorial fund accounts for the revenues and expenditures used in teacher training at a local university. Donor Designated Scholarships account for scholarships donated to the district where the recipient(s) is chosen by the donor. Local Scholarship Funds account for scholarships donated to the district where the donor has chosen for a specific campus or the school board to choose the recipient(s).

The Haynes, Wood, Pratt, Cross and Ware scholarship funds are accounted for in fund 823 entitled “Endowed Scholarships” which account for unbudgeted revenues and expenses used in paying scholarships for former students. Below is a listing of the endowed scholarships, their original endowment and the funds held in each scholarship at year-end. These funds are held in the depository bank and in four Vanguard investment funds.

	Endowment	Current Balance	Net Appreciation Available for Expenditure
Scholarship account:			
Cross	\$ 724,896	\$ 855,716	\$ 130,820
Haynes	\$ 100,000	115,067	15,067
Wood	\$ 209,530	237,449	27,919
Pratt	\$ 83,195	90,111	6,916
Ware	\$ 100,000	96,599	(3,401)
		<u>\$ 1,394,942</u>	<u>\$ 177,321</u>

Amounts available for expenditure are included in the statement of fiduciary net assets on page 24 and are considered unrestricted net assets.

In 1989, Texas adopted the Uniform Management of Institutional Funds Act. This act authorizes the use of net realized and unrealized capital gains to meet current obligations, subject to a standard of business care and prudence. Killeen Independent School District endowments primarily follow a total-return policy. However, certain endowments are invested in a manner to try to maintain the purchasing power that the spending would have allowed for at the time of the original endowment.

Agency Funds (unbudgeted funds) are used to account for activities of student groups and other types of activities. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the school district.

Employee Flexible Benefits – This fund accounts for the accumulation of resources to be used in payment of employee MDV (medical, dental, vision) and insurance payments.

Student Activity – This fund accounts for receipts and disbursements from various student organizations. The fund account reflects the District's custodial relationship with the student organizations.

E. Other Accounting Policies

Encumbrances

Purchase orders or contracts document encumbrances for goods or purchased services. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

Inventories

Inventories include school nutrition, plant maintenance, administrative supplies, and instructional supplies. Such inventories are valued at cost, determined on a weighted average method, and are offset with a corresponding fund equity reserve. These inventories are accounted for on the consumption method whereby expenditures are recorded when inventories are consumed. Since title to USDA donated commodities does not pass to the District until consumed, donated commodities inventory at the balance sheet date is reported as deferred revenue. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Investments

Investments are recorded at fair value. The District adjusts investments to fair value on a quarterly basis.

Bonds Payable

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method. Bonds payable, net of the applicable bond premium or discount, are disclosed in exhibit J-6 at page 84.

In the fund financial statements, governmental fund types recognize 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 issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Inter-fund Receivables and Payables

Short-term transactions between funds are accounted for in the appropriate inter-fund receivable and payable accounts in the fund financial statements. All ending balances in the current year represent short-term financing of related activity that the District intends to settle within one year.

Capital Assets

Capital assets, which include land, buildings, construction in progress and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District 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 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 the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Land and construction in progress are not depreciated. Buildings, 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	37
Building Improvements	37
Portable Buildings	9
Vehicles	10
Equipment	5-10
Computer Equipment	5-10

Fund Balance Classifications

The difference between assets and liabilities in the governmental fund balance sheets shall be organized into the following classifications:

Nonspendable – Not in a spendable form, such as inventory, or required to be maintained intact such as the principal of a permanent fund

Restricted – Resources that are subject to constraints that are either imposed by law through constitutional provisions or enabling legislation, or externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed – Amounts that can only be used for specific purposes determined by formal approval of the Board. These amounts shall not be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it used to commit the amounts.

Assigned – Amounts that the District intends to use for a specific purpose and are neither restricted nor committed. The intent to assign amounts for a specific purpose shall be expressed by either the Board or the Superintendent.

Unassigned – The residual classification for the general fund balance, including amounts that are not contained in the other classifications. Unassigned amounts are the portion of fund balance that is not obligated or specifically designated and is available for any purpose.

Use of Restricted, Committed, Assigned, and Unassigned Assets

When the District incurs an expense for which it may use either restricted, committed, assigned, or unassigned assets, the District shall reduce restricted, committed, and assigned assets first, in that order, unless unassigned assets would have to be returned because they were not used.

Minimum Fund Balance

According to the District's policy, CE (Local), the unassigned fund balance of the general fund shall not be less than two months projected budgeted expenditures for the current year. The District's general fund unassigned balance of \$90,466,078 exceeds the required minimum fund balance of \$48,476,913.

Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency in the *Financial Accountability System Resource Guide*. The Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

Cash and Cash Equivalents

Cash equivalents include demand deposits as well as short-term, highly liquid investments readily convertible to known amounts of cash with a maturity date within three months of the date acquired by the District. Cash equivalents are reported as cash and temporary investments.

Compensated Absences

The State of Texas has created a minimum personal leave program consisting of five days per year personal leave with no limit on accumulation and transferability among districts for every teacher regularly employed in Texas Public Schools. This leave is funded by the State of Texas. Each District's local board is required to establish a personal leave plan. Local school districts may provide additional personal leave beyond the state minimum. The District's policy provides five additional sick leave days.

Governmental Accounting Standards Board Statement No. 16 requires the District to accrue compensated absences as a liability to the extent it is earned but not used during the current period or prior periods for which employees can receive compensation in a future period. The District does not reimburse employees for unused sick days or personal days remaining upon termination of employment. Therefore, no liability for compensated absences is reported at the balance sheet date in the fund financial statements. However, all vacation and flex pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

II. Reconciliation of Government-Wide and Fund Financial Statements**A. Explanation of Certain Differences Between The Governmental Fund Balance Sheet And The Government-Wide Statement Of Net Assets**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Land	\$ 9,705,299	\$ -	\$ 9,705,299	
Buildings & Improvements	479,515,417	167,332,095	312,183,322	
Furniture & Equipment	62,092,055	44,118,304	17,973,751	
Construction in Progress	39,124,245	-	39,124,245	
Change in Net Assets				<u>\$ 378,986,617</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			\$ (104,525,462)	
Less Unamortized Premiums			(8,480,010)	
Plus Unamortized Bond Issuance Costs			572,435	
Change in Net Assets				<u>(112,433,037)</u>
Net Adjustment to Net Assets				<u>\$ 266,553,580</u>

B. Explanation Of Certain Differences Between The Governmental Fund Statement Of Revenues, Expenditures, And Changes In Fund Balances And The Government-Wide Statement Of Activities

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current Year Capital Outlay</u>			
Land	\$ 48,000		
Buildings & Improvements	1,799,307		
Furniture & Equipment	4,021,042		
Construction in Progress	13,012,085		
Total Capital Outlay	<u>\$ 18,880,434</u>	<u>\$ 18,880,434</u>	<u>\$ 18,880,434</u>
<u>Debt Principal Payments</u>			
Bond Principal	\$ 9,685,000		
Total Principal Payments	<u>\$ 9,685,000</u>	<u>\$ 9,685,000</u>	<u>\$ 9,685,000</u>
<u>Current Year Issuance and Refunding of Debt</u>			
Amount Deferred on Refunding	\$ (710,477)		
Newly Issued Debt	(28,290,000)		
Refunded Principal Portion of Old Debt	31,175,000		
Refunded Premium of Old Debt	892,491		
Premium on Newly Issued Debt	(3,400,383)		
Bond Issuance Costs	322,068		
Total Issuance and Refunding	<u>\$ (11,301)</u>	<u>\$ (11,301)</u>	<u>\$ (11,301)</u>
Total Adjustment to Net Assets		<u>\$ 28,554,133</u>	<u>\$ 28,554,133</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change In Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>		
Adjustments required for tax revenues for prior and current years collections adjusted for full accrual.	\$ (360,619)	\$ (360,619)
<u>Reclassifications related to Bonds</u>		
Discount (Premium) on Issuance of Bonds	1,831,835	1,831,835
Bond Issuance Cost	(49,569)	(49,569)
Amount Deferred on Refunding	(279,205)	(279,205)
<u>Reclassify Liabilities Incurred but not Liquidated this Year</u>		
Unused Vacation Pay	(11,115)	(11,115)
<u>Adjustments to Expenditures and Accrued Liabilities</u>		
Bond Interest Accrual Adjustment	33,349	33,349
<u>Adjustments to Other Sources and Revenues for Loss on Sale of Assets</u>		
	<u>(10,839)</u>	<u>(10,839)</u>
Total		<u>\$ 1,153,837</u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the National Breakfast and Lunch Program 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 GAAP basis budget to actual revenues and expenditures. The General Fund Budget report appears in exhibit C-5 and the other two reports are in Exhibit J-4 and J-5.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

KILLEEN INDEPENDENT SCHOOL DISTRICT

Notes To The Financial Statements (Continued)

Year Ended August 31, 2012

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. 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 passage of a 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 must have Board approval. As required by law, such amendments are made prior to overspending in a functional category, reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The following amendments were significant.

<u>General Fund</u>	<u>Original School Budget</u>	<u>Final Amended Budget</u>	<u>Amendment Increase (Decrease)</u>	<u>Explanation Number</u>
199-11-6XXX	191,114,301	178,979,253	(12,135,048)	1
199-21-6XXX	3,680,636	2,671,697	(1,008,939)	2
199-34-6XXX	10,413,831	9,686,701	(727,130)	3
199-35-6XXX	289,421	392,822	103,401	4
199-41-6XXX	7,138,335	6,623,311	(515,024)	5

- (1.) The amended decrease in expenditures is the result of \$3.5 million of excess TRS on-behalf expenditures that were previously budgeted and not realized, \$1 million in unspent contracted services, \$5.1 million in over planned salaries and benefits due to vacancies throughout the year, \$1.2 million in unfilled salaries originally planned for the new career center and \$1.3 million in unspent miscellaneous expenditures.
- (2.) The District's curriculum and special program departments experienced significant staffing changes during the year resulting in \$.4 million in over planned salaries and benefits and \$.5 million in unused operating expenditures.
- (3.) Overtime and benefits for transportation employees were reduced by \$.7 million due to staffing projections.
- (4.) The District purchased a delivery truck for food services that was not originally budgeted.

KILLEEN INDEPENDENT SCHOOL DISTRICT*Notes To The Financial Statements (Continued)**Year Ended August 31, 2012*

- (5.) Survey, consulting services and salaries were reduced by \$.3 million, and \$.2 million in cafeteria plan administrative fees were mistakenly reduced for expenditures in different budget codes.
4. Each budget is controlled at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

Budgeted Fund - National Breakfast and Lunch Program	\$	6,003,081
Unbudgeted Funds:		
Summer Feeding Program		158,886
Advanced Placement Incentives		98,636
State Textbook Fund		13,502
Read to Succeed		279
Campus Activity Funds		699,220
	<u>\$</u>	<u>6,973,604</u>

B. Excess of Actual Expenditures over Appropriations by Functional Categories

For the fiscal year ended August 31, 2012, the District's actual expenditures exceeded budgeted expenditures for the following functions. Variance explanations are located below the table.

	<u>Appropriation</u>	Excess of Expenditures Over <u>Appropriations</u>	<u>Explanation Number</u>
GENERAL FUND:			
Curriculum and Instructional Staff Development	\$ 5,254,589	\$ 7,652	1
Student (Pupil) Transportation	9,686,701	49,067	2
General Administration	6,623,311	133,166	3
Facilities Maintenance and Operations	28,929,197	32,205	4
Data Processing Services	4,774,737	81,761	5
Community Services	686,857	27,369	6

General Fund

1. The District's curriculum and special program departments experienced significant staff movement. Some of this movement was between functions resulting in an excess of expenditures over what was budgeted.

2. Salary and benefit projections were under estimated in the final budget amendment for transportation.
3. Cafeteria plan administrative fees were mistakenly amended to zero for expenditures that were recorded in a different budget code.
4. The District's new software accrues salaries at year end for GAAP purposes. The District's old software computed differently causing a one time increase in expenditures for the month of August that have never been experienced before. The September expenditures are decreased accordingly.
5. Salary and benefit projections were under estimated in the final budget amendment for technology.
6. Facility usage expenditures were mistakenly amended to zero for expenditures that were recorded in different budget codes.

IV. Detailed Notes on All Funds

A. Deposits, Securities, and Investments

Contracted Depository Bank:

The funds of the District must be deposited and invested under the terms of a depository contract, contents of which are set out in the Depository Contract Law. The amounts held in the depository bank include cash that is not reported in the governmental funds including: Private purpose trust funds and Agency funds. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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.

At August 31, 2012, the carrying amount of the District's deposits was \$17,161,761 and the bank balance was \$19,326,054. The Dodd-Frank Deposit Insurance Provision became effective December 31, 2010 and will extend through December 31, 2012. Under the new program, all funds in non-interest bearing transaction accounts held at FDIC-insured depository institutions ("IDIs") will be fully insured. The District's cash deposits during the year ended August 31, 2012 were entirely covered by FDIC insurance.

The Public Funds Investment Act requires an annual independent audit of investment practices. Audit procedures in this area, conducted as a part of the Single Audit, disclosed that in the areas of investment practices, the District's management reports and establishment of appropriate policies was in compliance with the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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 authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The District is in compliance with the requirements of the Act and with local policies.

Deposit and Investment Risk:

In compliance with the Public Funds Investment Act, the District has adopted policies relating to deposit and investments. These policies address the following risks:

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements are mentioned in the previous paragraphs. As noted above, the District is not exposed to custodial credit risk due to deposits being covered by FDIC insurance.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments that are held by an outside party are fully insured and backed by the U.S. Government and, registered in the name of the District. It is the District's policy to ensure that potential brokers/dealers are in good standing with the National Association of Securities Dealers, registered with the Texas State Securities Board and have a membership in the Securities Investor Protection Corporation. The ratings of investment pools used by the district are disclosed in the "external investment pool" section of the footnotes. Therefore, the District is not exposed to custodial credit risk.

Interest Rate Risk – Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District's investment policy limits the maximum maturity of investments to no more than two years and a maximum dollar weighted average maturity that shall not exceed 360 days for the general fund and 540 days for capital projects funds. Limiting investment maturities and purchasing government securities are the District's means for limiting its exposure to fair value losses arising from interest rate increases.

Concentration Risk – Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. All of the District's investments are explicitly guaranteed by the U.S. government or invested in an external investment pool and therefore, are not exposed to concentration risk.

Credit Risk – This is the risk that a security issuer may default on an interest or principal payment. It is the District's policy to limit investments to those authorized by the Public Funds Investment Act and to purchase quality rated investments that have been evaluated by agencies such as Standard and Poor's or Moody's Investor Service.

The District's investments at August 31, 2012, are shown below:

KILLEEN INDEPENDENT SCHOOL DISTRICT*Notes To The Financial Statements (Continued)**Year Ended August 31, 2012*

		<u>Weighted- Average Maturity</u>	<u>Fair Value</u>
U.S. Agency Securities - short-term			
Federal Home Loan Mortgage Corporation	\$ 45,981,778	91.00	
Federal Home Loan Bank	<u>9,995,164</u>	136.00	55,976,942
Investments in Investment Pools and Money Markets:			
TexStar	42,489,414	52	
MBIA	55,863,458	50	
Lone Star	52,449,369	50	
Vanguard Group	<u>1,394,942</u>		<u>152,197,183</u>
Total Investments			<u>\$ 208,174,125</u>

Market values of U.S. Treasury and U.S. Agencies securities are based on quoted market values. In accordance with Governmental Accounting Standards Board Statement (GASB) No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, these securities are reported at fair value. All unrealized gains/losses are reported as part of portfolio income. The District has elected to report short-term as well as long-term U.S. Treasury and Agency securities at fair value. The District adjusts investments to fair value on a monthly basis. The District's investments in U.S. Agency debt securities were rated AAA by Standard & Poor's.

External Investment Pools:

The District uses the following external investment pools:

TexSTAR. The Texas Short-Term Asset Reserve Program (TexSTAR) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TexSTAR under an agreement with the TexSTAR Board.

TexSTAR will invest only in instruments authorized under both the Public Funds Investment Act and the current TexSTAR Investment Policy. The primary objectives of TexSTAR are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet Participants' needs, diversification to avoid unreasonable or avoidable risks, and yield. In order to comply with the Public Funds Investment Act, TexSTAR maintains an AAAM rating from Standard & Poor's which monitors weekly the fund's compliance with its rating requirements. TexSTAR operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The TexSTAR Cash Reserve Fund seeks to maintain a net asset value of \$1.00 per unit and provides participants with the investment of funds that require daily liquidity availability. All investments are stated at amortized cost, which closely approximates the market value of the securities. All TexSTAR securities are marked to market on a daily basis.

MBIA. MBIA Texas CLASS is a pooled investment program that offers full-service investment management to make the job of managing public funds safer and easier. MBIA enables local governments to pool funds with other units of government, giving them the opportunity to obtain safety, daily liquidity, competitive rates and superior service on their short-term investments and is the only investment pool in Texas that compounds and pays interest daily. Texas CLASS is

administered by MBIA Municipal Investors Service Corporation, an investment subsidiary of MBIA Inc. MBIA Inc. is a leading provider of financial guarantees and investment management services to the public sector. MBIA Inc. maintains AAA ratings from the three major rating agencies and is publicly traded on the New York Stock Exchange. MBIA provides an important safeguard for investors in the form of a letter of credit from JP Morgan Chase Bank that backs the investment pool. This letter of credit is intended to supplement any shortcomings in value that exist between the investment property value as determined on a set date and the mark to market or matrix value of the pool on the same day. This letter of credit shall not exceed 1% of the investment property value. The program administrator shall cause the letter of credit to be drawn upon (a) to the extent proceeds from the sale of the investment property are insufficient to fund the payment of a participant's balance as requested or (b) to the extent necessary to cause the trust to meet the valuation deviation standards for money market funds employing the amortized cost method of valuation set forth in SEC Rule 2a-7.

Lone Star. The Lone Star Investment Pool was created by an inter-local contract under the laws of the State of Texas and is governed by the Public Funds Investments Act, Chapter 2256, Texas Government Code. Lone Star is governed by a board of trustees consisting of eleven local government participants. Pursuant to the interlocal investment agreement, the business and affairs of the Pool are required to be managed by the Board and the Board is authorized and directed to adopt and maintain bylaws. The bylaws set forth procedures governing the selection of and action taken by members of the Board. The Pool is required by the Public Funds Investment Act to maintain a AAA rating. It has a AAA rating from Standard & Poors, which monitors the fund's compliance with its rating requirements.

The Lone Star Investment Pool's objective is to maintain safety of principal while providing participating entities (members) with the highest possible rate of return for invested funds. Participants in the Pool own pro rata interests in the underlying assets of the fund in which they participate. A member's sole source of payment from its investment in the Pool is the fair market value of such assets. Lone Star Investment Pool strives to maintain a net asset value of \$1.00 and its dollar-weighted average maturity at 60 days or fewer. In addition to investing only in securities authorized by the Public Funds Investment Act, the Board of Directors at Lone Star further restrict investments so no investment greater than 5% can be made in any one nongovernmental entity and any A-1 or P-1 investment placed on the watch list with negative implications by a rating agency must be sold within one week.

Vanguard Group:

Most of the money available for endowed scholarships has been invested within Vanguard Group. Approximately 4.8% of the endowed funds are invested in the Vanguard Admiral Treasury Money Market Fund. This is a fund that seeks to provide current income while maintaining liquidity and a stable share price of \$1. Approximately 14.8% of the endowed funds are invested in the Vanguard Inter-Term Bond Index Fund. This investment seeks to track the performance of a market-weighted bond index with an intermediate-term dollar-weighted average maturity ranging between 5 and 10 years. Approximately 71.2% of the endowed funds are invested in the Vanguard 500 Index Fund Admiral Shares. This fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks. Approximately 9.2% of the endowed funds are invested in the Vanguard International Growth Fund Investor Shares. This fund seeks to provide long-term capital appreciation.

B. Property Taxes Receivable (Delinquent)

The District's property tax is levied by October 1, on the basis of assessed value as of January 1 of the current year 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

Property tax calendar information is as follows:

January 1	Taxes become a lien on property.
September 1 - August 31	Fiscal year covered by tax levies.
October 1	Taxes are levied.
October 1 - January 31	Collection period (current taxes).
January 31	Due date for payment without penalty for delinquency.
February 1 - June 30	Collection period (current delinquent taxes).
June 30	Due date for payment with penalty and interest for delinquency.
July 1 and thereafter	Collection period (delinquent taxes). Upon payment, penalty, interest charges, and legal fees are added for delinquency.

As of August 31, any receivables related to property taxes on the Balance Sheet are considered "Delinquent" as indicated in the above property tax calendar. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

C. Due from Other Governments

Amounts are aggregated into a single due from other governments. Below is the detail of due from other governments for the general, national breakfast and lunch, school building and nonmajor governmental funds in the aggregate.

	General Fund	National Breakfast and Lunch Program	School Building Projects Fund	Nonmajor Governmental Funds	Total
State Aid Underpayment	\$ 16,500	\$ -	\$ -	\$ 1,184,559	\$ 1,201,059
Meal Reimbursement	-	306,943	-	-	306,943
Grant programs	-	-	-	4,658,886	4,658,886
Miscellaneous	210,353	-	-	-	210,353
Total Due from Other Governments	<u>\$ 226,853</u>	<u>\$ 306,943</u>	<u>\$ -</u>	<u>\$ 5,843,445</u>	<u>\$ 6,377,241</u>

KILLEEN INDEPENDENT SCHOOL DISTRICT

Notes To The Financial Statements (Continued)

Year Ended August 31, 2012

D. Inter-fund Receivables and Payables

The District uses a pooled cash account that is used by multiple funds. Inter-fund balances are created when there are transactions that span more than one fund and cash is not transferred between the funds at that time. Inter-fund balances are summarized in the governmental fund financial statements and labeled as due from/to other funds. Inter-fund balances at August 31, 2012 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
National Breakfast and Lunch Program Fund	\$ 1,083,202	\$ -
Non-Major Governmental Funds	1,194,450	1,747,910
Fiduciary Funds	<u>85,069</u>	<u>-</u>
Total General Fund	\$ 2,362,721	\$ 1,747,910
National Breakfast & Lunch Program Funds		
General Fund	\$ -	\$ 1,083,383
Non-Major Governmental Funds	32,417	-
Fiduciary Funds	<u>-</u>	<u>214</u>
Total National Breakfast & Lunch Program Fund	\$ 32,417	\$ 1,083,597
School Building Projects Fund		
General Fund	\$ 1,733,430	\$ -
Non-Major Governmental Funds	<u>4,031,184</u>	<u>-</u>
Total School Building Projects	\$ 5,764,614	\$ -
Non-Major Governmental Funds		
General Fund	\$ 14,131	\$ 1,193,921
National Breakfast & Lunch Program Funds	-	32,417
School Building Projects	<u>-</u>	<u>4,031,183</u>
Total Non-Major Governmental Funds	\$ 14,131	\$ 5,257,521
Fiduciary Funds		
General Fund	\$ -	\$ 85,069
National Breakfast & Lunch Program Funds	<u>214</u>	<u>-</u>
Total Fiduciary Funds	\$ 214	\$ 85,069
Totals	<u>\$ 8,174,097</u>	<u>\$ 8,174,097</u>

** The interfund balances represent cash owed between the individual funds*

KILLEEN INDEPENDENT SCHOOL DISTRICT

Notes To The Financial Statements (Continued)

Year Ended August 31, 2012

E. Capital Asset Activity

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

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 9,705,299	\$ 48,000	\$ -	\$ 9,753,299
Construction in Progress	39,124,245	13,012,085	(20,472,874)	31,663,456
Total non-depreciable assets	<u>48,829,544</u>	<u>13,060,085</u>	<u>(20,472,874)</u>	<u>41,416,755</u>
Capital assets, being depreciated				
Buildings and Improvements	479,515,417	22,634,431	(362,250)	501,787,598
Furniture and Equipment	62,092,055	4,021,042	(502,549)	65,610,548
Total depreciable assets	<u>541,607,472</u>	<u>26,655,473</u>	<u>(864,799)</u>	<u>567,398,146</u>
Less accumulated depreciation for:				
Buildings and Improvements	(167,332,095)	(13,252,059)	-	(180,584,154)
Furniture and Equipment	(44,118,304)	(4,221,893)	491,710	(47,848,487)
Total accumulated depreciation	<u>(211,450,399)</u>	<u>(17,473,952)</u>	<u>491,710</u>	<u>(228,432,641)</u>
Governmental activities capital assets, net	<u>\$ 378,986,617</u>	<u>\$ 22,241,606</u>	<u>\$ (20,845,963)</u>	<u>\$ 380,382,260</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 10,405,205
Instructional Resources and Media	748,312
Curriculum Development	2,434,895
Instructional Administration	804
School Leadership	729,328
Student Transportation	797,385
Food Services	1,360,210
Extracurricular Activities	214,596
General Administrative	3,947
Plant Maintenance and Operations	348,039
Security and Monitoring Services	15,388
Data Processing Services	20,890
Facilities Acquisition & Construction	394,953
Total depreciation expense	<u>\$ 17,473,952</u>

KILLEEN INDEPENDENT SCHOOL DISTRICT

Notes To The Financial Statements (Continued)

Year Ended August 31, 2012

F. Bonds Payable

Bonds payable by the District are reflected in the Statement of Net Assets, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

In addition, general obligation bonds have been issued to refund general obligation debt. These bonds are direct obligations and pledge the full faith and credit of the District. Long-term debt activity for the year ended August 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Bonds and notes payable:					
School Building and Refunding Bond Series 2002	\$ 34,370,000	\$ -	\$ 34,370,000	\$ -	\$ -
School Refunding Bond Series Series 2003	655,000	-	655,000	-	-
School Refunding Bond Series Series 2005	23,735,000	-	3,975,000	19,760,000	2,895,000
School Refunding Bond Series Series 2008	6,540,000	-	1,230,000	5,310,000	925,000
School Refunding Bond Series Series 2010	41,805,000		335,000	41,470,000	340,000
School Refunding Bond Series Series 2012	-	28,290,000	295,000	27,995,000	3,690,000
Total Bonds and notes payable	<u>\$ 107,105,000</u>	<u>\$ 28,290,000</u>	<u>\$ 40,860,000</u>	<u>\$ 94,535,000</u>	<u>\$ 7,850,000</u>

Debt service requirements are as follows:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2013	7,850,000	4,125,875	11,975,875
2014	8,180,000	3,800,525	11,980,525
2015	8,540,000	3,441,200	11,981,200
2016	8,935,000	3,047,450	11,982,450
2017	9,370,000	2,613,425	11,983,425
2018-2022	25,995,000	8,493,125	34,488,125
2023-2027	24,660,000	3,113,775	27,773,775
2028	1,005,000	15,075	1,020,075
	<u>\$ 94,535,000</u>	<u>\$ 28,650,450</u>	<u>\$ 123,185,450</u>

On February 20, 2003, the district delivered \$8,015,000 in Unlimited Tax Refunding Bonds (delayed delivery) with a premium of \$344,665. The net proceeds from these bonds and \$1,640,000 of the net proceeds from the 2002 capital appreciation bonds provided the needed funds to refund the remaining \$9,725,000 of outstanding series 1992 Schoolhouse bonds (average interest rate of 5.63%). Amortization of the premium for the year ended August 31, 2012 was \$55,396.

Net proceeds from the 2003 bonds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded 1992 series bonds. As a result, the remaining \$9,725,000 of the 1992 series bonds, mentioned above, are considered under Texas State law, Article 717K, V.A.T.C.S., as amended, to be defeased in-substance and the liability for those bonds has been removed from the Statement of Net Assets.

On February 8, 2005, the District issued \$34,610,000 in Unlimited Tax Refunding Bonds with an average interest rate of 4.7% to refund \$36,040,000 of the Series 1998, Unlimited Tax School Building and Refunding Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 1998 Series bonds. As a result, this portion of the 1998 Series bonds are considered under Texas State law, Article 717K, V.A.T.C.S., as amended to be defeased in-substance and the liability for those bonds has been removed from the Statement of Net Assets.

The difference between the principal amount of \$34,610,000 and the sales price of \$37,833,862 of the Series 2005 bonds represents the unamortized premium. The premium is being amortized over the life of the bonds using the interest method and is presented as an addition to the face value of the bonds. Amortization of this premium for the year ended August 31, 2012 was \$247,208.

The advanced refunding of the 1998 Series bonds resulted in a \$1,671,569 difference between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the financial statements as a deduction to long-term debt, is being amortized over the life of the Series 2005 debt in accordance with GASB 7 entitled Advanced Refundings Resulting in Defeasance of Debt. This transaction resulted in future cash flow savings of \$2,444,574 through 2018 and an economic gain (difference between the present value of the old and new debt service payments) of \$1,929,085.

On June 1, 2008, the District issued \$8,960,000 in Unlimited Tax Refunding Bonds with an average interest rate of 4.0%, along with additional funds of the District, to refund \$9,100,000 of the Series 1998, Unlimited Tax School Building and Refunding Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 1998 Series bonds. As a result, this portion of the 1998 Series bonds are considered under Texas State law, Article 717K, V.A.T.C.S., as amended to be defeased in-substance and the liability for those bonds has been removed from the Statement of Net Assets.

The difference between the principal amount of \$8,960,000 and the sales price of \$9,288,538 of the Series 2008 bonds represents the unamortized premium. The premium is being amortized over the life of the bonds using the interest method and is presented as an addition to the face value of the bonds. Amortization of this premium for the year ended August 31, 2012 was \$27,610.

The advanced refunding of the 1998 Series bonds resulted in a \$183,826 difference between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the financial

statements as a deduction to long-term debt, is being amortized over the life of the Series 2008 debt in accordance with GASB 7 entitled Advanced Refundings Resulting in Defeasance of Debt. This transaction resulted in future cash flow savings of \$850,350 through 2018 and an economic gain (difference between the present value of the old and new debt service payments) of \$621,293.

On July 1, 2010, the District issued \$41,895,000 in Unlimited Tax Refunding Bonds with an interest rate between 2.0% to 5.0%, along with additional funds of the district, to refund \$44,920,000 of the 2002 Unlimited Tax School Building and Refunding Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2002 Series bonds. As a result, this portion of the 2002 Series bonds are considered under Texas State law, Article 717K, V.A.T.C.S., as amended to be defeased in-substance and the liability for those bonds has been removed from the Statement of Net Assets.

The difference between the principal amount of \$41,895,000 and the sales price of \$48,218,727 of the Series 2010 bonds represents the unamortized premium. The premium is being amortized over the life of the bonds using the interest method and is presented as an addition to the face value of the bonds. The amortization for the year ended August 31, 2012 was \$502,320.

The advanced refunding of the 2010 Series bonds resulted in a \$1,784,189 difference between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the financial statements as a deduction to long-term debt, is being amortized over the life of the Series 2010 debt in accordance with GASB 7 entitled Advanced Refundings Resulting in Defeasance of Debt. This transaction resulted in future cash flow savings of \$6,138,250 through 2023 and an economic gain (difference between the present value of the old and new debt service payments) of \$4,711,057.

On February 15, 2012, the District issued \$28,290,000 in Unlimited Tax Refunding Bonds with an interest rate between 2.0% to 5.0%, along with additional funds of the district, to refund \$31,175,000 of the 2002 Unlimited Tax School Building and Refunding Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2002 Series bonds. As a result, this portion of the 2002 Series bonds are considered under Texas State law, Article 717K, V.A.T.C.S., as amended to be defeased in-substance and the liability for those bonds has been removed from the Statement of Net Assets.

The difference between the principal amount of \$28,290,000 and the sales price of \$31,690,383 of the Series 2012 bonds represents the unamortized premium. The premium is being amortized over the life of the bonds using the interest method and is presented as an addition to the face value of the bonds. The amortization for the year ended August 31, 2012 was \$106,809.

The advanced refunding of the 2002 Series bonds resulted in a \$710,477 difference between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the financial statements as an increase to long-term debt, is being amortized over the life of the Series 2012 debt in accordance with GASB 7 entitled Advanced Refundings Resulting in Defeasance of Debt. This transaction resulted in future cash flow savings of \$5,065,788 through 2028 and an economic gain (difference between the present value of the old and new debt service payments) of \$3,284,106.

KILLEEN INDEPENDENT SCHOOL DISTRICT

Notes To The Financial Statements (Continued)

Year Ended August 31, 2012

Changes in general long-term debt for the year ended August 31, 2012 are as follows:

Description	Balance September 1, 2011	Additions	Reductions	Balance August 31, 2012
General Obligation Bonds	\$ 107,105,000	\$ 28,290,000	\$ 40,860,000	\$ 94,535,000
Unamortized (Discount)/Premium on Current Interest Term Bonds	8,480,010	3,400,383	2,724,327	9,156,066
Outstanding Long-Term Debt	<u>\$ 115,585,010</u>	<u>\$ 31,690,383</u>	<u>\$ 43,584,327</u>	<u>\$ 103,691,066</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2012.

In prior years, the District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Statement of Net Assets.

The defeased bonds outstanding at August 31, 2012 are as follows:

	Outstanding Balances
Unlimited Tax School Building and Refunding Bonds, Series 1998	26,555,000
Unlimited Tax School Building and Refunding Bonds, Series 2002	76,095,000
Total Defeased	<u>\$ 102,650,000</u>

G. Due to Other Governments

Amounts are aggregated into a single due to other governments. Below is the detail of due to other governments for the general, national breakfast and lunch, school building and nonmajor governmental funds in the aggregate.

	General Fund	National Breakfast and Lunch Program	School Building Projects Fund	Nonmajor Governmental Funds	Total
State Aid Overpayments	\$ 3,858,446	\$ -	\$ -	\$ 1,248,120	\$ 5,106,566
Grant programs	-	-	-	93,841	93,841
Unclaimed Property	13,581	-	-	-	13,581
Total Due to Other Governments	<u>\$ 3,872,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,341,961</u>	<u>\$ 5,213,988</u>

H. Compensated Absences

Upon retirement or death of certain employees, the District, typically from the General Fund, pays any accumulated unpaid vacation benefits to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments. There is no liability for unpaid accumulated sick leave since the district does not have a policy to pay any amounts when employees separate from service with the district. A summary of changes in the accumulated vacation liability deemed due within one year is as follows:

Balance September 1, 2011	\$ 816,873
Additions - New Entrants and Salary Increments	86,209
Deductions - Payments to and Uses by Participants	<u>75,094</u>
Balance August 31, 2012	<u>\$ 827,988</u>

I. Employee Benefit Plan*Plan Description*

The Killeen Independent School 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. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. 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, 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.

Covered Employees

All school district employees, who are employed for 1/2 or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Subtitle C Sec. 822.022, are covered by TRS membership.

Service Requirement

1. Normal - age 65 with 5 years of credited service, or when the sum of member's age and years of credited service equals or exceeds 80 years.
2. Reduced - age 55 with at least 5 years of credited service, or any age below 50 with 30 or more years of credited service.

A member is fully vested after 5 years of creditable services and entitled to any benefit for which eligibility requirements have been met.

Funding Policy

State law provides for fiscal years 2012, 2011 and 2010 a state contribution rate of 6.0%, 6.644% and 6.664%, respectfully. State law further provides a member contribution rate of 6.4% for fiscal years 2012, 2011, and 2010. In certain instances, the district is required to make all or a portion of the state's 6.0% contribution for fiscal year 2012, 6.644% for fiscal year 2011, and 6.644% for 2010. 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' 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 Killeen Independent School District's employees for the years ended August 31, 2010, 2011, and 2012 were \$11,507,940, \$11,583,263 and \$11,085,330 respectively, and are reported in the financial statements in accordance with GASB Statement 24.

The District paid additional state contributions for the years ended August 31, 2010, 2011, and 2012 in the amount of \$2,356,095, \$ 2,242,744, and \$1,864,154 respectively, on the portion of the employees' salaries that exceeded the statutory minimum. The total payroll for employees covered by TRS for the years ended August 31, 2010, 2011 and 2012 was \$224,048,523, \$230,769,619, and \$221,794,820 respectively, and total District payroll for these years was \$231,913,850, \$237,570,349, and \$230,089,226 respectively.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years 2010, 2011, and 2012, the subsidy payments received by TRS-Care on behalf of Killeen Independent School District were \$570,905, \$539,310, and \$577,829, respectively.

J. Health Care Coverage

During the year ended August 31, 2012, employees of the Killeen Independent School District were covered by a Cafeteria Plan (the Plan). The District contributes \$278.40 per month plus the state contributes an additional \$75 to the benefit spending account of each full time employee with health care coverage, and \$189.14 per month for full time employees without health care coverage. Employees can authorize payroll withholdings to pay for benefits for themselves and their dependents.

The employees of the Killeen Independent School District are able to use the benefit contribution to purchase various types of insurance coverage, such as health, dependent dental, life, or long-term disability, or use the money to cover unreimbursed medical/dental/vision expenses or dependent child care expenses under the Flexible Benefits Plan established under Section 125 of the Internal Revenue

Code of 1986. All employer and employee contributions are paid to a third party administrator, acting on behalf of the District. The Benefits Plan currently includes BlueCross/BlueShield (BCBS) of Texas and United Concordia Dental Plan. The contract between the Killeen Independent School District and BCBS was renewed for 2012; the contract between the District and United Concordia expires December 31, 2013. The health plan and dental plan contracts include a renewal option for the District.

K. Risk Management

State law allows school districts to retain risk through its own risk management program (i.e., a self insurance program), insure through a commercial carrier, or insure through a public entity risk pool. The District has insurable risks in various areas, including property, casualty, automobile, professional liability and workers' compensation. During 2012, the District obtained insurance against risks through commercial carriers, with some degree of self-insurance through the use of large deductibles. There were no significant reductions in insurance coverage from the prior year. Management believes the amount and types of coverage are adequate to protect the District from losses that could reasonably be expected to occur. There have been no insurance settlements exceeding the District's insurance coverage for any of the past five years.

Beginning September 1, 1998, and ending August 31, 2000, the District purchased fully insured Worker's Compensation coverage through Liberty Mutual Insurance Company. On September 1, 2000, the District began purchasing insurance as a member of the Deep East Texas Self Insurance Fund. The Fund, operating with a level of self-insurance retention and stop-loss protection for excess losses, offers a slightly different form of no recourse Worker's Compensation protection to the District. Fund reserves are considered adequate for outstanding liabilities and anticipated losses. Since September 1, 2004, the District has entered an Inter-local Participation Agreement with the Texas Association of School Boards (TASB) Risk Management Fund for disbursement of workers' compensation claims. The District has chosen the "fully funded" option of coverage, in which the fund assumes all risk of loss.

KILLEEN INDEPENDENT SCHOOL DISTRICT

Notes To The Financial Statements (Continued)

Year Ended August 31, 2012

L. Fund Equity

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented on below.

Fund Balances	National			Other Funds	Total
	General	Breakfast and Lunch Program	School Building Projects		
<u>Nonspendable:</u>					
Inventories	\$ 974,777	\$ 1,122,149	\$ -	\$ -	\$ 2,096,926
Endowment Principal	-	-	-	189,715	189,715
Prepaid Items - Salaries	3,373,889	-	-	-	3,373,889
Total Nonspendable	4,348,666	1,122,149	-	189,715	5,660,530
<u>Restricted:</u>					
Federal or State Funds Grant Restriction	4,558,481	4,480,932	-	1,469,474	10,508,887
Retirement of Long-Term Debt	-	-	-	1,760,992	1,760,992
Other Restricted Fund Balance:					
Science Lab Grants	-	-	4,008,241	-	4,008,241
Investment Earnings on Endowment	-	-	-	36,698	36,698
Total Restricted	4,558,481	4,480,932	4,008,241	3,267,164	16,314,818
<u>Committed:</u>					
Construction	-	-	14,714,826	-	14,714,826
Capital Expenditures for Equipment	-	400,000	-	-	400,000
Other Committed Fund Balance:					
Campus Activity Funds	-	-	-	699,220	699,220
Total Committed	-	400,000	14,714,826	699,220	15,814,046
<u>Assigned:</u>					
Construction	-	-	87,391,791	403,882	87,795,673
Other Assigned Fund Balance:					
Software Conversion	3,456,194	-	-	-	3,456,194
Total Assigned	3,456,194	-	87,391,791	403,882	91,251,867
Unassigned	90,466,078	-	-	-	90,466,078
Total Fund Balances	\$ 102,829,419	\$ 6,003,081	\$ 106,114,858	\$ 4,559,981	\$ 219,507,339

M. Federal Source Revenues

For the year ended August 31, 2012, revenues from Federal programs included in the General Fund consisted of the following:

Federally Distributed:	CFDA Number	Amount
PL 103-382 (Impact Aid)	84.041	\$ 49,085,361
ROTC Salaries	12.00	363,499
Academic Expansion Program	N/A	31,555
Army Youth Programs in Your Neighborhood	N/A	781,670
		50,262,085
Other State Distributed - Federal Program		
Shars Reimbursement	N/A	1,224,854
Medicaid Reimbursement	N/A	71,655
Indirect Cost Revenue	N/A	212,303
		1,508,812
Total Federal Source Revenues		51,770,897

There were no revenues from Federal Programs included in the major Capital Projects Fund.

N. Transfers

During the year the Technology Allotment fund was closed by transferring \$3,521,313 to the General fund. Transfers were made from the General fund to the School Building Projects fund and Capital Improvement Projects fund in the amount of \$15,440,241 and \$3,300,000, respectively. These transfers were made to fund future and approved capital outlay expenditures. Additionally, a transfer was made from the School Building Projects fund to the New School Furniture & Equipment fund in the amount of \$861,804.

The Summer Feeding Program transferred \$121,134 to the National Breakfast and Lunch Program fund.

O. Commitments and Contingencies

The District participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at August 31, 2012 may be impaired.

In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies. The assigned funds in the Capital Projects Fund will be used for future school construction and renovation.

KILLEEN INDEPENDENT SCHOOL DISTRICT*Notes To The Financial Statements (Continued)**Year Ended August 31, 2012*

At August 31, 2012, the District had the following uncompleted construction and architectural contracts in progress:

Project Description	Adjusted Contract Amount	Expended To Date	Committed
Killeen HS Science Lab Addition	\$ 1,503,696	\$ 379,999	\$ 1,123,698
Ellison HS Science Lab Addition	2,398,971	404,226	1,994,746
New Career Academy	24,377,197	23,160,296	1,216,901
New Pathways	6,424,541	6,398,688	25,853
Harker Heights HS Science Lab Addition	2,404,132	340,212	2,063,920
Shoemaker HS Science Lab Addition	1,503,606	387,322	1,116,284
Reeces Creek Elementary Add/Renov	4,719,384	1,055,437	3,663,947
New Elementary School #33	843,055	55,823	787,233
Total Construction in Progress	\$ 44,174,583	\$ 32,182,004	\$ 11,992,579

P. Short-Term Debt Payable

Short-term debt includes payroll liabilities paid from the payroll bank account that are owed back to that account and amounts owed to the state for unclaimed property. A summary of changes in the short-term debt payables is as follows:

Balance, September 1, 2011	\$ 1,304,236
Increases	9,860,736
Decreases	6,199,989
Balance, August 31, 2012	\$ 4,964,983

Q. Unearned Revenue

Unearned revenue for the Statement of Net Assets at August 31, 2012 consisted of the following:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
National Breakfast and Lunch Receipts	\$ -	\$ 202,066	\$ -	\$ 202,066
Other Unearned Revenue	29,256	-	-	29,256
Total Unearned Revenue	\$ 29,256	\$ 202,066	\$ -	\$ 231,322

KILLEEN INDEPENDENT SCHOOL DISTRICT*Notes To The Financial Statements (Continued)**Year Ended August 31, 2012***R. Changes in Long-Term Liabilities**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and Lease Payable:					
General Obligation Bonds	\$ 107,105,000	\$ 28,290,000	\$ 40,860,000	\$ 94,535,000	\$ 7,850,000
Amount Deferred on Refunding	(2,579,538)	-	989,685	(1,589,853)	-
Total Bonds and Lease Payable	<u>104,525,462</u>	<u>28,290,000</u>	<u>41,849,685</u>	<u>92,945,147</u>	<u>7,850,000</u>
Other Liabilities:					
Accrued Interest	208,575	-	33,349	175,226	175,226
Compensated Absences	816,873	86,209	75,094	827,988	827,988
Total Other Liabilities	<u>1,025,448</u>	<u>86,209</u>	<u>108,443</u>	<u>1,003,214</u>	<u>1,003,214</u>
Total Governmental Activities	<u>\$ 105,550,910</u>	<u>\$ 28,376,209</u>	<u>\$ 41,958,128</u>	<u>\$ 93,948,361</u>	<u>\$ 8,853,214</u>

(Concluded)





KILLEEN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

Data Control Codes	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1120	Investments - Current	-	-	-
1220	Property Taxes - Delinquent	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-
1240	Receivables from Other Governments	14,478	1,038,441	1,742,412
1260	Due from Other Funds	-	-	-
1300	Inventories	-	-	-
1410	Deferred Expenditures	1,348	87,333	-
1900	Other Assets	-	-	-
1000	Total Assets	<u>\$ 15,826</u>	<u>\$ 1,125,774</u>	<u>\$ 1,742,412</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	Accounts Payable	\$ -	\$ 8,259	\$ 629
2120	Short Term Debt Payable - Current	144	43,343	58,041
2160	Accrued Wages Payable	-	1,635	140,625
2170	Due to Other Funds	15,682	1,070,582	1,543,117
2180	Due to Other Governments	-	1,955	-
2300	Deferred Revenues	-	-	-
2000	Total Liabilities	<u>15,826</u>	<u>1,125,774</u>	<u>1,742,412</u>
Fund Balances:				
Nonspendable Fund Balance:				
3425	Endowment Principal	-	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3480	Retirement of Long-Term Debt	-	-	-
3490	Other Restricted Fund Balance	-	-	-
Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-
Assigned Fund Balance:				
3550	Construction	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 15,826</u>	<u>\$ 1,125,774</u>	<u>\$ 1,742,412</u>

226 IDEA - Part B Discretionary	227 IDEA - Part B Deaf	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A EnglishLang. Acquisition	266 Title XIV ARRA State Stabilization	287 Education Jobs Fund
\$ -	\$ -	\$ -	\$ 1,274	\$ -	\$ -	\$ -	\$ 146,401
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
17,295	3,758	248,662	3,525	449,556	47,846	-	537,792
-	-	-	-	-	39	-	-
-	-	134	-	-	-	-	-
-	-	-	1,753	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 17,295</u>	<u>\$ 3,758</u>	<u>\$ 248,796</u>	<u>\$ 6,552</u>	<u>\$ 449,556</u>	<u>\$ 47,885</u>	<u>\$ -</u>	<u>\$ 684,193</u>
\$ -	\$ -	\$ 2,152	\$ -	\$ -	\$ 754	\$ -	\$ -
-	-	44,475	734	36,505	-	-	24,466
-	-	1,321	-	7,622	-	-	11,376
17,295	3,758	41,962	5,818	405,429	44,936	-	648,351
-	-	-	-	-	2,195	-	-
-	-	-	-	-	-	-	-
<u>17,295</u>	<u>3,758</u>	<u>89,910</u>	<u>6,552</u>	<u>449,556</u>	<u>47,885</u>	<u>-</u>	<u>684,193</u>
-	-	-	-	-	-	-	-
-	-	158,886	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>158,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 17,295</u>	<u>\$ 3,758</u>	<u>\$ 248,796</u>	<u>\$ 6,552</u>	<u>\$ 449,556</u>	<u>\$ 47,885</u>	<u>\$ -</u>	<u>\$ 684,193</u>

KILLEEN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

Data Control Codes	386 Regional Day School for the Deaf	397 Advanced Placement Incentives	404 Student Success Initiative	409 High School Completion and Success	
ASSETS					
1110	Cash and Cash Equivalents	\$ 8,492	\$ 98,636	\$ 7,600	\$ 5,757
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	18,245	-	-	-
1260	Due from Other Funds	-	-	-	-
1300	Inventories	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ 26,737</u>	<u>\$ 98,636</u>	<u>\$ 7,600</u>	<u>\$ 5,757</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2120	Short Term Debt Payable - Current	2,721	-	-	-
2160	Accrued Wages Payable	17,476	-	7,408	-
2170	Due to Other Funds	6,540	-	192	5,757
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>26,737</u>	<u>-</u>	<u>7,600</u>	<u>5,757</u>
Fund Balances:					
Nonspendable Fund Balance:					
3425	Endowment Principal	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	98,636	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
Assigned Fund Balance:					
3550	Construction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>98,636</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 26,737</u>	<u>\$ 98,636</u>	<u>\$ 7,600</u>	<u>\$ 5,757</u>

410 State Textbook Fund	411 Technology Allotment	429 Read to Succeed	446 JJAEP	461 Campus Activity Funds	499 GEAR UP	Total Nonmajor Special Revenue Funds	599 Debt Service
\$ 118,089	\$ -	\$ 279	\$ 49,227	\$ 699,220	\$ -	\$ 1,134,975	\$ 1,524,320
-	-	-	-	-	-	-	286,641
-	-	-	-	-	-	-	205,916
-	-	-	-	-	-	-	(30,887)
-	-	-	13,123	-	467,647	4,658,887	1,184,558
-	-	-	-	-	-	39	13,592
-	-	-	-	-	-	134	-
-	-	-	-	-	-	93,469	-
-	-	-	-	-	-	-	-
<u>\$ 118,089</u>	<u>\$ -</u>	<u>\$ 279</u>	<u>\$ 62,350</u>	<u>\$ 699,220</u>	<u>\$ 467,647</u>	<u>\$ 5,887,504</u>	<u>\$ 3,184,140</u>
\$ 67,886	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,680	\$ -
-	-	-	-	-	-	212,073	-
-	-	-	-	-	18,900	206,363	-
-	-	-	62,350	-	448,747	4,378,014	-
36,701	-	-	-	-	-	40,851	1,248,120
-	-	-	-	-	-	-	175,028
<u>104,587</u>	<u>-</u>	<u>-</u>	<u>62,350</u>	<u>-</u>	<u>467,647</u>	<u>4,916,981</u>	<u>1,423,148</u>
-	-	-	-	-	-	-	-
13,502	-	279	-	-	-	271,303	-
-	-	-	-	-	-	-	1,760,992
-	-	-	-	-	-	-	-
-	-	-	-	699,220	-	699,220	-
-	-	-	-	-	-	-	-
<u>13,502</u>	<u>-</u>	<u>279</u>	<u>-</u>	<u>699,220</u>	<u>-</u>	<u>970,523</u>	<u>1,760,992</u>
<u>\$ 118,089</u>	<u>\$ -</u>	<u>\$ 279</u>	<u>\$ 62,350</u>	<u>\$ 699,220</u>	<u>\$ 467,647</u>	<u>\$ 5,887,504</u>	<u>\$ 3,184,140</u>

KILLEEN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

Data Control Codes	645 Capital Improvement Projects	687 Impact Aid Section 8007	688 Impact Aid ARRA Construction	696 New School Furniture & Equipment	
ASSETS					
1110	Cash and Cash Equivalents	\$ 555,841	\$ 1,198,171	\$ 35,571	\$ 861,804
1120	Investments - Current	-	-	450,571	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	-	-	-
1260	Due from Other Funds	-	-	-	500
1300	Inventories	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ 555,841</u>	<u>\$ 1,198,171</u>	<u>\$ 486,142</u>	<u>\$ 862,304</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 151,959	\$ -	\$ -	\$ 406,598
2120	Short Term Debt Payable - Current	-	-	-	-
2160	Accrued Wages Payable	-	-	-	14,313
2170	Due to Other Funds	-	-	433,152	441,393
2180	Due to Other Governments	-	-	52,990	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>151,959</u>	<u>-</u>	<u>486,142</u>	<u>862,304</u>
Fund Balances:					
Nonspendable Fund Balance:					
3425	Endowment Principal	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	1,198,171	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
Assigned Fund Balance:					
3550	Construction	403,882	-	-	-
3000	Total Fund Balances	<u>403,882</u>	<u>1,198,171</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 555,841</u>	<u>\$ 1,198,171</u>	<u>\$ 486,142</u>	<u>\$ 862,304</u>

Total Nonmajor Capital Project Funds	479 Permanent Fund	Total Nonmajor Governmental Funds
\$ 2,651,387	\$ -	\$ 5,310,682
450,571	-	737,212
-	-	205,916
-	-	(30,887)
-	-	5,843,445
500	-	14,131
-	-	134
-	-	93,469
-	231,375	231,375
<u>\$ 3,102,458</u>	<u>\$ 231,375</u>	<u>\$ 12,405,477</u>
\$ 558,557	\$ -	\$ 638,237
-	-	212,073
14,313	-	220,676
874,545	4,962	5,257,521
52,990	-	1,341,961
-	-	175,028
<u>1,500,405</u>	<u>4,962</u>	<u>7,845,496</u>
-	189,715	189,715
1,198,171	-	1,469,474
-	-	1,760,992
-	36,698	36,698
-	-	699,220
403,882	-	403,882
<u>1,602,053</u>	<u>226,413</u>	<u>4,559,981</u>
<u>\$ 3,102,458</u>	<u>\$ 231,375</u>	<u>\$ 12,405,477</u>

KILLEEN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	206 ESEA Title X, Pt.C Homeless	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	69,978	7,599,257	213,815
5020	Total Revenues	<u>69,978</u>	<u>7,599,257</u>	<u>213,815</u>
EXPENDITURES:				
Current:				
0011	Instruction	66,682	6,296,879	4,477,246
0012	Instructional Resources and Media Services	-	26,874	-
0013	Curriculum and Instructional Staff Development	2,425	788,662	179,894
0021	Instructional Leadership	871	8,064	-
0023	School Leadership	-	21,761	-
0031	Guidance, Counseling and Evaluation Services	-	182	1,906,223
0033	Health Services	-	-	724
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0052	Security and Monitoring Services	-	-	-
0053	Data Processing Services	-	-	-
0061	Community Services	-	456,835	-
Debt Service:				
0071	Principal on Long Term Debt	-	-	-
0072	Interest on Long Term Debt	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-
6030	Total Expenditures	<u>69,978</u>	<u>7,599,257</u>	<u>213,815</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued (Regular Bonds)	-	-	-
7915	Transfers In	-	-	-
7916	Premium or Discount on Issuance of Bonds	-	-	-
8911	Transfers Out (Use)	-	-	-
8949	Other (Uses)	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

226 IDEA - Part B Discretionary	227 IDEA - Part B Deaf	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	287 Education Jobs Fund
\$ -	\$ -	\$ 2,451	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
16,908	18,029	560,981	227,828	1,259,219	290,643	359,305	5,975,671
16,908	18,029	563,432	227,828	1,259,219	290,643	359,305	5,975,671
16,908	18,029	-	220,091	2,247	243,714	359,305	5,975,671
-	-	-	-	-	-	-	-
-	-	-	7,237	1,256,347	37,464	-	-
-	-	-	-	625	-	-	-
-	-	-	500	-	798	-	-
-	-	-	-	-	-	-	-
-	-	404,546	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	8,667	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
16,908	18,029	404,546	227,828	1,259,219	290,643	359,305	5,975,671
-	-	158,886	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(121,134)	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(121,134)	-	-	-	-	-
-	-	37,752	-	-	-	-	-
-	-	121,134	-	-	-	-	-
\$ -	\$ -	\$ 158,886	\$ -	\$ -	\$ -	\$ -	\$ -

KILLEEN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	386 Regional Day School for the Deaf	397 Advanced Placement Incentives	404 Student Success Initiative	409 High School Completion and Success
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	243,313	7,200	31,038	100,157
5900 Federal Program Revenues	-	7,439	-	-
5020 Total Revenues	<u>243,313</u>	<u>14,639</u>	<u>31,038</u>	<u>100,157</u>
EXPENDITURES:				
Current:				
0011 Instruction	243,313	2,504	-	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	4,447	31,038	100,157
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	2,947	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>243,313</u>	<u>9,898</u>	<u>31,038</u>	<u>100,157</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>4,741</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	-	-
7915 Transfers In	-	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
8949 Other (Uses)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	4,741	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>93,895</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 98,636</u>	<u>\$ -</u>	<u>\$ -</u>

410 State Textbook Fund	411 Technology Allotment	429 Read to Succeed	446 JJAEP	461 Campus Activity Funds	499 GEAR UP	Total Nonmajor Special Revenue Funds	599 Debt Service
\$ -	\$ -	\$ -	\$ 424,656	\$ 1,139,985	\$ -	\$ 1,567,092	\$ 6,725,168
333,635	-	376	54,505	-	486,184	1,256,408	6,991,886
-	-	-	-	-	-	23,162,436	-
<u>333,635</u>	<u>-</u>	<u>376</u>	<u>479,161</u>	<u>1,139,985</u>	<u>486,184</u>	<u>25,985,936</u>	<u>13,717,054</u>
244,963	-	-	443,431	688,369	444,001	19,956,200	-
-	-	97	-	-	-	26,971	-
-	-	-	-	-	40,567	2,448,482	-
-	-	-	-	-	-	9,560	-
-	-	-	-	145,069	1,616	172,691	-
-	-	-	-	-	-	1,907,129	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	404,546	-
-	-	-	-	316,993	-	316,993	-
75,170	-	-	-	-	-	75,170	-
-	-	-	-	-	-	-	-
-	-	-	35,730	-	-	35,730	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	465,502	-
-	-	-	-	-	-	-	9,685,000
-	-	-	-	-	-	-	4,569,660
-	-	-	-	-	-	-	323,668
-	-	-	-	-	-	-	-
<u>320,133</u>	<u>-</u>	<u>97</u>	<u>479,161</u>	<u>1,150,431</u>	<u>486,184</u>	<u>25,818,974</u>	<u>14,578,328</u>
<u>13,502</u>	<u>-</u>	<u>279</u>	<u>-</u>	<u>(10,446)</u>	<u>-</u>	<u>166,962</u>	<u>(861,274)</u>
-	-	-	-	-	-	-	28,290,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	3,400,383
-	(3,521,313)	-	-	-	-	(3,642,447)	-
-	-	-	-	-	-	-	(31,357,014)
<u>-</u>	<u>(3,521,313)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,642,447)</u>	<u>333,369</u>
13,502	(3,521,313)	279	-	(10,446)	-	(3,475,485)	(527,905)
<u>-</u>	<u>3,521,313</u>	<u>-</u>	<u>-</u>	<u>709,666</u>	<u>-</u>	<u>4,446,008</u>	<u>2,288,897</u>
<u>\$ 13,502</u>	<u>\$ -</u>	<u>\$ 279</u>	<u>\$ -</u>	<u>\$ 699,220</u>	<u>\$ -</u>	<u>\$ 970,523</u>	<u>\$ 1,760,992</u>

KILLEEN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	645 Capital Improvement Projects	687 Impact Aid Section 8007	688 Impact Aid ARRA Construction	696 New School Furniture & Equipment
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 21,921	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	-	214,042	446,365	-
5020 Total Revenues	<u>21,921</u>	<u>214,042</u>	<u>446,365</u>	<u>-</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	-	-	671,778
0012 Instructional Resources and Media Services	-	-	-	18,057
0013 Curriculum and Instructional Staff Development	-	-	-	2,461
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	15,199
0031 Guidance, Counseling and Evaluation Services	-	-	-	11,807
0033 Health Services	-	-	-	3,225
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	896,848	-	100,526	136,359
0052 Security and Monitoring Services	-	-	-	2,918
0053 Data Processing Services	-	-	82,834	-
0061 Community Services	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	2,141,504	157,762	263,005	-
6030 Total Expenditures	<u>3,038,352</u>	<u>157,762</u>	<u>446,365</u>	<u>861,804</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,016,431)</u>	<u>56,280</u>	<u>-</u>	<u>(861,804)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	-	-
7915 Transfers In	3,300,000	-	-	861,804
7916 Premium or Discount on Issuance of Bonds	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
8949 Other (Uses)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>3,300,000</u>	<u>-</u>	<u>-</u>	<u>861,804</u>
1200 Net Change in Fund Balance	283,569	56,280	-	-
0100 Fund Balance - September 1 (Beginning)	<u>120,313</u>	<u>1,141,891</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 403,882</u>	<u>\$ 1,198,171</u>	<u>\$ -</u>	<u>\$ -</u>

Total Nonmajor Capital Project Funds	479 Permanent Fund	Total Nonmajor Governmental Funds
\$ 21,921	\$ 11,891	\$ 8,326,072
-	-	8,248,294
660,407	-	23,822,843
<u>682,328</u>	<u>11,891</u>	<u>40,397,209</u>
671,778	-	20,627,978
18,057	-	45,028
2,461	-	2,450,943
-	-	9,560
15,199	-	187,890
11,807	-	1,918,936
3,225	-	3,225
-	-	404,546
-	-	316,993
-	-	75,170
1,133,733	-	1,133,733
2,918	-	38,648
82,834	-	82,834
-	-	465,502
-	-	9,685,000
-	-	4,569,660
-	-	323,668
2,562,271	-	2,562,271
<u>4,504,283</u>	<u>-</u>	<u>44,901,585</u>
<u>(3,821,955)</u>	<u>11,891</u>	<u>(4,504,376)</u>
-	-	28,290,000
4,161,804	-	4,161,804
-	-	3,400,383
-	-	(3,642,447)
-	-	(31,357,014)
<u>4,161,804</u>	<u>-</u>	<u>852,726</u>
339,849	11,891	(3,651,650)
<u>1,262,204</u>	<u>214,522</u>	<u>8,211,631</u>
<u>\$ 1,602,053</u>	<u>\$ 226,413</u>	<u>\$ 4,559,981</u>



KILLEEN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

	BALANCE SEPTEMBER 1 2011	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2012
EMPLOYEE FLEXIBLE BENEFITS				
Assets:				
Cash and Temporary Investments	\$ 1,258,875	\$ 30,978,355	\$ 32,019,774	\$ 217,456
Other Receivables	26,581	262	-	26,843
Total Assets	<u>\$ 1,285,456</u>	<u>\$ 30,978,617</u>	<u>\$ 32,019,774</u>	<u>\$ 244,299</u>
Liabilities:				
Due to Other Funds	\$ 165,723	\$ 2,095,467	\$ 2,176,121	\$ 85,069
Payable from Restricted Assets	1,119,733	32,812,122	33,772,625	159,230
Total Liabilities	<u>\$ 1,285,456</u>	<u>\$ 34,907,589</u>	<u>\$ 35,948,746</u>	<u>\$ 244,299</u>
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	<u>\$ 536,018</u>	<u>\$ 555,591</u>	<u>\$ 528,758</u>	<u>\$ 562,851</u>
Liabilities:				
Due to Student Groups	<u>\$ 536,018</u>	<u>\$ 1,625,261</u>	<u>\$ 1,598,428</u>	<u>\$ 562,851</u>
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 1,794,893	\$ 31,533,946	\$ 32,548,532	\$ 780,307
Other Receivables	26,581	262	-	26,843
Total Assets	<u>\$ 1,821,474</u>	<u>\$ 31,534,208</u>	<u>\$ 32,548,532</u>	<u>\$ 807,150</u>
Liabilities:				
Due to Other Funds	\$ 165,723	\$ 2,095,467	\$ 2,176,121	\$ 85,069
Due to Student Groups	536,018	1,625,261	1,598,428	562,851
Payable from Restricted Assets	1,119,733	32,812,122	33,772,625	159,230
Total Liabilities	<u>\$ 1,821,474</u>	<u>\$ 36,532,850</u>	<u>\$ 37,547,174</u>	<u>\$ 807,150</u>

KILLEEN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2012

	816 Local Memorial Fund	820 Donor Designated Scholarships	821 Local Scholarship Funds	823 Endowed Scholarships	Total Private Purpose Trust Funds
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 3,000	\$ 11,718	\$ 4,356	\$ 2,754	\$ 21,828
Investments - Current	-	-	7,355	-	7,355
Other Receivables	-	40	-	-	40
Total Current Assets	<u>3,000</u>	<u>11,758</u>	<u>11,711</u>	<u>2,754</u>	<u>29,223</u>
Noncurrent Assets:					
Long Term Investments	-	-	-	1,394,942	1,394,942
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,394,942</u>	<u>1,394,942</u>
Total Assets	<u>3,000</u>	<u>11,758</u>	<u>11,711</u>	<u>1,397,696</u>	<u>1,424,165</u>
NET ASSETS					
Unrestricted Net Assets	<u>3,000</u>	<u>11,758</u>	<u>11,711</u>	<u>1,397,696</u>	<u>1,424,165</u>
Total Net Assets	<u>\$ 3,000</u>	<u>\$ 11,758</u>	<u>\$ 11,711</u>	<u>\$ 1,397,696</u>	<u>\$ 1,424,165</u>

KILLEEN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

	816 Local Memorial Fund	820 Donor Designated Scholarships	821 Local Scholarship Funds	823 Endowed Scholarships	Total Private Purpose Trust Funds
ADDITIONS:					
Local and Intermediate Sources	\$ 500	\$ 766	\$ 9	\$ 165,414	\$ 166,689
Total Additions	<u>500</u>	<u>766</u>	<u>9</u>	<u>165,414</u>	<u>166,689</u>
DEDUCTIONS:					
Other Operating Costs	500	1,250	150	72,000	73,900
Total Deductions	<u>500</u>	<u>1,250</u>	<u>150</u>	<u>72,000</u>	<u>73,900</u>
Change in Net Assets	-	(484)	(141)	93,414	92,789
Net Assets September 1 (Beginning)	<u>3,000</u>	<u>12,242</u>	<u>11,852</u>	<u>1,304,282</u>	<u>1,331,376</u>
Net Assets - August 31 (Ending)	<u>\$ 3,000</u>	<u>\$ 11,758</u>	<u>\$ 11,711</u>	<u>\$ 1,397,696</u>	<u>\$ 1,424,165</u>





KILLEEN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2012

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ Various
2004	1.425000	0.138300	3,146,053,284
2005	1.420000	0.138300	3,394,090,351
2006	1.420000	0.138300	3,864,218,855
2007	1.299100	0.120000	4,611,170,393
2008	1.031190	0.110000	5,299,887,356
2009	1.031190	0.110000	5,897,396,511
2010	1.031190	0.110000	6,089,438,929
2011	1.031190	0.110000	6,141,950,251
2012 (School year under audit)	1.031190	0.110000	6,308,031,607
1000 TOTALS			

(10) Beginning Balance 9/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2012
\$ 283,553	\$ -	\$ 5,501	\$ 550	\$ (90,250)	\$ 187,252
134,810	-	2,456	238	(10,033)	122,083
132,941	-	6,577	641	(8,202)	117,521
149,754	-	13,821	1,346	(11,460)	123,127
178,141	-	21,952	2,028	(12,333)	141,828
165,834	-	40,402	4,310	8,844	129,966
240,949	-	61,173	6,525	8,208	181,459
375,830	-	134,929	14,393	1,393	227,901
1,002,531	-	550,947	58,771	(42,377)	350,436
-	70,938,241	63,261,288	6,748,263	(270,177)	658,513
<u>\$ 2,664,343</u>	<u>\$ 70,938,241</u>	<u>\$ 64,099,046</u>	<u>\$ 6,837,065</u>	<u>\$ (426,387)</u>	<u>\$ 2,240,086</u>

KILLEEN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2012

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 577,672	\$ 6,714,287	\$ 178,821	\$ -	\$ 7,470,780
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	-	-	566,020	-	566,020
6212	Audit Services	-	-	-	155,750	-	-	155,750
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	763,697	-	-	-	-	763,697
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	37,577	-	-	37,577
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	1,135	-	-	831,854	-	-	832,989
6240	Contr. Maint. and Repair	-	-	-	-	895,291	-	895,291
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	600	-	425	39,521	-	-	40,546
6290	Miscellaneous Contr.	4,385	-	8,191	526,483	-	-	539,059
6320	Textbooks and Reading	-	-	1,939	104,876	-	-	106,815
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	725	-	3,806	330,935	2,547	-	338,013
6410	Travel, Subsistence, Stipends	14,730	-	11,650	69,307	-	-	95,687
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	-	-	-	30,893	-	-	30,893
6490	Miscellaneous Operating	37,900	-	6,616	201,376	-	-	245,892
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	115,769	115,769
6000	TOTAL	\$ 59,475	\$ 763,697	\$ 610,299	\$ 9,042,859	\$ 1,642,679	\$ 115,769	\$ 12,234,778

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 330,767,445

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 2,370,144
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	27,708,574
Food (Function 35, 6341 and 6499)	(13)	7,243,406
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		9,042,859

SubTotal:

46,364,983

Net Allowed Direct Cost

\$ 284,402,462

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 501,787,598
Historical Cost of Building over 50 years old	(16)	\$ -
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 65,610,548
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$4,856,498 in Function 53 expenditures are included in this report on administrative costs.
 \$549,861 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

KILLEEN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - NATIONAL BREAKFAST AND LUNCH PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 6,071,758	\$ 5,471,758	\$ 5,491,135	\$ 19,377
5800 State Program Revenues	122,500	122,500	119,743	(2,757)
5900 Federal Program Revenues	14,377,939	12,535,612	12,517,403	(18,209)
5020 Total Revenues	20,572,197	18,129,870	18,128,281	(1,589)
EXPENDITURES:				
0035 Food Services	17,847,199	17,789,136	17,145,518	643,618
0051 Facilities Maintenance and Operations	207,210	209,285	175,640	33,645
0052 Security and Monitoring Services	-	139,279	125,938	13,341
6030 Total Expenditures	18,054,409	18,137,700	17,447,096	690,604
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	2,517,788	(7,830)	681,185	689,015
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	3,538	3,847	309
7915 Transfers In	-	121,134	121,134	-
7080 Total Other Financing Sources (Uses)	-	124,672	124,981	309
1200 Net Change in Fund Balances	2,517,788	116,842	806,166	689,324
0100 Fund Balance - September 1 (Beginning)	-	5,196,915	5,196,915	-
3000 Fund Balance - August 31 (Ending)	\$ 2,517,788	\$ 5,313,757	\$ 6,003,081	\$ 689,324

KILLEEN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 6,656,797	\$ 6,672,096	\$ 6,725,168	\$ 53,072
5800	State Program Revenues	7,703,826	7,537,603	6,991,886	(545,717)
5020	Total Revenues	14,360,623	14,209,699	13,717,054	(492,645)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	14,259,288	9,685,000	9,685,000	-
0072	Interest on Long Term Debt	-	4,685,314	4,569,660	115,654
0073	Bond Issuance Cost and Fees	-	324,068	323,668	400
6030	Total Expenditures	14,259,288	14,694,382	14,578,328	116,054
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	101,335	(484,683)	(861,274)	(376,591)
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	28,290,000	28,290,000	-
7916	Premium or Discount on Issuance of Bonds	-	3,400,383	3,400,383	-
8949	Other (Uses)	-	(31,357,014)	(31,357,014)	-
7080	Total Other Financing Sources (Uses)	-	333,369	333,369	-
1200	Net Change in Fund Balances	101,335	(151,314)	(527,905)	(376,591)
0100	Fund Balance - September 1 (Beginning)	-	2,288,897	2,288,897	-
3000	Fund Balance - August 31 (Ending)	\$ 101,335	\$ 2,137,583	\$ 1,760,992	\$ (376,591)



KILLEEN INDEPENDENT SCHOOL DISTRICT

Bond Schedule

Fiscal Year Ended August 31, 2012

Date of Issue	Description	Interest Rate Payable	Amounts Original Issue	10 Amounts Outstanding 9/1/11	20 Issued Current Year
9/10/2002	Unlimited Tax School Building and Refunding Bond, Series 2002	2.0 to 5.25%	99,955,000	34,370,000	-
9/10/2002	Unlimited Tax Refunding Bond, Series 2003	4.5%	8,015,000	655,000	-
2/8/2005	Unlimited Tax Refunding Bond, Series 2005	3.0 to 5.0%	34,610,000	23,735,000	-
6/1/2008	Unlimited Tax Refunding Bond, Series 2008	4.00%	8,960,000	6,540,000	-
7/1/2010	Unlimited Tax Refunding Bond, Series 2010	2.0 to 5.0%	41,895,000	41,805,000	-
2/15/2012	Unlimited Tax Refunding Bond, Series 2012	2.0 to 5.0%	28,290,000	-	28,290,000
	Sub-total:		179,830,000	107,105,000	28,290,000
	Unamortized Premiums (discount)		-	8,480,010	3,400,383
1000	TOTAL		<u>\$ 179,830,000</u>	<u>\$ 115,585,010</u>	<u>\$ 31,690,383</u>

*Bonds payable Series 2002

Principal amount of Capital Interest Bonds	\$ 98,720,000
Maturity amount of Capital Appreciation Bonds	1,235,000
	<u>\$ 99,955,000</u>

**Bonds payable Series 2003

Principal amount of Capital Interest Bonds	<u>\$ 8,015,000</u>
--	---------------------

***Bonds payable Series 2005

Principal amount of Capital Interest Bonds	<u>\$ 34,610,000</u>
--	----------------------

****Bonds payable Series 2008

Principal amount of Capital Interest Bonds	<u>\$ 8,960,000</u>
--	---------------------

*****Bonds payable Series 2010

Principal amount of Capital Interest Bonds	<u>\$ 41,895,000</u>
--	----------------------

*****Bonds payable Series 2012

Principal amount of Capital Interest Bonds	<u>\$ 28,290,000</u>
--	----------------------

30 Retired Current Year	40 Amounts Outstanding 8/31/12	50 Interest Current Year	60 Requirements Year Ending - 8/31/13 Principal	70 Interest	80 Year Ending - 8/31/14 Principal	90 Interest	I 9/1/15 To Maturity Interest
34,370,000	-	824,475					
655,000	-	14,738	-	-	-	-	-
3,975,000	19,760,000	1,087,375	2,895,000	915,625	3,045,000	767,125	1,425,000
1,230,000	5,310,000	237,000	925,000	193,900	965,000	156,100	231,800
335,000	41,470,000	1,959,100	340,000	1,952,350	3,860,000	1,871,750	8,249,025
295,000	27,995,000	562,625	3,690,000	1,064,000	310,000	1,005,550	10,818,225
40,860,000	94,535,000	4,685,313	7,850,000	4,125,875	8,180,000	3,800,525	20,724,050
2,724,327	9,156,066	-	-	-	-	-	-
<u>\$ 43,584,327</u>	<u>\$ 103,691,066</u>	<u>\$ 4,685,313</u>	<u>\$ 7,850,000</u>	<u>\$ 4,125,875</u>	<u>\$ 8,180,000</u>	<u>\$ 3,800,525</u>	<u>\$ 20,724,050</u>

Other debt service expenditures:

6599 - Fees:	2003	300
	2005	300
	2008	500
	2010	500
		<u>\$ 1,600</u>

KILLEEN INDEPENDENT SCHOOL DISTRICT

Mandated Programs Schedule
General Fund

Fiscal Year Ended August 31, 2012

Data Control Codes	11 Basic Educational Services	21 Gifted and Talented	22 Career and Technology	23 Special Education	24 Accelerated Education	25 Bilingual/ ESL	26 Non-Disciplinary Alternative Education
EXPENDITURES:							
11 INSTRUCTION-							
6100 Payroll costs	\$ 119,630,802	\$ 1,222,010	\$ 2,455,730	\$ 18,741,704	\$ 5,341,854	\$ 396,777	\$ 1,120,965
6200 Contract services	2,820,999	3,579	188,261	2,363,384	48,592	12,336	1,824
6300 Supplies and materials	5,686,883	95,805	300,848	41,272	356,574	263,484	44,453
6400 Other operating	763,722	17,043	2,980	57,103	18,679	13,385	5,021
6500 Debt service	-	-	-	-	-	-	-
6600 Capital outlay	260,455	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total Instruction	129,162,861	1,338,437	2,947,819	21,203,463	5,765,699	685,982	1,172,263
12-81 ALL OTHER FUNCTIONS-							
6100 Payroll costs	-	28,276	433,130	3,861,182	134,438	27,293	444,769
6200 Contract services	-	14,426	6,250	241,497	203,069	49,137	2,742
6300 Supplies and materials	263	4,387	7,526	627,210	33,027	31,384	18,175
6400 Other operating	610	13,257	78,648	49,141	66,003	36,478	7,351
6500 Debt service	-	-	-	-	-	-	-
6600 Capital outlay	-	-	-	-	-	-	-
6900 Facilities Acquisition & Construction	-	-	-	-	-	-	-
Total Other Functions	873	60,346	525,554	4,779,030	436,537	144,292	473,037
Total Expenditures	\$ 129,163,734	\$ 1,398,783	\$ 3,473,373	\$ 25,982,493	\$ 6,202,236	\$ 830,274	\$ 1,645,300

28 Disciplinary Alternative Education	29 Disciplinary Alternative Education	30 Title I, Part A School Wide Campuses	31 High School Allotment	32 Prekindergarten	91 Athletics	99 Other Expenditures	TOTALS August 31, 2012
\$ 1,573,920	\$ -	\$ 1,146,425	\$ 880,871	8,589,826	\$ -	\$ 152	\$ 161,101,036
399	-	111,440	706,231	-	-	-	6,257,045
10,744	-	310,191	432,041	-	-	124	7,542,419
-	-	20,490	1,760	-	-	-	900,183
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	260,455
-	-	-	-	-	-	-	-
1,585,063	-	1,588,546	2,020,903	8,589,826	-	276	176,061,138
352,793	-	137,064	12,117	-	3,431,549	71,766,350	80,628,961
-	-	3,785	104,013	-	440,373	16,922,912	17,988,204
4,340	-	4,349	20,230	-	736,294	6,762,991	8,250,176
166	-	17,457	72,635	-	929,937	1,546,302	2,817,985
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,754,911	1,754,911
-	-	-	-	-	-	-	-
357,299	-	162,655	208,995	-	5,538,153	98,753,466	111,440,237
<u>\$ 1,942,362</u>	<u>\$ -</u>	<u>\$ 1,751,201</u>	<u>\$ 2,229,898</u>	<u>8,589,826</u>	<u>\$ 5,538,153</u>	<u>\$ 98,753,742</u>	<u>\$ 287,501,375</u>



STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

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

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Schedule 1
Killeen Independent School District
Net Assets by Component, Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 161,696,235	\$ 160,774,581	\$ 164,987,587	\$ 173,696,399
Restricted	41,323,476	37,071,226	28,819,687	59,836,137
Unrestricted	78,023,809	96,236,725	120,102,301	107,498,825
Total primary government net assets	<u>\$ 281,043,520</u>	<u>\$ 294,082,532</u>	<u>\$ 313,909,575</u>	<u>\$ 341,031,361</u>

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 184,173,068	\$ 201,012,191	\$ 225,696,488	\$ 239,842,774	\$ 270,059,372	\$ 296,593,114
6,946,620	28,890,816	7,029,108	17,372,878	15,184,153	13,943,286
190,426,394	182,779,898	195,151,510	196,397,818	195,791,730	188,997,779
<u>\$ 381,546,082</u>	<u>\$ 412,682,905</u>	<u>\$ 427,877,106</u>	<u>\$ 453,613,470</u>	<u>\$ 481,035,255</u>	<u>\$ 499,534,179</u>

Schedule 2
Killeen Independent School District
Expenses, Program Revenues, and Net (Expense)/Revenue
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses				
Governmental activities:				
Instruction	\$ 142,428,622	\$ 148,339,161	\$ 154,966,345	\$ 163,138,498
Instructional resources and media services	11,452,509	11,651,966	11,516,463	9,687,868
Curriculum development/instructional staff development	4,608,621	5,675,670	5,228,047	8,251,928
Instructional leadership	2,126,977	2,516,013	2,382,728	2,980,768
School leadership	13,194,727	15,026,409	14,609,862	15,097,530
Guidance, counseling and evaluation services	7,308,273	7,600,937	8,297,412	9,150,184
Social work services	1,218,766	1,193,211	1,254,093	1,263,118
Health services	1,938,734	1,937,968	2,176,627	2,260,796
Student (pupil) transportation	5,874,657	6,588,922	5,811,302	6,328,478
Food services	12,227,554	12,821,514	13,870,658	15,532,070
Extracurricular activities	7,082,006	7,403,095	7,575,390	7,921,723
General administration	5,679,156	5,950,528	6,237,665	6,454,480
Plant maintenance and operations	30,264,451	28,728,202	25,308,896	27,644,939
Security and monitoring services	2,222,626	2,118,510	1,763,455	1,988,176
Data processing services	3,253,952	3,423,135	2,669,809	2,739,098
Community services	963,348	1,022,219	944,661	1,004,696
Debt service	8,181,714	8,329,950	7,805,321	7,374,733
Bond issuance cost and fees	1,028,985	-	-	12,226
Facilities acquisition and construction	-	41,638	321,926	-
Payments to fiscal agent/member districts of SSA	-	237,214	208,957	94,610
Payments to JJAEP	414,477	481,572	392,287	406,602
Other Intergovernmental Charges	-	-	-	-
Total primary government expenses	<u>261,470,155</u>	<u>271,087,834</u>	<u>273,341,904</u>	<u>289,332,521</u>
Program Revenues				
Charges for services				
Instruction	292,306	539,756	526,456	457,581
Curriculum development/instructional staff development	24,690	38,212	-	-
Instructional leadership	-	25,475	-	-
School leadership	-	-	-	-
Food services	3,583,667	4,068,273	4,439,902	4,844,421
Extracurricular activities	1,389,142	1,455,688	1,593,765	1,624,008
General administration	-	12,737	-	-
Plant maintenance and operations	625,488	740,386	520,407	1,226,893
Security and monitoring services	8,230	-	-	-
Community services	39,208	33,998	74,531	44,075
Capital Outlay	-	-	-	-
Juvenile justice alternative education program	873,704	1,066,932	903,970	949,138
Operating grants and contributions	37,030,260	37,679,720	38,566,363	40,679,449
Total primary government program revenues	<u>43,866,695</u>	<u>45,661,177</u>	<u>46,625,394</u>	<u>49,825,565</u>
Net (Expense)/Revenue				
Total primary government net expense	<u>\$ (217,603,460)</u>	<u>\$ (225,426,657)</u>	<u>\$ (226,716,510)</u>	<u>\$ (239,506,956)</u>

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 180,754,743	\$ 197,779,993	\$ 205,517,330	\$ 214,709,865	\$ 216,292,883	\$ 206,705,132
8,732,038	9,740,123	8,218,128	9,041,084	9,554,349	8,699,637
8,169,592	8,739,196	8,035,658	11,318,271	11,459,567	10,149,414
2,951,054	3,046,864	3,172,009	4,175,727	3,601,090	2,609,858
15,871,229	16,711,693	18,251,621	19,001,724	19,749,158	19,623,731
10,763,166	12,125,826	12,862,413	13,567,081	13,787,485	12,306,051
1,279,205	1,439,844	1,508,820	1,667,300	1,579,518	1,219,964
2,512,156	2,654,147	3,006,361	3,043,647	3,280,158	3,338,749
7,245,984	8,708,500	9,300,363	10,113,200	10,926,652	10,413,483
15,616,023	17,421,240	17,860,193	18,095,490	18,621,362	19,134,181
7,220,543	7,789,348	7,432,759	7,513,834	7,689,267	7,269,839
6,762,635	6,808,811	6,958,795	6,556,997	6,619,935	6,830,014
31,121,948	31,789,806	33,594,466	33,569,957	34,136,285	30,739,183
2,096,822	2,512,659	2,718,538	3,418,640	2,883,182	2,762,881
4,075,847	6,424,144	4,761,535	5,361,789	6,209,988	4,829,066
1,160,805	1,261,207	1,171,155	1,081,761	1,224,852	1,196,690
6,944,420	6,461,892	6,081,023	5,891,516	4,718,231	2,983,682
12,527	52,894	20,120	123,195	48,114	51,169
-	-	-	-	-	394,953
-	-	-	-	-	-
229,574	258,505	398,515	469,194	129,830	378,193
-	-	498,391	538,491	550,794	550,450
<u>313,520,311</u>	<u>341,726,692</u>	<u>351,368,193</u>	<u>369,258,763</u>	<u>373,062,700</u>	<u>352,186,320</u>
4,096,256	655,784	517,465	992,659	864,707	1,781,493
-	8,842	-	-	-	11,264
-	9,879	11,719	-	-	-
42,150	-	-	-	-	148,198
5,005,922	5,373,829	5,763,505	5,794,035	5,653,082	5,484,268
1,594,876	1,749,417	1,696,923	1,629,589	1,648,734	716,203
-	-	-	-	98,212	11,264
42,150	298,786	64,455	-	87,299	45,057
42,150	5,550	5,860	-	10,912	11,264
79,236	52,750	33,639	64,100	71,585	141,009
-	-	-	-	-	22,528
735,546	711,607	1,070,372	1,082,151	306,331	823,154
42,366,728	43,475,142	44,810,981	61,261,124	57,662,938	48,141,320
<u>54,005,014</u>	<u>52,341,586</u>	<u>53,974,919</u>	<u>70,823,658</u>	<u>66,403,800</u>	<u>57,337,022</u>
<u>\$ (259,515,297)</u>	<u>\$ (289,385,106)</u>	<u>\$ (297,393,274)</u>	<u>\$ (298,435,105)</u>	<u>\$ (306,658,900)</u>	<u>\$ (294,849,298)</u>

Schedule 3
Killeen Independent School District
General Revenues and Total Change in Net Assets,
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net (Expense)/Revenue				
Total primary government net expense	\$ (217,603,460)	\$ (225,426,657)	\$ (226,716,510)	\$ (239,506,956)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes levied for general purposes	37,917,518	42,756,274	45,807,810	51,770,447
Property taxes levied for debt service	3,817,907	4,172,799	4,453,178	5,042,907
State Aid - formula grants	109,248,186	127,200,282	125,424,333	129,412,608
Grants and contributions not restricted	62,962,379	61,163,286	64,594,115	68,402,059
Investment earnings	4,491,360	2,761,813	4,652,136	8,449,600
Miscellaneous	1,010,178	411,215	1,611,981	1,249,725
Total primary government	<u>219,447,528</u>	<u>238,465,669</u>	<u>246,543,553</u>	<u>264,327,346</u>
Change in Net Assets				
Total primary government	<u>\$ 1,844,068</u>	<u>\$ 13,039,012</u>	<u>\$ 19,827,043</u>	<u>\$ 24,820,390</u>

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ (259,515,297)	\$ (289,385,106)	\$ (297,393,274)	\$ (298,435,105)	\$ (306,658,900)	\$ (294,849,298)
56,813,288	51,520,833	57,410,120	59,296,399	60,011,527	61,048,573
5,254,474	5,512,064	6,127,255	6,334,808	6,407,804	6,518,522
178,129,505	200,699,397	195,686,511	191,470,512	195,922,441	192,717,006
47,611,235	53,292,369	49,070,114	65,181,243	70,036,517	50,508,209
11,072,348	8,606,366	3,136,843	629,293	432,508	377,267
1,149,168	890,900	1,156,632	1,259,214	1,269,888	2,178,645
<u>300,030,018</u>	<u>320,521,929</u>	<u>312,587,475</u>	<u>324,171,469</u>	<u>334,080,685</u>	<u>313,348,222</u>
<u>\$ 40,514,721</u>	<u>\$ 31,136,823</u>	<u>\$ 15,194,201</u>	<u>\$ 25,736,364</u>	<u>\$ 27,421,785</u>	<u>\$ 18,498,924</u>

Schedule 4
Killeen Independent School District
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
Reserved	\$ 4,779,173	\$ 4,763,961	\$ 4,522,033	\$ 7,921,179
Unreserved	82,247,715	69,168,328	73,946,218	87,599,314
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 87,026,888</u>	<u>\$ 73,932,289</u>	<u>\$ 78,468,251</u>	<u>\$ 95,520,493</u>
All Other Governmental Funds				
Reserved	\$ 966,088	\$ 865,454	\$ 865,818	\$ 1,001,182
Unreserved, reported in:				
Special revenue funds	3,087,540	3,671,787	4,166,326	4,344,450
Capital projects funds	102,963,289	76,109,155	72,261,394	61,397,548
Permanent funds	-	-	-	-
Debt service funds	2,662,562	1,468,439	244,034	838,728
Nonspendable, reported in:				
Special revenue funds	-	-	-	-
Permanent funds	-	-	-	-
Restricted, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
Debt service funds	-	-	-	-
Committed, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Assigned, reported in:				
Capital projects funds	-	-	-	-
Total all other governmental funds	<u>\$ 109,679,479</u>	<u>\$ 82,114,835</u>	<u>\$ 77,537,572</u>	<u>\$ 67,581,908</u>

The district began reporting fund balance in accordance with GASB 54 - Fund Balance Reporting in fiscal year 2012

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 5,821,599	\$ 7,865,995	\$ 7,850,443	\$ 7,913,640	\$ -	\$ -
87,367,069	92,041,863	95,612,167	72,121,597	-	-
-	-	-	-	1,911,172	4,348,666
-	-	-	-	3,757,127	4,558,481
-	-	-	-	-	-
-	-	-	-	4,236,364	3,456,194
-	-	-	-	83,281,649	90,466,078
<u>\$ 93,188,668</u>	<u>\$ 99,907,858</u>	<u>\$ 103,462,610</u>	<u>\$ 80,035,237</u>	<u>\$ 93,186,312</u>	<u>\$ 102,829,419</u>
\$ 1,147,218	\$ 2,277,517	\$ 2,505,435	\$ 2,534,634	\$ -	\$ -
4,192,265	3,675,503	10,080,428	9,337,613	-	-
93,116,739	105,371,240	85,922,197	120,157,566	-	-
197,902	178,529	138,615	151,902	-	-
1,373,633	-	-	-	-	-
-	-	-	-	530,399	1,122,149
-	-	-	-	189,715	189,715
-	-	-	-	4,481,545	4,752,235
-	-	-	-	6,661,891	5,206,412
-	-	-	-	24,807	36,698
-	-	-	-	2,288,897	1,760,992
-	-	-	-	4,630,979	1,099,220
-	-	-	-	15,506,349	14,714,826
-	-	-	-	85,741,539	87,795,673
<u>\$ 100,027,757</u>	<u>\$ 111,502,789</u>	<u>\$ 98,646,675</u>	<u>\$ 132,181,715</u>	<u>\$ 120,056,121</u>	<u>\$ 116,677,920</u>

Schedule 5
Killeen Independent School District
Governmental Funds Revenues,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Federal sources:				
Distributed through governmental entities	\$ 4,593	\$ -	\$ -	\$ -
Distributed by TEA	17,521,514	21,390,725	22,555,684	24,812,478
Distributed by other State of Texas Government Agencies	294,828	164,307	103,342	499,867
Distributed directly from the Federal Government	41,239,840	44,889,217	46,866,953	46,843,419
Shared services arrangements	-	76,176	75,526	48,615
Total federal sources	<u>59,060,775</u>	<u>66,520,425</u>	<u>69,601,505</u>	<u>72,204,379</u>
State sources:				
Per capital and foundation school program act revenues	121,327,094	136,540,133	137,822,223	141,708,578
Program revenues distributed by TEA	15,926,936	11,413,986	9,791,865	13,000,006
Revenues from State of Texas Government Agencies	12,867,647	10,578,803	10,887,698	11,401,987
Shared services arrangements	17,405	953,663	481,521	179,166
Total state sources	<u>150,139,082</u>	<u>159,486,585</u>	<u>158,983,307</u>	<u>166,289,737</u>
Local and intermediate sources:				
Real and personal property taxes	41,884,604	47,399,252	51,045,627	57,929,761
Services rendered to other school districts	917,019	1,105,032	958,396	984,781
Tuition and fees	163,294	80,843	65,209	47,217
Other revenues	5,727,012	4,093,919	5,661,525	10,119,246
Cocurricular, enterprising services or activities	4,904,947	5,497,678	5,998,700	6,418,690
Intermediate sources	7,883	7,658	-	-
Total local and intermediate sources	<u>53,604,759</u>	<u>58,184,382</u>	<u>63,729,457</u>	<u>75,499,695</u>
Total revenues	<u>\$ 262,804,616</u>	<u>\$ 284,191,392</u>	<u>\$ 292,314,269</u>	<u>\$ 313,993,811</u>

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24,552,777	25,238,801	25,514,384	47,296,387	44,259,775	35,770,592
340,599	693,713	1,366,628	2,915,094	2,321,198	1,418,060
50,125,961	54,225,037	52,074,576	64,256,932	64,060,240	50,922,491
-	-	-	-	-	-
<u>75,019,337</u>	<u>80,157,551</u>	<u>78,955,588</u>	<u>114,468,413</u>	<u>110,641,213</u>	<u>88,111,143</u>
169,255,565	193,650,641	188,120,939	181,223,026	185,679,439	183,773,170
13,026,874	12,527,621	10,352,622	10,054,304	15,627,792	7,856,203
10,045,974	11,096,768	12,105,118	12,078,845	11,583,264	11,571,514
34,718	34,327	33,339	88,291	90,188	54,505
<u>192,363,131</u>	<u>217,309,357</u>	<u>210,612,018</u>	<u>203,444,466</u>	<u>212,980,683</u>	<u>203,255,392</u>
62,913,673	58,281,227	64,499,507	66,709,002	67,419,249	69,761,855
780,159	756,146	1,070,372	1,082,151	306,331	823,155
51,531	67,576	78,001	14,510	2,625	31,744
15,460,786	9,516,934	3,750,702	1,828,016	1,686,203	1,982,422
6,558,648	7,067,751	7,401,832	7,382,438	7,279,991	7,032,660
-	-	-	59,542	55,064	-
<u>85,764,797</u>	<u>75,689,634</u>	<u>76,800,414</u>	<u>77,075,659</u>	<u>76,749,463</u>	<u>79,631,836</u>
<u>\$ 353,147,265</u>	<u>\$ 373,156,542</u>	<u>\$ 366,368,020</u>	<u>\$ 394,988,538</u>	<u>\$ 400,371,359</u>	<u>\$ 370,998,371</u>

Schedule 6
Killeen Independent School District
Governmental Funds Expenditures and Debt Service Ratio,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Instruction	\$ 117,235,478	\$ 136,670,530	\$ 141,040,602	\$ 146,314,211
Instructional resources and media services	9,979,980	11,186,026	11,567,266	11,741,013
Curriculum development/instructional staff development	3,338,729	3,962,974	5,008,297	4,973,467
Instructional leadership	1,925,460	2,126,977	2,516,013	2,395,861
School leadership	11,599,133	12,793,622	14,610,321	14,056,345
Guidance, counseling and evaluation services	6,613,512	7,313,273	7,600,937	8,297,412
Social work services	1,138,879	1,223,766	1,193,211	1,254,093
Health services	1,633,956	1,938,734	1,937,968	2,176,627
Student (pupil) transportation	6,780,804	6,900,035	6,788,788	8,532,527
Food services	9,848,697	11,240,332	11,584,255	12,717,146
Extracurricular activities	6,048,351	6,247,434	6,555,912	6,739,673
General administration	5,069,448	5,440,663	5,943,089	6,286,476
Facilities maintenance and operations	21,019,915	30,282,811	28,691,824	26,044,906
Security and monitoring services	2,097,504	2,275,280	2,099,297	1,749,234
Data processing services	2,886,161	3,500,191	3,435,342	2,669,809
Community services	922,341	963,348	1,022,219	944,661
Debt service:				
Principal	5,185,000	6,505,000	6,950,000	7,435,000
Interest	4,362,823	8,326,507	8,221,504	8,019,268
Bond issuance cost and fees	-	1,028,985	17,786	309,999
Facilities acquisition and construction	29,762,221	36,064,930	57,361,122	21,149,310
Payments to fiscal agent/member districts of SSA	-	-	237,214	208,957
Payments to JJAEP	405,279	414,477	481,572	392,287
Other Intergovernmental Charges	-	-	-	-
Total expenditures	<u>\$ 247,853,671</u>	<u>\$ 296,405,895</u>	<u>\$ 324,864,539</u>	<u>\$ 294,408,282</u>
Debt service as a percentage of noncapital expenditures	4.46%	5.75%	5.60%	5.76%

Fiscal Year						
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 154,457,420	\$ 173,779,206	\$ 188,520,576	\$ 195,504,878	\$ 205,200,017	\$ 204,972,902	\$ 196,689,116
9,356,227	9,247,298	9,356,417	8,517,651	8,733,528	8,812,481	8,269,075
7,474,201	7,508,328	7,632,289	6,786,896	9,008,294	8,743,744	7,713,184
2,980,768	2,970,423	3,093,458	3,296,669	4,455,430	3,595,405	2,614,074
14,545,543	15,281,680	16,103,694	17,656,954	18,382,033	19,044,822	18,914,539
9,160,991	10,763,166	12,126,212	12,862,555	13,570,470	13,789,608	12,308,098
1,263,118	1,279,205	1,439,844	1,508,492	1,666,969	1,580,314	1,220,046
2,260,796	2,512,156	2,657,229	3,005,402	3,045,169	3,280,123	3,337,830
6,434,363	7,611,115	7,889,340	11,759,227	9,573,704	9,932,901	9,735,768
14,361,276	14,375,521	16,225,981	16,657,428	16,752,954	17,098,161	17,929,048
6,869,761	6,884,765	7,458,119	7,095,062	7,149,402	7,328,739	7,058,935
6,448,416	6,775,179	6,788,760	6,968,981	6,584,346	6,612,441	6,831,647
27,461,555	32,619,542	31,687,544	33,240,917	36,721,660	33,809,532	30,896,266
1,979,416	2,278,364	2,578,375	2,719,181	3,441,367	2,873,286	2,763,303
2,750,292	4,330,220	6,958,427	4,899,755	6,294,647	6,190,297	4,939,332
1,004,696	1,160,805	1,261,325	1,171,905	1,073,692	1,234,929	1,195,950
8,015,000	8,705,000	10,689,295	9,169,295	9,484,295	8,725,000	9,685,000
7,602,018	7,228,418	6,665,667	6,379,268	6,246,474	5,353,062	4,569,660
299	600	110,119	1,100	453,172	1,900	323,668
22,985,848	8,356,197	19,145,994	27,163,533	16,546,135	35,747,287	17,200,939
94,610	-	-	-	-	-	-
406,602	229,574	258,505	398,515	469,194	129,830	378,193
-	-	-	498,391	538,491	550,794	551,494
\$ 307,913,216	\$ 323,896,762	\$ 358,647,170	\$ 377,262,055	\$ 385,391,443	\$ 399,407,558	\$ 365,125,165
5.49%	5.19%	5.07%	4.31%	4.27%	3.87%	4.09%

Schedule 7
Killeen Independent School District
Other Financing Sources and Uses and Net Change in Fund Balances,
Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Excess of revenues over (under) expenditures	\$ (33,601,279)	\$ (40,673,147)	\$ (2,094,013)	\$ 6,080,595
Other Financing Sources (Uses)				
General long-term debt issued	101,414,089	-	122,293	-
Bond Refunding Escrow Agent	-	-	-	-
Premium on Bond Issue	-	-	-	-
Sale of capital assets	244,262	13,904	1,930,419	208,406
Capital Leases	-	-	-	-
Contributed capital	-	-	-	-
Transfers in	3,494,405	27,336,365	11,933,483	10,076,999
Transfers out	(3,494,405)	(27,336,365)	(11,933,483)	(10,076,999)
Total other financing sources (uses)	<u>101,658,351</u>	<u>13,904</u>	<u>2,052,712</u>	<u>208,406</u>
Net change in fund balances	<u>\$ 68,057,072</u>	<u>\$ (40,659,243)</u>	<u>\$ (41,301)</u>	<u>\$ 6,289,001</u>

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 29,250,503	\$ 14,509,372	\$ (10,894,035)	\$ 9,597,095	\$ 963,801	\$ 5,873,206
-	8,960,000	-	41,895,000	-	28,290,000
-	(9,288,539)	-	(47,759,040)	-	(31,357,014)
-	268,157	-	6,323,727	-	3,400,383
138,521	54,249	98,833	50,885	61,680	58,331
-	3,690,983	-	-	-	-
725,000	-	-	-	-	-
43,305,792	32,355,216	28,759,099	54,253,644	19,712,546	23,244,492
(43,305,792)	(32,355,216)	(27,265,259)	(54,253,644)	(19,712,546)	(23,244,492)
<u>863,521</u>	<u>3,684,850</u>	<u>1,592,673</u>	<u>510,572</u>	<u>61,680</u>	<u>391,700</u>
<u>\$ 30,114,024</u>	<u>\$ 18,194,222</u>	<u>\$ (9,301,362)</u>	<u>\$ 10,107,667</u>	<u>\$ 1,025,481</u>	<u>\$ 6,264,906</u>

**Schedule 8
Killeen Independent School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Fiscal Year	Assessed Value		Less: Tax-Exempt Property	Total Taxable Assessed ^a Value
	Real Property	Personal Property		
2003	3,105,833,011	399,756,764	640,579,109	2,865,010,666
2004	3,419,482,290	409,550,932	682,979,938	3,146,053,284
2005	3,651,521,664	453,110,725	710,542,038	3,394,090,351
2006	4,147,434,223	473,668,738	756,884,106	3,864,218,855
2007	4,932,073,851	488,607,999	809,511,457	4,611,170,393
2008	5,655,918,103	490,936,492	846,967,239	5,299,887,356
2009	4,505,559,846	511,276,693	880,559,972	5,897,396,511
2010	4,524,247,977	520,539,862	1,044,651,090	6,089,438,929
2011	4,515,328,464	514,563,260	1,112,058,527	6,141,950,251
2012	4,647,861,122	511,992,486	1,148,177,999	6,308,031,607

Source: Bell County Tax Appraisal District

Notes:

^aMarket value less exemptions

^bPer \$100 of assessed valuation

^cAssessed value

Total Direct Tax Rate ^b	Estimated Actual Taxable ^c Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
1.5223	3,505,589,775	81.73%
1.5633	3,829,033,222	82.16%
1.5583	4,104,632,389	82.69%
1.5583	4,621,102,961	83.62%
1.4191	5,420,681,850	85.07%
1.1412	6,146,854,595	86.22%
1.1412	6,777,956,483	87.01%
1.1412	7,134,090,019	85.36%
1.1412	7,254,008,778	84.67%
1.1412	7,456,209,606	84.60%

Schedule 9
Killeen Independent School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

(rate per \$100 of assessed value)

Fiscal Year	District Direct Rates			Overlapping Rates ^a				
	Operating	Debt Service	Total	Bell County	Central Texas College	City of Killeen	City of Harker Heights	City of Nolanville
2003	1.3840	0.1383	1.5223	0.3651	0.1475	0.6800	0.6999	0.3754
2004	1.4250	0.1383	1.5633	0.3650	0.1475	0.6990	0.6996	0.3835
2005	1.4200	0.1383	1.5583	0.3610	0.1470	0.6950	0.6996	0.4823
2006	1.4200	0.1383	1.5583	0.3760	0.1460	0.6950	0.6896	0.6228
2007	1.2991	0.1200	1.4191	0.3815	0.1420	0.6950	0.6796	0.5288
2008	1.0312	0.1100	1.1412	0.3779	0.1410	0.6950	0.6796	0.5077
2009	1.0312	0.1100	1.1412	0.4074	0.1410	0.6950	0.6796	0.5077
2010	1.0312	0.1100	1.1412	0.4054	0.1410	0.6950	0.6770	0.5077
2011	1.0312	0.1100	1.1412	0.4119	0.1409	0.7428	0.6770	0.4460
2012	1.0312	0.1100	1.1412	0.4395	0.1409	0.7428	0.6770	0.4694

Source: Bell County Tax Appraisal District rate table.

Note:

^aIncludes levies for operating, debt service costs and other (Road District) levies.

**Schedule 10
Killeen Independent School District
Principal Property Tax Payers
Current Year and Nine Years Ago**

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Taxable Value	Taxable Assessed Value	Rank	Percentage of Taxable Value
ONCOR Electric Delivery Company	\$ 78,373,084	1	1.24%	\$ 48,384,394	1	1.69%
Wal-Mart Real Estate Business	38,544,246	2	0.61%	8,013,187	8	0.28%
Central Telephone Company	27,770,864	3	0.44%	46,367,879	2	1.62%
Market Heights Ltd	25,131,567	4	0.40%			
HEB Grocery Company	18,090,253	5	0.29%			
Killeen Mall LLC	16,891,015	6	0.27%			
Stone Creek Investment LLC	14,097,454	7	0.22%			
Watercrest Place LP	12,308,709	8	0.20%			
WLC Brookside Apartments LP	10,502,412	9	0.22%			
Feiga/Sierra Creek LP	10,123,955	10	0.16%	9,544,275	6	0.33%
Sallie Mae Inc				15,869,536	4	0.55%
Time Warner Advance New House				18,491,741	3	0.65%
THWest Malls Real Estate LLC				12,434,329	5	0.43%
Wal-Mart Stores Inc.				9,207,310	7	0.32%
Stone Stream Associates LP				6,659,421	9	0.23%
Arbors of Killeen Partners LTD				6,646,346	10	0.23%
Subtotal	\$ 251,833,559		4.05%	\$ 181,618,418		6.34%
All other taxpayers	6,056,198,048		96.01%	2,683,392,248		93.66%
	<u>\$ 6,308,031,607</u>		<u>100.06%</u>	<u>\$ 2,865,010,666</u>		<u>100.00%</u>

Source: Bell County Tax Appraisal District

**Schedule 11
Killeen Independent School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy^a		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	41,974,140	40,607,952	96.75%	1,255,157	41,863,109	99.74%
2004	48,413,321	46,970,884	97.02%	1,320,354	48,291,238	99.75%
2005	52,089,368	50,441,241	96.84%	1,530,606	51,971,847	99.77%
2006	59,240,023	58,363,508	98.52%	753,390	59,116,898	99.79%
2007	64,444,634	63,482,453	98.51%	820,353	64,302,806	99.78%
2008	59,365,027	58,291,853	98.19%	943,207	59,235,060	99.78%
2009	65,968,263	65,102,970	98.69%	683,835	65,786,805	99.72%
2010	68,295,492	67,412,328	98.71%	655,263	68,067,591	99.67%
2011	68,995,097	67,992,566	98.55%	652,092	68,644,658	99.49%
2012	70,938,241	70,279,728	99.07%		70,279,728	99.07%

Source: Bell County Tax Appraisal District

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

^aTax collections reduced by prompt payment discounts allowed.

**Schedule 12
Killeen Independent School District
Outstanding Debt by Type,
Last Ten Fiscal Years**

Fiscal Year	Unlimited Tax School Building and/or Refunding Bonds	Percentage of Personal Income^a	Per Capita^a	Unlimited Tax School Building and/or Refunding Bonds (Net)^b	Percentage of Estimated Actual Taxable Value^c of Property	Per Capita^a
2003	179,795,938	21.90%	6,995	176,546,303	5.04%	6,868
2004	172,941,739	19.79%	6,424	170,886,227	4.46%	6,348
2005	167,140,974	17.93%	5,835	166,309,867	4.05%	5,806
2006	158,793,664	15.63%	5,341	157,367,863	3.41%	5,293
2007	149,735,978	13.44%	4,722	147,775,272	2.73%	4,660
2008	140,090,582	10.91%	4,035	138,299,537	2.25%	3,984
2009	131,717,421	9.68%	3,670	129,980,247	1.92%	3,621
2010	125,196,765	8.52%	3,230	123,339,213	1.73%	3,182
2011	115,585,010	7.62%	3,112	113,296,113	1.56%	3,050
2012	103,691,068	6.29%	2,590	101,930,076	1.37%	2,546

Notes:

^aSee Schedule 15 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

^bUnlimited tax school building and/or refunding bonds reduced by net assets available in debt service fund. See Schedule 14.

^cSee Schedule 8 Assessed Value and Actual Value of Taxable Property for property value data.



**Schedule 13
Killeen Independent School District
Direct and Overlapping Governmental Activities Debt
As of August 31, 2012**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^b</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Bell County	\$ 118,200,000	44.01%	\$ 52,019,820
Central Texas College	\$ -	92.38%	-
Coryell County ^a	\$ 930,047	0.00%	-
City of Killeen	\$ 188,882,700	100.00%	188,882,700
City of Harker Heights	\$ 48,120,000	100.00%	48,120,000
City of Nolanville	\$ 1,475,000	100.00%	1,475,000
Subtotal, overlapping debt			\$ 290,497,520
District direct debt			103,691,068
Total direct and overlapping debt			\$ 394,188,588

Source: confirmations received from the above listed entities.

Notes:

^aThe portion of Killeen ISD that lies in Coryell County is a military base; therefore, it has no taxable value.

^bThe percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

**Schedule 14
Killeen Independent School District
Legal Debt Margin Information,
Last Ten Fiscal Years**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Assessed value ^a	\$ 2,865,010,666	\$ 3,146,053,284	\$ 3,394,090,351	\$ 3,864,218,855
Debt Limit ^b	286,501,067	314,605,328	339,409,035	386,421,886
Amount of debt applicable to debt limit:				
Total bonded debt	179,795,938	172,941,739	167,140,974	158,793,664
Less: Net assets available in debt service fund	3,249,635	2,055,512	831,107	1,425,801
Total net debt applicable to limit	<u>176,546,303</u>	<u>170,886,227</u>	<u>166,309,867</u>	<u>157,367,863</u>
Legal debt margin	<u>\$ 109,954,764</u>	<u>\$ 143,719,101</u>	<u>\$ 173,099,168</u>	<u>\$ 229,054,023</u>
Total net debt applicable to the limit as a percentage of debt limit.	61.62%	54.32%	49.00%	40.72%

Notes:

^aMarket value less exemptions per Bell County Appraisal District

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

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 4,611,170,393	\$ 5,299,887,356	\$ 5,897,396,511	\$ 6,089,438,929	\$ 6,141,950,251	\$ 6,308,031,607
461,117,039	529,988,736	589,739,651	608,943,893	614,195,025	630,803,161
149,735,978	140,090,582	131,717,421	125,196,765	115,585,010	103,691,068
1,960,706	1,791,045	1,737,174	1,857,552	2,288,897	1,760,992
<u>147,775,272</u>	<u>138,299,537</u>	<u>129,980,247</u>	<u>123,339,213</u>	<u>113,296,113</u>	<u>101,930,076</u>
<u>\$ 313,341,767</u>	<u>\$ 391,689,199</u>	<u>\$ 459,759,404</u>	<u>\$ 485,604,680</u>	<u>\$ 500,898,912</u>	<u>\$ 528,873,085</u>
32.05%	26.09%	22.04%	20.25%	18.45%	16.16%

**Schedule 15
Killeen Independent School District
Demographic and Economic Statistics,
Last Ten Calendar Years**

Calendar Year	Population^a	Personal Income^b (thousands of dollars)	Per Capita Personal Income	Unemployment Rate^c
2002	338,212	8,208,370	25,704	6.10
2003	343,935	8,739,875	26,921	6.70
2004	345,949	9,321,254	28,646	5.60
2005	351,528	10,162,000	29,731	5.30
2006	351,322	11,140,000	31,709	4.90
2007	370,008	12,845,443	34,717	5.20
2008	378,935	13,601,991	35,895	7.00
2009	379,231	14,697,693	38,757	7.90
2010	408,366	15,167,523	37,142	8.60
2011	411,595	16,475,894	40,029	7.70

Notes:

All information above is for the Killeen-Temple-Fort Hood Metropolitan Statistical Area.

Sources:

^aU.S. Census Bureau.

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

^cU.S. Department of Labor, Bureau Of Labor Statistics.

**Schedule 16
Killeen Independent School District
Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
III Corps & Fort Hood	52,000	1	70.48%	45,509	1	80.72%
Killeen ISD	6,283	2	8.52%	4,200	2	7.45%
Civilian Personnel Office	6,223	3	8.44%			
Central Texas College	1,798	4	2.44%	1,100	4	1.95%
Metroplex Hospital	1,200	5	1.63%	935	5	1.66%
City of Killeen	1,164	6	1.58%	744	7	1.32%
Westar Aerospace & Defense Group Inc	1,050	7	1.42%			
L-3 Communications Vertex Aerospace	600	8	0.81%			
ESP Incorporated	510	9	0.69%			
Aegis Communications	600	10	0.81%			
Walmart				600	9	1.06%
Convergys Corporation				700	8	1.24%
Sallie Mae				575	10	1.02%
Fort Hood Exchange				1,218	3	2.16%
Killeen Mall				800	6	1.42%
Subtotal	71,428		96.82%	56,381		100.00%
All other employers	2,347		3.18%	N/A		N/A
Total employment	73,775		100.00%	56,381		100.00%

Source: Greater Killeen Chamber of Commerce and Killeen Independent School District Data Warehouse

Notes: N/A = information not available.

Schedule 17
Killeen Independent School District
Full-Time-Equivalent District Employees by Type,
Last Ten Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Supervisory					
Instructional administrators	24	24	24	29	42
Noninstructional administrators	43	43	44	44	34
Consultants/supervisors of instruction	55	56	58	59	58
Principals	40	40	43	44	45
Assistant Principals	72	74	84	87	95
Total supervisory	<u>234</u>	<u>237</u>	<u>253</u>	<u>263</u>	<u>274</u>
Instruction					
Elementary classroom teachers	1,194	1,248	1,319	1,352	1,450
Secondary classroom teachers	1,068	1,122	1,179	1,195	1,212
ESL teachers	19	16	16	18	16
Other professionals (instructional)	100	99	103	102	109
Aides	724	781	834	873	856
Total Instruction	<u>3,105</u>	<u>3,266</u>	<u>3,451</u>	<u>3,540</u>	<u>3,643</u>
Student Services					
Guidance counselors	74	76	80	82	84
Visiting teacher/social workers	2	4	5	5	16
Librarians	40	40	44	45	47
Other professionals (noninstructional)	99	100	104	105	101
Technicians	8	8	15	16	16
Total student services	<u>223</u>	<u>228</u>	<u>248</u>	<u>253</u>	<u>264</u>
Support and Administration					
Clerical/secretarial	264	267	271	284	309
Service workers	582	601	630	640	663
Skilled crafts	123	126	120	119	114
Unskilled Laborers	262	273	272	291	297
Total support and administration	<u>1,231</u>	<u>1,267</u>	<u>1,293</u>	<u>1,334</u>	<u>1,383</u>
Total	<u><u>4,793</u></u>	<u><u>4,998</u></u>	<u><u>5,245</u></u>	<u><u>5,390</u></u>	<u><u>5,564</u></u>

Source: Killeen Independent School District data warehouse department.

* Killeen Independent School District Authorized FTE report as of 8/31/12

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012*</u>	Percentage Change 2003-2012
41	39	40	38	41	71%
38	39	39	35	35	-19%
64	69	68	62	58	5%
45	46	49	48	51	28%
101	101	105	103	113	57%
<u>289</u>	<u>294</u>	<u>301</u>	<u>286</u>	<u>298</u>	27%
1,539	1,567	1,531	1,538	1,525	28%
1,307	1,266	1,198	1,170	1,173	10%
30	21	24	16	49	158%
153	58	59	54	56	-44%
899	864	932	878	953	32%
<u>3,928</u>	<u>3,776</u>	<u>3,744</u>	<u>3,656</u>	<u>3,756</u>	21%
102	116	127	107	105	42%
16	13	13	4	4	100%
49	43	48	46	48	20%
120	165	171	168	196	98%
17	19	20	18	15	88%
<u>304</u>	<u>356</u>	<u>379</u>	<u>343</u>	<u>368</u>	65%
347	303	319	284	300	14%
888	327	335	339	503	-14%
114	107	108	107	104	-15%
339	655	681	624	680	160%
<u>1,688</u>	<u>1,392</u>	<u>1,443</u>	<u>1,354</u>	<u>1,587</u>	29%
<u>6,209</u>	<u>5,818</u>	<u>5,867</u>	<u>5,639</u>	<u>6,009</u>	25%



**Schedule 18
Killeen Independent School District
Operating Statistics,
Last Ten Fiscal Years**

Fiscal Year	Peak Enrollment	Operating Expenditures	Cost per Pupil	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
2003	31,335	\$ 250,985,473	\$ 8,010	2,335	13.4	54%
2004	32,651	\$ 259,264,127	\$ 7,940	2,451	13.3	53%
2005	33,518	\$ 264,929,705	\$ 7,904	2,482	13.5	54%
2006	34,743	\$ 307,913,216	\$ 8,863	2,562	13.6	56%
2007	36,895	\$ 323,896,762	\$ 8,779	2,743	13.5	52%
2008	38,761	\$ 358,647,170	\$ 9,253	2,832	13.7	52%
2009	39,964	\$ 377,262,055	\$ 9,440	2,698	14.8	51%
2010	40,463	\$ 385,391,443	\$ 9,525	2,762	14.6	52%
2011	40,609	\$ 399,407,558	\$ 9,835	2,839	14.3	55%
2012	41,172	\$ 365,125,165	\$ 8,868	2,776	14.8	53%

Source: Nonfinancial information from district records.

**Schedule 19
Killeen Independent School District
Capital Asset Information,
Last Ten Fiscal Years**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Schools</u>				
Elementary				
Buildings	26	27	28	29
Square feet	2,002,235	2,035,917	2,121,069	2,217,069
Capacity	16,763	17,467	18,225	18,964
Enrollment	16,958	17,548	18,064	18,841
Middle				
Buildings	9	9	11	11
Square feet	980,542	1,069,118	1,207,806	1,207,806
Capacity	7,018	7,018	8,586	8,586
Enrollment	6,855	7,106	7,050	7,262
High				
Buildings	4	4	4	4
Square feet	1,277,501	1,277,501	1,277,501	1,277,501
Capacity	7,356	7,356	7,356	7,356
Enrollment	7,103	7,581	7,828	8,180
9th Grade Center				
Buildings	-	-	-	-
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Other				
CATE, Pathways				
Haynes School				
Buildings	2	2	2	2
Square feet	95,569	95,569	95,569	95,569
Enrollment	435	408	466	460
<u>Administrative</u>				
Buildings	6	6	6	6
Square feet	242,795	242,795	242,795	242,795
<u>Transportation</u>				
Garages	1	1	1	1
Buses	227	240	248	247
<u>Athletics</u>				
Warehouse	-	-	-	1
Square feet	-	-	-	31,608
Stadium	1	1	1	1
Football/soccer fields	34	34	34	40
Running tracks	4	4	4	4
Baseball/softball	8	8	8	8
Swimming pools	-	-	-	-

Source: Killeen Independent School District data warehouse department.

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
30	30	31	31	32	32
2,447,465	2,453,417	2,700,972	2,723,077	2,749,377	2,783,044
20,912	21,134	25,022	22,317	23,543	23,568
20,635	21,753	22,450	22,680	23,391	23,814
11	11	12	11	11	11
1,286,013	1,293,693	1,417,629	1,312,257	1,320,705	1,323,777
8,586	8,950	9,079	9,300	9,300	9,300
7,558	7,746	7,974	8,019	8,525	8,445
4	4	4	4	4	4
1,303,653	1,315,901	1,314,597	1,324,632	1,325,400	1,358,040
7,356	7,356	8,898	8,476	8,476	8,476
8,225	8,785	9,127	9,063	9,386	9,091
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2	2	2	2	3	4
95,569	95,569	148,696	154,072	185,159	332,509
477	477	413	672	658	617
6	6	6	6	7	8
242,795	242,795	242,795	256,706	296,706	309,476
1	1	1	1	1	1
236	235	261	269	269	266
1	1	1	1	1	1
31,608	31,608	31,608	31,608	31,608	31,608
1	1	1	1	1	1
40	40	40	40	40	46
4	4	4	4	4	4
8	8	8	8	8	8
-	-	-	-	-	-

