

Comprehensive Annual Financial Report

For the Fiscal Year Ended August 31, 2017



Katy Independent School District
6301 South Stadium Lane
P.O. Box 159
Katy, Texas 77492-0159

**KATY INDEPENDENT
SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED AUGUST 31, 2017

**PREPARED BY
THE FINANCE DEPARTMENT**

**Christopher J. Smith
Chief Financial Officer**

**Anne M. Faichtinger
Business Manager**

**Elizabeth A. Haven
Accounting Supervisor**

**6301 S. Stadium Lane
P.O. Box 159
Katy, Texas 77492-0159**

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INTRODUCTORY SECTION

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Financial Services

January 22, 2018

The Board of Trustees and Citizens
Katy Independent School District
6301 South Stadium Lane
P.O. Box 159
Katy, Texas 77492-0159

Dear Board Members and Citizens:

The Comprehensive Annual Financial Report (CAFR) of the Katy Independent School District (the District) for the fiscal year ended August 31, 2017 is presented herein. The CAFR is management's report of the financial operations of the District for the Board of Education (the Board), patrons, taxpayers, employees, grantor agencies, the Texas Education Agency (TEA), and other interested parties. The Government-wide Financial Statements in this report provide an overview of the District's governmental activities, while detailed Fund Financial Statements describe specific activities of each fund group used in accounting for the District's financial transactions. This report has been prepared by the District's Finance Department in accordance with the accounting principles and reporting standards promulgated by the Governmental Accounting Standards Board (GASB) and the official rules published by the Texas Education Agency.

The CAFR is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, a list of principal officials and advisors, and an organizational chart. The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis (MD&A), basic financial statements, required supplementary information, and other supplementary information. The Statistical Section is designed to reflect social and economic data, financial and fiscal trends, and demographic information.

District management assumes full responsibility for the completeness, fairness, and accuracy of the information contained in this report. We believe that the data presented is accurate in all material respects and is presented in a manner to fairly display the financial position of the District as measured by the financial activity of its various funds. We also believe that all necessary disclosures are included to enable the reader to gain full understanding of the District's financial activities.

The Texas Education Code Section 44.008 requires an annual audit of the accounts, financial records, and transactions of the District by independent certified public accountants selected by the Board. This requirement has been complied with, and the Independent Auditors' Report has been included in this report.

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the District's separately issued Single Audit Report.

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

PROFILE OF THE DISTRICT

The Katy Independent School District was established in 1919 and is governed by an elected Board of seven trustees. The District is a recognized political subdivision of the State of Texas and has the responsibility for and control over all activities related to public education within its 181 square mile boundary. Located approximately 16 miles west of downtown Houston, the District has a population of approximately 340,574 and extends beyond the City of Katy into Harris, Fort Bend, and Waller counties. The District and the City of Katy are governed independently, with each having individual taxing authority. The District is an independent entity and has no component units. Katy ISD has an enrollment of more than 75,428 students and is comprised of 63 campuses including 39 elementary schools, 14 junior high schools, 7 comprehensive high schools, a high school of choice, an alternative learning center, and a career and technology center. The ages and capacities of these facilities range from 0 to 70 years with an average age of 20.3 years and can be found in Exhibit XVII of the Statistical Section.

Katy ISD provides a learning environment that ensures quality education. Its balanced, dynamic curriculum and cooperative partnership with parents and community prepare students for the changes and challenges of the future and empowers them to pursue productive and fulfilling lives. The District is a partnership of teachers, parents, and the community. Because of this working alliance, each year Katy ISD students, staff, schools, and volunteers win numerous state and national awards.

Attesting to the solid relationship between the District and the community, Katy ISD offers an award winning Partners in Education program, providing a number of initiatives encouraging our campuses and community to forge long-term relationships beneficial to all involved. In 2016-2017, this volunteer force contributed more than one million documented volunteer hours district-wide.

Katy ISD teachers have online access to a rigorous and relevant curriculum that is aligned to state standards. They collaboratively design instruction promoting meaningful learning experiences; encourage connections between and among the disciplines; and promote academic, emotional, physical, social and positive behavioral skills. Relevant learning tasks are developed to assess student learning through a variety of ways including formative, summative, authentic, formal, informal, and project-based. Students are encouraged to be actively involved in using evaluation criteria to self-monitor, self-reflect, and self-evaluate. Individual student data is used to inform and guide instruction. Student achievement on statewide tests consistently surpasses statewide achievement levels. Scores for the PSAT, SAT, and ACT rank above both state and national averages. Katy ISD students consistently win individual and team competitions in academics, athletics, and fine arts. Katy ISD was recently ranked as the best school district in the Greater Houston Area by Niche, a review site providing rankings and insight into more than 120,000 K-12 schools. Niche looked at data on academics, health and safety, and school resources to determine the best school districts in the region. Katy ISD received high marks across the board, and was additionally ranked fourteenth among school districts state-wide.

The District is a leader among Texas public school districts in the integration of technology and education and maintains more than 35,000 centrally managed computers. Katy's mobile device management system, Jamf, is in place to handle the setup and deployment of applications for the 30,000 iPad tablet devices utilized by the district. The District also uses more than 4,000 interactive white boards and, new to Katy ISD this year, was the addition of 7,000 Chromebooks.

Information on the district website provides parents and community members with resources used in instruction. The District's website, learning management system, and Katy on the Go app offer pertinent communication to assist with the parent-teacher-student connection and with on-going communication.

A strong infrastructure allows the district to support a wide variety of technologies. A few of the technologies that set the District apart is our IP based phone system and access points in each classroom. With the addition of public-filtered Wi-Fi, the District continues to support well over 50,000 devices on this external Wi-Fi each day. The safety of our campuses also relies on the strong technology infrastructure, and to that end, installation of door-access controls and video cameras throughout each campus supports this robust security.

Microsoft Office 365 continues to allow our staff and students the anytime, anywhere access to online applications such as Excel, Word, PowerPoint, OneNote, and many other creation tools. Katy ISD staff and students can also download these applications to use on their personal computers and smart devices as well as take advantage of unlimited file storage. Ensuring our students can access resources easily at home and school is a key to success; therefore, the single sign-on platform, MyKaty Cloud, offers the resources pertinent to the role of the student or staff that is logging in. Katy ISD continues to utilize the learning management system, Canvas. Canvas offers students interactivity, access to content, calendars, and assignments inside and outside the classroom.

The implementation of data-warehouses that aggregate large amounts of data into a rich display of easy to read visualizations has been a big win for our stakeholders. The development of numerous dashboards has aided decision-making for campuses and departments and is also used to display information to the public on the districts website.

Katy ISD is comprised of dedicated and aspiring professionals with a common goal “to do whatever it takes” for student success. The emphasis is on meeting the needs of students through engaging instruction, a supportive classroom environment, and a wide variety of extracurricular activities.

ECONOMIC CONDITION AND OUTLOOK

Local Economy

The area’s economy is diverse with concentrations in healthcare, real estate, oil and gas, commercial building, retail trade, and service producing industries. Many employers recruit their professional workers from the west Houston area; therefore, local educational institutions are a key component to producing employees with high educational backgrounds. The greatest strength of the area’s economy is its human capital. Maintaining the competitive advantage of having well-educated and highly compensated workers requires a number of educational initiatives, including the public support of local schools as they enroll larger and more diverse student bodies and the access to higher education for residents by public schools and businesses working with local universities.

When one factors in the reputation of Katy ISD’s educational programs as reflected by its academic achievements, the school district is expected to continue its strong growth and development. Amenities such as the school system, proximity to employment and activity centers, and an effective transportation system combine to attract new residents. Several large projects continue to draw people to the District including several master planned residential developments, healthcare facilities for Texas Medical Center staples like Texas Children’s, Methodist, MD Anderson and Memorial Hermann Hospitals, as well as numerous commercial projects including hotels, restaurants, entertainment venues, and shopping centers. In addition, residents have more mobility options with access to I-10 and the Grand Parkway, which now stretches across the northwest part of the district from I-10 to I-59.

Growth and Long Range Planning

According to American Schools and Universities Magazine, Katy ISD is the 49th largest school district in the nation and is one of the fastest growing school districts. With 2016-17 enrollments of 75,428 the District’s growth is showing no signs of stopping. The District’s latest demographic report predicts that with the most likely growth projections, over 98,000 students will attend Katy ISD schools by the year 2026. There are many reasons for the District’s growth but a community survey revealed that the primary reason new residents move to the Katy area is because of its schools.

In the fall of 2017, Katy ISD opened one elementary, one junior high, and one high school. In November of 2017, a \$609.2 million bond referendum was passed by voters to address anticipated growth. This bond provides funding for additional facilities including another high school, two junior highs and four elementary schools, as well as work at existing facilities including renovations and component replacements, technology, school buses, safety and security projects, and property acquisition.

The population of the District continues to grow and all indicators point to continued growth over the next decade. This growth makes it imperative for the District to continue to plan wisely for the future. A need for additional facilities continues to be a financial focal point of the District. The District maintains its Long Range Facilities Plan that projects and prioritizes facility needs over the next five - ten years. This plan, which includes both new and existing facilities serves as a tool to assist bond planning committees. The plan was updated for the recent 2017 bond referendum. With the schedule for opening new facilities and renovations, projected enrollments, and projected funding levels based on current law, the District continuously develops and monitors budget priorities and short and long range plans.

The District is an active member of a coalition of fast-growing school districts that work with legislators to address problems, needs, and challenges specific to districts in a fast-growth environment. Facility funding, operating costs associated with additional facilities, tax rate limitations, and other problem areas experienced by growing districts are the focus of the coalition.

FINANCIAL INFORMATION

Accounting Systems

The Board of Trustees maintains a system of accounting controls designed to assist the administration in meeting its responsibility for accurately reporting the financial condition of the District. The system is designed to provide reasonable assurance that assets are safeguarded against loss, theft, or misuse so activities can be recorded and transacted by the administration for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than an absolute, assurance that the financial statements will be free from material misstatement.

The cost of operating the District's schools and the revenues to cover these costs are accounted for through the General Fund. Food service operations and special programs funded by local, state and federal government grants designed to accomplish a particular objective are accounted for in the Special Revenue Fund.

The District accounts for school construction financed by bond sales through a Capital Projects Fund. A specific portion of the tax rate is dedicated to payment of bond principal and interest. These transactions are recorded in the Debt Service Fund.

The District has established Internal Service Funds to account for the transactions of its print shop operations, self-insured workers' compensation, and health insurance plans. Income for these funds is derived primarily from charges to governmental funds based on usage.

Agency Funds are included in the CAFR in financial schedules of student activity funds. Accounting for these funds is managed centrally by the Financial Services Department, using the same uniform accounting procedures and guidelines as the General Fund.

The District's accounting records are maintained on a modified accrual basis for governmental fund types and a full accrual basis for the proprietary fund types as prescribed by Texas Education Agency Financial Accountability System Resource Guide (Resource Guide). Additionally, the District has prepared the Government-wide Financial Statements on the full accrual basis as required by Governmental Accounting Standards Board Statement No. 34.

Financial data is submitted by the District to the Texas Education Agency through the Public Education Information Management System (PEIMS). The data is then analyzed, reviewed and presented to the State Board of Education.

Budgetary Process

State law requires that every local education agency in Texas prepare and file an annual budget of anticipated revenues and expenditures with the Texas Education Agency. The budget itself is prepared utilizing a detailed line item approach for governmental fund types and is prepared in accordance with the budgeting requirements as outlined in the State Resource Guide. It is the intent of the District that the budgetary process results in the most effective mix of the educational and financial resources available while attaining the goals and objectives of the District. This includes the identification and prioritization of as many separate educational and education support components as reasonably possible. These components are initially identified and prioritized by the organizational manager most directly responsible and are later reviewed by principals, department heads, central administrators, and finally the Board of Trustees.

This priority budgeting approach allows the District to establish layers of expenditures that can be matched to the anticipated revenues and desired levels of fund balances. The ultimate decision of the level of funding and components to be funded is the responsibility of the Board.

The budget may be amended during the year to address unanticipated or changing needs of the District. Changes to functional expenditure categories, revenue objects, or other sources and uses accounts require Board approval.

Significant Financial Activities

Unfortunately, in 2017, the 85th Texas Legislature appropriated only a modest increase to public education of \$4.2 billion. This increase was made up of \$2.7 billion for enrollment growth and \$1.5 billion to fund an increase in the Austin Yield. The primary driver in the State's funding formula, the Basic Allotment, did not change. Although some funding was eliminated or reduced for various other programs and grants, others were increased, reinstated or added.

With this said, the session saw lawmakers balk at the negotiations on school finance reform. More than 600 Texas school districts sued the state over its funding scheme after the Legislature cut \$5.4 billion from the public education budget in 2011. An Austin-based judge did determine the Texas' school funding system to be inadequate. May 2016 brought an abrupt end to a years-long legal fight from school districts anxious for more state money to educate children, when the Texas Supreme Court issued a ruling to uphold the state's public school funding system, despite its imperfections, as constitutional. Although the court gave legislators no mandate to change the system, it did urge state lawmakers to implement "transformational, top-to-bottom reforms that amount to more than Band-Aid on top of Band-Aid."

The District's total tax base grew over \$3.4 billion in 2016-17, an increase of 10.5%. Residential properties, including multi-family residences, comprised 68.2% of the total tax base, commercial property 26.4%, vacant land 4.5%, and minerals less than 1%. Due to the District's boundaries falling within three counties, property located in Katy ISD is appraised by three County Appraisal Districts (CAD's).

The District has an inter-local agreement with the City of Katy to participate in a Tax Increment Reinvestment Zone (TIRZ). Maintenance and Operation (M&O) taxes collected on real property located within the reinvestment zone are contributed to the TIRZ and used to service bonded debt on a multipurpose facility located within the zone. Tax contributions exceeding the annual debt requirements and related expenses are returned to the District to be used within the TIRZ at the discretion of the District.

Technology is a high priority with expenditures focused on equipping new schools, the replacement of equipment in existing schools, and providing new and updated software. The technology strategic plan and long-range facility plan continue to be reviewed and modified as necessary to ensure continued support and integration of technology both at the campus and support facilities.

State legislation passed in 2005 reduced the District's M&O tax rate from \$1.63 to \$1.445 in 2006-07 and to \$1.0866 in 2007-08. School Boards are given local discretion to increase the M&O tax rates by four cents without holding an election. The District's 2016-17 M&O tax rate maintains the additional four cent increase originally adopted in 2006-07. With the increase in property values and strategic debt management, the District was able to decrease the District's debt tax rate from \$.40 to \$.39 in 2015-16 and maintained the lower rate in 2016-17.

The tax rates per \$100 of assessed value at 100% of market value from 2009-10 are as follows:

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
General Fund	\$ 1.1266	\$ 1.1266	\$ 1.1266	\$ 1.1266	\$ 1.1266	\$ 1.1266	\$ 1.1266	\$ 1.1266
Debt Service Fund	0.3900	0.3900	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
Total	<u>\$ 1.5166</u>	<u>\$ 1.5166</u>	<u>\$ 1.5266</u>	<u>\$ 1.5266</u>	<u>\$ 1.5266</u>	<u>\$ 1.5266</u>	<u>\$ 1.5266</u>	<u>\$ 1.5266</u>

AWARDS AND ACKNOWLEDGEMENTS

Financial Reporting Awards

For the fifteenth consecutive year, the District scored the highest possible rating of "Superior Achievement" for the Schools FIRST (Financial Integrity Rating System of Texas), a financial accountability system for Texas School Districts developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999. The primary goal of Schools FIRST is to ensure quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with the Texas school finance system.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended August 31, 2016 the thirty-fourth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. The report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the requirements of the Certificate of Achievement program and are submitting it to the GFOA to determine its eligibility for certification.

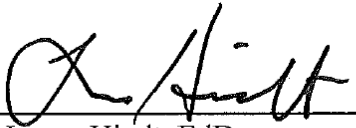
Additionally, the District was awarded the Certificate of Excellence in Financial Reporting by the Association of School Business Officials International (ASBO) for its Comprehensive Annual Financial Report for the year ended August 31, 2016. This award has also been received for thirty-four consecutive years. We believe the Comprehensive Annual Financial Report for the year ended August 31, 2017 continues to conform to the standards for which this award was granted.

Acknowledgements

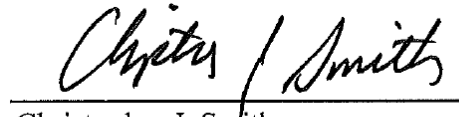
We appreciate the support of the Board, the residents of the District, and the business community, all of whom work cooperatively to ensure the best education for its students and the prudent development of the District. This cooperation is indicative of the strong support for the attainment of excellence in the District's education programs.

Also, we would like to express an appreciation to all employees in the District for their interest and support in planning and conducting the financial affairs of the District in a responsible and progressive manner.

Finally, a special thanks to the Finance Department for its diligence and dedicated service in helping prepare this report on a timely basis.



Lance Hindt, EdD
Superintendent



Christopher J. Smith
Chief Financial Officer



Anne M. Faichtinger
Business Manager



Elizabeth A. Haven
Accounting Supervisor

KATY INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN
FINANCIAL REPORTING

The Government Finance Officers Associate of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Katy Independent School District, Texas for its Comprehensive Annual Financial Report for the fiscal year ended August 31, 2016.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

Receiving the award is recognition that a school system has met the highest standards of excellence in government accounting and financial reporting.



Government Finance Officers Association

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

Presented to

**Katy Independent School District
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2016

Christopher P. Morill

Executive Director/CEO

KATY INDEPENDENT SCHOOL DISTRICT

**CERTIFICATE OF EXCELLENCE IN
FINANCIAL REPORTING**

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to Katy Independent School District for its Comprehensive Annual Financial Report for the fiscal year ended August 31, 2016.

The Certificate of Excellence in Financial Reporting is an award of recognition granted by ASBO. The award certifies that the recipient school system has presented its Comprehensive Annual Financial Report to the ASBO Panel of Review for critical review and evaluation and that the report was judged to have complied with the principles and practices of financial reporting recognized by ASBO.

Receiving the award is recognition that a school system has met the highest standards of excellence in school financial reporting.



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Katy Independent School District

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

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



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

John D. Musso, CAE
Executive Director

Certificate of Board

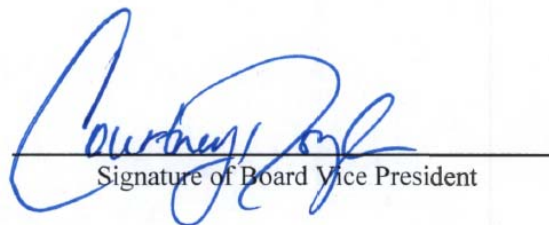
Katy Independent School District
Name of School District

Harris
County

101-914
County District
No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended August 31, 2017 at a meeting of the Board of Trustees of such school district on the 22 day of January 2018.


Signature of Board President


Signature of Board Vice President

KATY INDEPENDENT SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2017

PRINCIPAL OFFICIALS AND ADVISORS

Board of Trustees

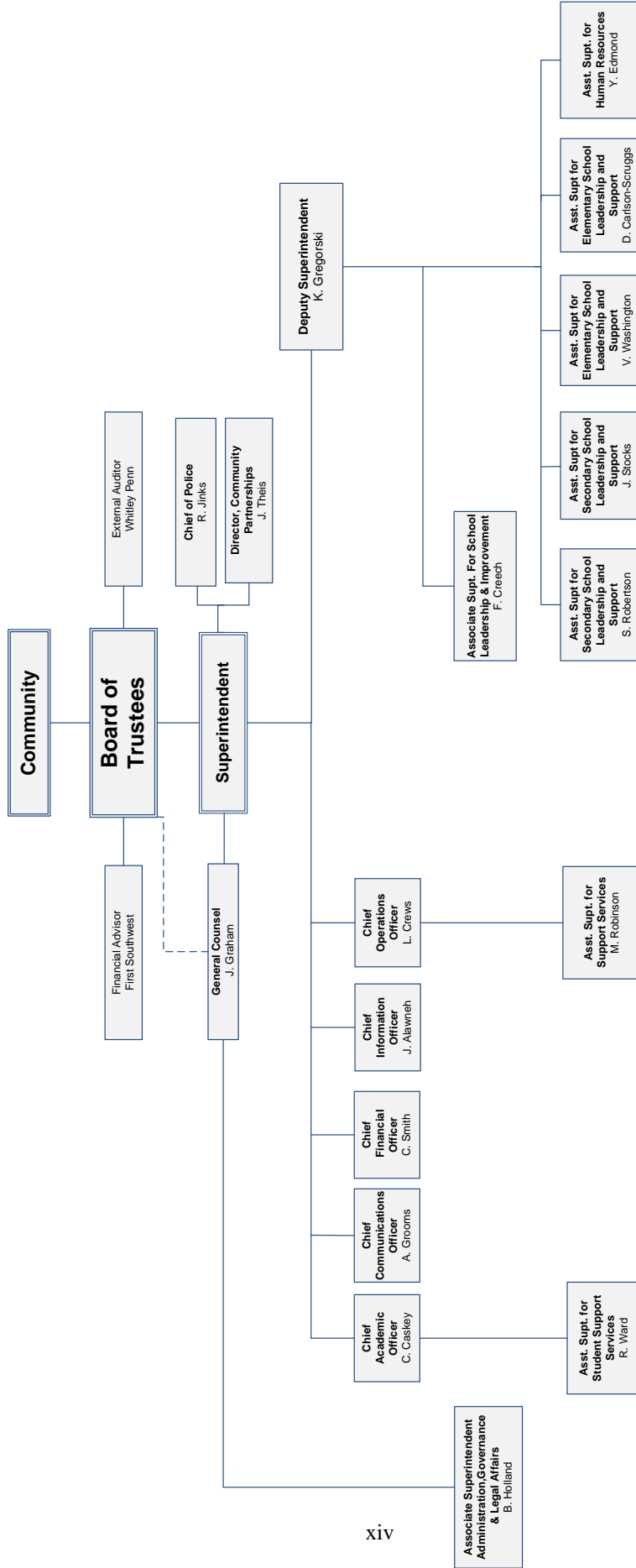
Ashley Vann	President
Volunteer	
Courtney Doyle.....	Vice President
Realtor	
Charles Griffin	Secretary
Commercial Pilot	
Bryan Michalsky.....	Member
Business Executive	
Bill Lacy	Member
Senior Loan Officer	
George Scott	Member
Self-Employed/Semi-Retired	
Rebecca Fox.....	Member
Volunteer	

Administrative Staff

Lance Hindt, EdD	Superintendent
Ken Gregorski.....	Deputy Superintendent
Christopher J. Smith	Chief Financial Officer
Lee Crews	Chief Operations Officer
Christine Caskey, EdD.....	Chief Academic Officer
John Alawneh, PhD	Chief Information Officer
Andrea Grooms, PhD.....	Chief Officer for Communications, Government Relations & Administrative Support
Justin Graham	General Counsel

Accountants and Advisors

Whitley Penn, L.L.P.	Auditors
Houston, Texas	
Andrews Kurth, L.L.P.....	Bond Counsel
Houston, Texas	
FirstSouthwest, a Division of Hilltop Securities Inc.....	Financial Advisors
Houston, Texas	



FINANCIAL SECTION

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INDEPENDENT AUDITORS REPORT

To the Board of Trustees
Katy Independent School District
Katy, Texas

Report on the Financial Statements

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

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 16 and budgetary comparison information and pension information on pages 82 through 88 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, such as the combining and individual fund statements and schedules, other supplementary information and other information, such as the introductory and statistical section, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

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

To the Board of Trustees
Katy Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2018, 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, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
January 22, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Katy Independent School District's (the District) financial performance provides an overview of the District's financial activities for the twelve months ended August 31, 2017. It should be read in conjunction with the information in the letter of transmittal and the District's financial statements.

FINANCIAL HIGHLIGHTS

As stated in the Government-wide Financial Statements, the assets and deferred outflows of resources of the District exceeded the liabilities and deferred inflows of resources at August 31, 2017 by \$271.2 million. Of this amount, \$122.6 million is unrestricted. The \$271.2 million of the District's total net position represents an increase of \$6.2 million. Total revenues increased \$16.7 million to \$873.3 million in fiscal year 2017.

The District's Governmental Fund Financial Statements reported a combined ending fund balance in fiscal year 2017 of \$429.9 million. The total fund balance for the General Fund was \$202.8 million or 31.6% of the total General Fund expenditures of \$642.2 million. The Debt Service Fund ended its year with a fund balance of \$54.3 million which is to be used for the retirement of debt. The Capital Projects Fund ended the year with a fund balance of \$154.7 million which is restricted for school district construction projects. The Special Revenue Fund had a balance totaling \$18.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's Basic Financial Statements. The District's basic financial statements are comprised of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves, including schedules required by the Texas Education Agency (TEA).

Government-wide Financial Statements

All the District's services are reported in the Government-wide Financial Statements, including instruction, student transportation, general administration, school leadership, facilities acquisition and construction, and child nutrition services. Property taxes, state aid, federal aid, and investment earnings finance most of the activities. Additionally, all capital and debt financing activities are reported here.

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

Statement of Net Position presents information on all of the District's assets, liabilities and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event causing the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and unused leave retirement bonuses).

The Government-wide Financial Statements distinguish functions of the District that are principally supported by taxes and revenues from other functions intended to recover all or a significant portion of their costs through user fees and charges.

Government-wide Financial Statements can be found on pages 18-21.

Fund Financial Statements

The District uses fund accounting to track specific sources of funding and spending for particular purposes. A fund is an accounting device used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the District's funds can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds. The Fund Financial Statements provide more detailed information about the District's most significant funds, not the District as a whole.

Governmental Funds are used to account for essentially the same functions reported as government activities in the Government-wide Financial Statements. Most of the District's activities 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 that are available for spending at year-end. Consequently, the Governmental Fund Statements provide a detailed short-term view that helps determine whether more or fewer financial resources 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, additional information is provided in Figure A-1 to explain the relationship between them.

The District maintains four governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, and Capital Projects Fund which are considered to be major funds. Data from the special revenue fund programs are combined in a single, aggregated presentation and is a non-major fund. Individual program data for each of these is provided in the form of combining schedules elsewhere in the financial statements.

The District adopted an annual appropriated budget for the General Fund, Debt Service Fund and Food Service Fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

The basic Governmental Fund Financial Statements can be found on pages 22-29 of this report.

Proprietary Funds are used to account for operations that are financed similar to those found in the private sector. These funds provide both short-term and long-term financial information. There are two types of proprietary funds.

The first type is the Enterprise Fund, which is used to report the same functions presented as business type activities in the Government-wide Financial Statements. In the Enterprise Fund, the District charges outside customers a fee for services the District provides. The District has no business-type activities or enterprise funds.

The second type is the Internal Service Fund, which is used to accumulate and allocate costs internally among the various functions. Internal Service Funds are used to support governmental activities such as the District's Workers' Compensation, Health Insurance, and Print Shop funds. These three funds are combined into a single aggregated presentation in the Proprietary Fund Financial Statements found on pages 30-32 of this report.

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and other funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities and Statement of Changes in Fiduciary Assets and Liabilities. The Fiduciary Funds are excluded from the activities in the District's Government-wide Financial Statements because the District cannot use these assets to finance its operations.

The basic Fiduciary Fund Financial Statements can be found on page 33 of this report.

Notes to the Financial Statements

The notes provide additional information essential to a complete understanding of the data provided in the Government-wide and Fund Financial Statements. The notes can be found on pages 34-79 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual expenditures for the fiscal year. This is required supplementary information for the General Fund and any major special revenue funds. The General Fund is the only fund presented as required supplementary information. Additional information related to the District's implementation of GASB Statement No. 68 is also presented in this section. Required Supplementary Information can be found on pages 82-88 of this report.

Other Supplementary Information

Other Supplementary Information provides additional analysis and is not a required part of the basic financial statements. Other supplementary information includes comparative information on selected funds and additional detail of the General Fund's revenues and expenditures. It also contains the combining statements referred to earlier in connection with the special revenue fund and certain compliance schedules required by state regulatory agencies. The Other Supplementary Information can be found on pages 92-132 of this report.

The remainder of this overview section of the Management's Discussion and Analysis explains the structure and contents of each of the statements. Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District covered and the types of information contained.

Figure A-1. Major Features of the District’s Government-wide and Fund Financial Statement

Type of Statements	Government-wide	Funds Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private business	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary assets and liabilities
	Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net position	Statement of changes in fiduciary assets and liabilities
			Statement of cash flows	
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 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
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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position can serve as a useful indicator of the District’s financial condition. The District’s net position at August 31, 2017 totaled \$271.2 million, an increase of \$6.2 million.

At the end of the current fiscal year, 45.2% of the District’s net position is unrestricted and are resources available to fund the District’s programs in the following year.

An additional \$82.9 million, or 30.6% of the District’s net position, reflect its investment in capital assets (e.g. land, building and improvements, and furniture and equipment) less any related debt used to acquire those assets still outstanding. These assets are not available for future spending. The remaining balance of net position represents resources subject to external restrictions on how they may be used. The District’s net position increased \$6.2 million during the current fiscal year. The changes in net position are illustrated in Table I.

Net Position Summary			
Table I			
	Governmental Activities		
	2017	2016	Change
Current and Other Assets	\$ 574,439,323	\$ 537,996,249	\$ 36,443,074
Capital Assets	1,718,977,926	1,501,293,141	217,684,785
Total Assets	2,293,417,249	2,039,289,390	254,127,859
Total Deferred Outflows of Resources	131,665,115	129,310,998	2,354,117
Long-Term Liabilities	2,012,938,134	1,801,231,156	211,706,978
Other Liabilities	116,452,398	91,938,666	24,513,732
Total Liabilities	2,129,390,532	1,893,169,822	236,220,710
Total Deferred Inflows of Resources	24,540,915	10,511,304	14,029,611
Net Position:			
Net Investment in Capital Assets	82,852,902	78,027,768	4,825,134
Restricted	65,667,551	62,162,827	3,504,724
Unrestricted	122,630,464	124,728,667	(2,098,203)
Total Net Position	\$ 271,150,917	\$ 264,919,262	\$ 6,231,655

Governmental Activities

The net position of the District's Governmental Activities increased by \$6.2 million. The total cost of all Governmental Activities for the fiscal year ended August 31, 2017 was \$867.1 million. Funding for these Governmental Activities is by specific program revenue or through general revenues such as property taxes and investment earnings. The following is a summary of the governmental activities:

- The total revenues of all governmental activities were \$873.3 million. The amount paid by the District's taxpayers for these activities through property taxes was \$539.1 million or 61.7%.
- The District's tax rate of \$1.5166 per \$100 of assessed value maintains the same tax rate as the previous fiscal year. With a 10.5% increase in total assessed valuation, the tax rate generated an overall increase in the District's tax revenues of \$47.4 million in 2017.
- The cost of all governmental activities is \$867.1 million, an increase of \$57.7 million from fiscal year 2016. Expenses increased in most functions to support the increase of 1,851 students.
- The amount paid by those directly benefiting from programs was \$24.7 million which was \$1.4 million more than the prior year.
- The amount paid by grants and contributions was \$103.7 million which was 4.4% less than the \$108.5 million in 2016.
- The cost of governmental activities not directly funded by program revenue was \$738.6 million, which were \$6.2 million less than general revenues of \$744.8 million. Of the \$744.8 million in general revenues, 72.4% was funded by property taxes and 26.8% was from state aid not restricted to specific programs.

Changes in Net Position				
Table II				
	Governmental Activities			
	2017	2016	Change	Change %
Revenues:				
Program Revenues:				
Charges for Services	\$ 24,698,910	\$ 23,325,745	\$ 1,373,165	5.89%
Operating Grants and Contributions	103,725,938	108,517,945	(4,792,007)	(4.42)
General Revenues:				
Property Taxes	539,132,920	491,688,949	47,443,971	9.65
State Revenues	199,890,131	228,854,642	(28,964,511)	(12.66)
Other	5,844,396	4,240,817	1,603,579	37.81
Total Revenues	873,292,295	856,628,098	16,664,197	1.95
Expenses:				
Instruction	499,089,811	463,004,721	36,085,090	7.79
Instructional Resources and Media Services	12,273,284	11,092,997	1,180,287	10.64
Curriculum and Instructional Staff Development	12,472,927	12,571,661	(98,734)	(0.79)
Instructional Leadership	6,057,793	6,084,697	(26,904)	(0.44)
School Leadership	41,475,495	39,272,358	2,203,137	5.61
Guidance, Counseling and Evaluation Services	32,968,404	31,395,110	1,573,294	5.01
Health Services	8,143,076	7,098,188	1,044,888	14.72
Student Transportation	23,746,998	21,738,829	2,008,169	9.24
Food Services	36,363,758	33,037,502	3,326,256	10.07
Extracurricular Activities	21,460,317	16,523,156	4,937,161	29.88
General Administration	12,977,024	7,608,850	5,368,174	70.55
Facilities Maintenance and Operations	65,888,818	66,746,993	(858,175)	(1.29)
Security and Monitoring Services	8,022,653	7,944,254	78,399	0.99
Data Processing Services	14,199,302	15,527,959	(1,328,657)	(8.56)
Community Services	867,309	1,436,184	(568,875)	(39.61)
Interest and Issuance Costs on Long-Term Debt	64,227,782	62,022,560	2,205,222	3.56
Facilities Planning	836,105	859,056	(22,951)	(2.67)
Payments to Shared Services Arrangements	315,376	330,796	(15,420)	(4.66)
Payments to Juvenile Justice Alternative				
Education Programs (JJAEP)	35,755	37,893	(2,138)	(5.64)
Payments to Tax Increment Reinvestment Zone	1,787,431	1,500,033	287,398	19.16
Other Intergovernmental Charges	3,851,222	3,508,948	342,274	9.75
Total Expenses	867,060,640	809,342,745	57,717,895	7.13
Increase (Decrease) in Net Position	6,231,655	47,285,353	(41,053,698)	(86.82)
Beginning Net Position	264,919,262	217,633,909	47,285,353	21.73
Ending Net Position	\$ 271,150,917	\$ 264,919,262	\$ 6,231,655	2.35%

Figure A-2
Revenues by Source – Governmental Activities

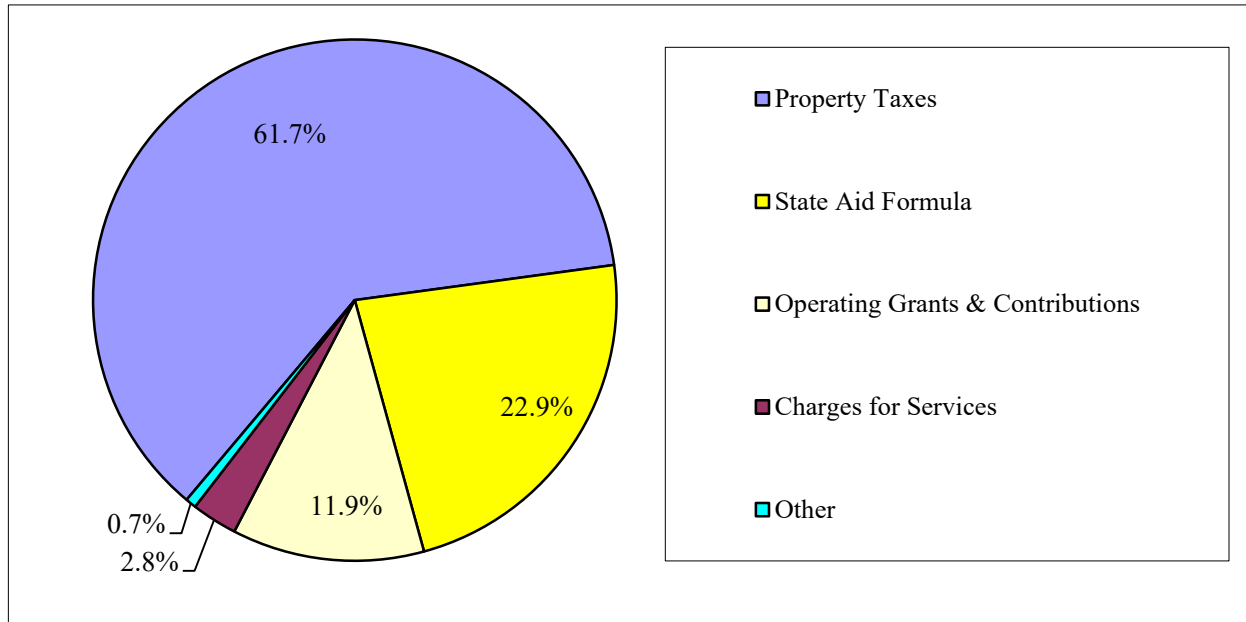
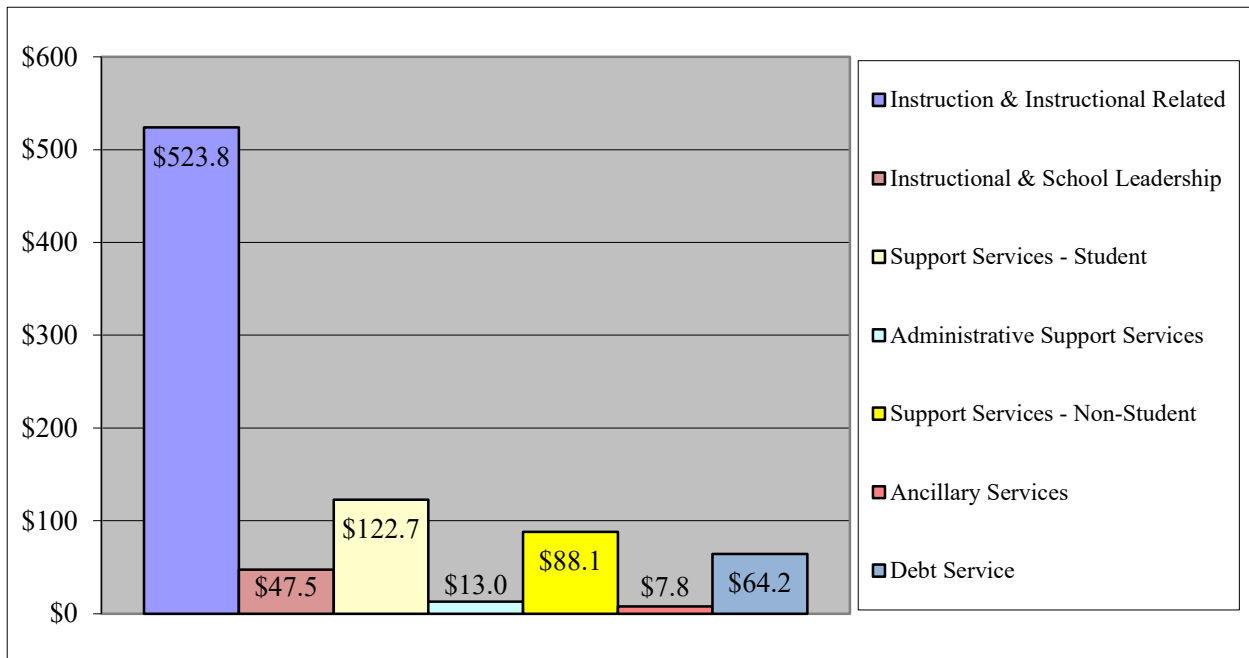


Figure A-3
Program Expenses by Major Function – Governmental Activities
In Millions



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The District's accounting records for general governmental operations are maintained on a modified accrual basis as prescribed by the Financial Accountability System Resource Guide, Texas Education Agency, with the revenues being recorded when available and measurable to finance expenditures of the fiscal period. Expenditures are recorded when services or goods are received and the fund liabilities are incurred. The general governmental operations include the following major funds: General, Debt Service, and Capital Projects.

Revenues from all Governmental Funds totaled \$866.8 million for the fiscal year ended August 31, 2017, an increase of 3.0% from the prior fiscal year. Local revenues, including property taxes, continued to be the largest source of revenue received by the District and increased \$49.2 million over fiscal year 2016, fueled by a 10.5% increase in property values. Despite the increase in enrollment in 2017, State revenues decreased \$21.8 million or 8.2% from fiscal year 2016 due to the State formulas reducing State allocations to the District in 2016-17 to recoup the even larger tax base increase in 2015-16. Federal revenues decreased \$1.9 million or 4.0%.

Expenditures for governmental operations totaled \$1.3 billion during fiscal year 2017, an increase of 21.6% from fiscal year 2016. This increase was the result of increased staffing and related costs due to the additional number of students, ongoing construction costs for four new campuses, current bond refundings, a one percent average raise and an additional one percent one-time lump sum payment for employees.

The Governmental Funds reported a combined fund balance of \$430.0 million, an increase of \$9.7 million from the combined fund balances for 2016. Changes to the combined fund balances include a \$5.2 million increase in the General Fund, an increase in the Debt Service Fund of \$2.3 million, an increase in the Capital Projects fund of \$0.5 million and an increase of \$1.8 million in the Special Revenue Fund. Out of the combined fund balances, \$150.6 million constitutes unassigned fund balances. Of the remainder of the fund balance, \$2.3 million is nonspendable, \$221.3 million is restricted for items such as debt service, food services, and capital projects, \$10.6 million is committed to self-funded insurance and campus activity funds, and \$45.3 million is assigned for the opening/construction of new schools, capital purchases, encumbered amounts, insurance, and maintaining the debt service tax rate.

The General Fund is the primary operating fund of the District. The most significant factor contributing to the increase of fund balance was the increase in local tax. At the end of the current fiscal year, the General Fund's fund balance was \$202.8 million. Unassigned fund balance represents 23.5% of the total General Fund expenditures, and total fund balance represents 31.6%.

The Debt Service Fund ended the year with a fund balance of \$54.3 million, all of which was restricted for the payment of debt service. The district makes semi-annual debt service payments in February and August of each year. Debt service payments including bond fees and current refunding bond expenditures for the year ended August 31, 2017 were \$329.9 million.

The Capital Projects Fund ended the year with a fund balance of \$154.7 million which is an increase of \$0.5 million over 2016. This increase in fund balance was due to additional bond sales during the year, reduced by the District's ongoing construction project costs.

The Special Revenue Fund ended the year with a fund balance of \$18.1 million which is an increase of \$1.8 million over 2016. This increase was attributable primarily to an increase in the Tax Increment Reinvestment Zone Program, slight increases to the Campus Activity Program, Food Service Program, and Medicaid Administrative Claiming Program, as well as an addition in the Instructional Materials Allotment Program.

Proprietary Funds

The District maintains three internal service funds. Information is presented separately in the Proprietary Funds Combining Statement of Net Position and in the Proprietary Funds Combining Statement of Revenues, Expenses, and Changes in Fund Net Position for the Health Insurance, Workers' Compensation, and Print Shop Funds. Net position in these funds as of August 31, 2017 was \$15.8 million. Of this amount, \$11.0 million was for Health Insurance, \$2.7 million was for Workers' Compensation and \$2.0 million was attributable to the Print Shop. Net position for the fiscal year increased \$1.0 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its budget several times. Revisions to the revenue budget were necessary due to changes in estimates for local and state revenue based on updated information relating to tax collections, earnings on investments, student attendance and rental income. Revisions to the expenditure budget were made to reflect actual expenditures associated with staffing, fluctuation in spending needs, and various other unforeseen occurrences.

The District's major budget amendments presented to the Board of Trustees throughout the year are summarized as follows:

- The total General Fund revenue budget was increased by \$16.0 million.
- The local revenue budget increased by \$6.1 million, primarily due to property tax adjustments realized throughout the year.
- The state revenue budget increased \$8.7 million due to increased enrollment and additional state funding realized as the result of property value audits/appeals submitted by the District.
- Federal revenue budgets increased \$1.2 million primarily due to increased School Health and Related Services Program revenues.
- The District increased the expenditure budget by \$20.4 million throughout the year. Significant increases included:
 - The payroll budget increased \$12.9 million primarily due to the District being approved by the State as a District of Innovation. This designation allowed the District freedom in several areas normally directed by the State, including moving up the start date of school for the upcoming 2017-2018 school year, which increased the salary accrual for the days worked in August 2017 by \$13.4 million. Salary budget also increased \$0.9 million for additional instructional positions needed for growth in student enrollment. These increases were offset by the net remaining \$1.4 million due to routine vacancies, turnover, and other miscellaneous adjustments realized throughout the year.
 - Contracted services budget increased \$4.8 million for utility costs higher than anticipated, relocation of portable buildings, and required special education services. The increase also included approximately \$1.0 million for estimated repair costs for Hurricane Harvey damages incurred in the final days of the District's fiscal year.
 - The capital outlay budget increased \$3.8 million for a chiller replacement, sound and video systems for the District's central athletic venues, and costs related to building improvements at several campuses and central facilities in the District.
 - Supplies and other operating budget categories netted to the remaining \$1.1 million reduction to the original budget.

After revenue and expenditure budgets were adjusted as described above, the District's actual General Fund amounts differed from the final budget as reported in the budgetary comparison on pages 82-83 of this report. This difference is primarily due to the following factors:

- Final revenues realized were under budgeted levels by \$1.7 million. Revenues from local sources were under the budgeted amount by \$0.91 million due to tax revenue collection volume decreasing at the end of the year while revenues from state sources were \$0.93 million less than budgeted due to reduced state pension on-behalf revenue recorded.
- Expenditures were \$9.6 million less than final budgeted amounts. Remaining unspent funds were payroll and related costs of \$4.3 million, supplies of \$3.0 million, contracted services of \$1.2 million, other operating costs of \$0.7 million, and capital outlay of \$0.4 million. Budget remaining was primarily attributable to personnel vacancies and turnover, and start of school expenditures not realized as goods and services were not received during the final days of fiscal year 2017 due to District closure for Hurricane Harvey.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District has invested \$1.7 billion, net of depreciation, in a broad range of capital assets, including land, equipment, buildings, and vehicles. This amount represents a net increase (including additions, deductions and depreciation) of \$217.7 million from the prior year.

Capital Assets (net of depreciation)				
Table III				
	Governmental Activities			
	2017	2016	Change	Percentage
Land	\$ 84,043,364	\$ 79,103,830	\$ 4,939,534	6.24%
Land Improvements	37,322,386	26,271,825	11,050,561	42.06
Buildings and Improvements	1,382,522,092	1,067,701,200	314,820,892	29.49
Furniture and Equipment	88,589,707	68,260,190	20,329,517	29.78
Vehicles	38,718,364	36,020,303	2,698,061	7.49
Construction in Progress	70,849,674	205,196,706	(134,347,032)	(65.47)
Assets Under Capital Lease	16,932,339	18,739,087	(1,806,748)	(9.64)
Total Capital Assets, Net of Depreciation	<u>\$ 1,718,977,926</u>	<u>\$ 1,501,293,141</u>	<u>\$ 217,684,785</u>	<u>14.50%</u>

The increase in capital assets net of depreciation was due mainly to an increase in building and improvements. An elementary, junior high and high school campus all opened in the 2017-2018 school year, along with numerous renovations and major capital replacements. These projects are all part of the District's building program, which is primarily funded by the 2014 bond authorization. More detailed information about the District's capital assets is presented in Note 8 to the financial statements.

Debt Administration

At the end of the fiscal year, the District had total debt outstanding of \$1.9 billion as illustrated in Table IV. This amount consists primarily of general obligation bonds backed by the full faith of the State of Texas's Permanent School Fund. The District's debt includes capital appreciation bonds which accrete interest until their maturity date. Accreted interest on these capital appreciation bonds totaled \$2.8 million at the end of the fiscal year. Included in the outstanding debt of the District for financial reporting purposes is the Capital Lease for the multi-purpose complex constructed for the District by the Katy Development Authority through a Tax Increment Reinvestment Zone (TIRZ). The \$11.4 million capital lease will be paid from property taxes collected through the TIRZ.

The District's bonds are rated AAA by Standard & Poor's (S&P) and Aaa by Moody's Investor Service (Moody's) based on the guarantee of the Permanent School Fund of the State of Texas. The District's underlying ratings are AA by Standard & Poor's and Aa1 by Moody's Investor Service.

More detailed information about the District's debt is presented in Notes 9 and 10 to the financial statements.

Outstanding Debt			
Table IV			
	Governmental Activities		
	2017	2016	Change
General Obligation Bonds	\$ 1,621,576,790	\$ 1,449,414,330	\$ 172,162,460
Accreted Interest on Capital			
Appreciation Bonds	2,835,055	5,602,776	(2,767,721)
Capital Leases	11,435,000	12,690,000	(1,255,000)
Compensated Absences	23,847,610	24,440,991	(593,381)
Imputed Borrowing	29,068,139	31,534,324	(2,466,185)
Premium on Bonds Issued	175,631,661	128,684,350	46,947,311
Total Outstanding Debt	\$ 1,864,394,255	\$ 1,652,366,771	\$ 212,027,484

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As part of the budget development process the District's management has taken into consideration all the factors that drive school district budgets: enrollments, property values, state funding, facility needs and the local economy.

The original 2017-2018 budget adopted included an anticipated 6.2% increase in the District's tax base for 2017-2018 and projected an increase to local revenues of approximately \$26.7 million. However, state funding was anticipated to decrease \$14.7 million despite a projected 2.0% increase in enrollment. This decrease is due to the state funding formulas reducing state allocations to the District in 2017-2018 to recoup the even larger tax base increase in 2016-2017 of 10.5%.

Although growth has slowed slightly, Katy ISD continues to be one of the fastest growing school districts in the Houston metropolitan area, growing at an average of 4.0% from 2008 to 2017 with the 2017-18 enrollment projected to be 77,233 students. The District has also experienced significant growth in property values over the past ten years with assessed values increasing at an average of 10.1% annually. Unemployment continues to remain low in all geographical areas of the District.

All of these factors were considered when adopting the 2017-2018 budgets. With a total tax rate of \$1.5166, the District estimates budgeted revenues of \$854.6 million and appropriations of \$846.5 million, of which \$674.8 million of revenues and \$663.9 million of expenditures are in the General Fund. There are no major initiatives or new programs included in the 2017-2018 budgets.

On August 25, 2017, just six days before the District's fiscal year end, Hurricane Harvey struck the Texas coast before stalling over the Houston area and producing significant flooding. The District did experience damage to some facilities which did not have a substantial negative effect on the operation of the District. However, damage to the Education Support Center/Leonard Merrell Center (ESC/LMC) and Creech Elementary School was more extensive due to flooding. The remediation and restoration of the ESC/LMC facility is anticipated to be substantially complete by early 2018, while Creech Elementary is not projected to reopen until the 2018-2019 school year.

The District intends to file insurance claims and seek federal assistance for any eligible damages.

The District has authorized the appraisal districts of the three counties in which it is located to reappraise damaged properties, but will not know the full extent of damages and the resulting affect to property values until sometime in 2018.

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. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Katy I.S.D., 6301 South Stadium Lane, P.O. Box 159, Katy, Texas 77492.

Basic Financial Statements



K^AY

KATY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

Exhibit A-1

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	\$ 538,538,966
1225	Property Taxes Receivable (net)	9,543,318
1240	Due from Other Governments	19,855,600
1290	Other Receivables (net)	4,125,918
1300	Inventories, at cost	1,759,456
1410	Prepaid Items	616,065
	Capital Assets not Being Depreciated:	
1510	Land	84,043,364
1580	Construction in Progress	70,849,674
	Capital Assets, net of Accumulated Depreciation:	
1510	Land Improvements, net of Accumulated Depreciation	37,322,386
1520	Buildings and Improvements, net of Accumulated Depreciation	1,382,522,092
1530	Furniture and Equipment, net of Accumulated Depreciation	88,589,707
1540	Vehicles, net of Accumulated Depreciation	38,718,364
1550	Assets Under Capital Lease, net of Accumulated Depreciation	16,932,339
1000	Total Assets	2,293,417,249
	DEFERRED OUTFLOWS OF RESOURCES	
1700	Deferred Outflows: Interest Rate Swap Refunding	29,068,139
1700	Deferred Outflows: Interest Rate Swap	415,826
1700	Deferred Outflows: Net Loss on Refunding	17,195,673
1700	Deferred Outflows: Related to TRS	84,985,477
1700	Total Deferred Outflows of Resources	131,665,115

KATY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

Exhibit A-1

Data Control Codes		Primary Government Governmental Activities
LIABILITIES		
2110	Accounts Payable	\$ 74,980,932
2140	Interest Payable	3,679,501
2150	Payroll Deductions and Withholdings	5,073,693
2160	Accrued Wages Payable	26,995,184
2180	Due to Other Governments	3,408,636
2200	Accrued Expenses	1,910,947
2300	Unearned Revenue	403,505
	Noncurrent Liabilities:	
2501	Compensated Absences Due within One Year	530,604
2501	Bonds and Debt Due within One Year	51,306,790
2501	Capital Lease Due within One Year	1,290,000
2501	Imputed Borrowing Due within One Year	2,466,195
2501	Accreted Interest on Capital Appreciation Bonds Due within One Year	2,835,055
2502	Bonds and Debt Due in More than One Year	1,745,901,661
2502	Capital Lease Due in More than One Year	10,145,000
2502	Compensated Absences Due in More than One Year	23,317,006
2502	Imputed Borrowing Due in More than One Year	26,601,944
2502	Interest Rate Swaps	415,826
2540	Net Pension Liability (District's Share)	148,128,053
2000	Total Liabilities	2,129,390,532
DEFERRED INFLOWS OF RESOURCES		
2600	Deferred Inflows: Related to TRS	24,540,915
2600	Total Deferred Inflows of Resources	24,540,915
NET POSITION		
3200	Net Investment in Capital Assets	82,852,902
	Restricted for:	
3820	Food Service	5,203,097
3850	Debt Service	53,113,798
3890	Tax Increment Reinvestment Zone	6,832,890
3890	Other Grant Programs	517,766
3900	Unrestricted	122,630,464
3000	Total Net Position	\$ 271,150,917

See Notes to Financial Statements

KATY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Functions/Programs	Program Revenues		
		Expenses	Charges for Services	Operating Grants and Contributions
	Governmental Activities:			
0011	Instruction	\$ 499,089,811	\$ 1,395,102	\$ 51,451,046
0012	Instructional Resources and Media Services	12,273,284		1,358,845
0013	Curriculum and Instructional Staff Development	12,472,927		3,993,465
0021	Instructional Leadership	6,057,793		856,005
0023	School Leadership	41,475,495		2,965,251
0031	Guidance, Counseling, and Evaluation Services	32,968,404		4,889,598
0033	Health Services	8,143,076		8,967,224
0034	Student Transportation	23,746,998	41,544	1,054,367
0035	Food Services	36,363,758	16,520,390	15,157,864
0036	Extracurricular Activities	21,460,317	2,150,542	3,080,576
0041	General Administration	12,977,024	444,616	847,881
0051	Facilities Maintenance and Operations	65,888,818	3,029,620	1,839,488
0052	Security and Monitoring Services	8,022,653	11,750	426,350
0053	Data Processing Services	14,199,302	957,879	557,840
0061	Community Services	867,309	147,467	456,836
0072	Interest and Issuance Costs on Long-Term Debt	64,227,782		5,328,309
0081	Facilities Planning	836,105		494,993
0093	Payments to Shared Services Arrangements	315,376		
0095	Payments to JJAEP	35,755		
0097	Payments to Tax Increment Reinvestment Zone	1,787,431		
0099	Payments to Appraisal Districts	3,851,222		
TG	Total Governmental Activities	<u>867,060,640</u>	<u>24,698,910</u>	<u>103,725,938</u>
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 867,060,640</u>	<u>\$ 24,698,910</u>	<u>\$ 103,725,938</u>

**Data
Control
Codes**

General Revenues:

MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants Unrestricted
IE	Investment Earnings
MI	Miscellaneous
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position - Ending

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position	
Governmental Activities	
\$	(446,243,663)
	(10,914,439)
	(8,479,462)
	(5,201,788)
	(38,510,244)
	(28,078,806)
	824,148
	(22,651,087)
	(4,685,504)
	(16,229,199)
	(11,684,527)
	(61,019,710)
	(7,584,553)
	(12,683,583)
	(263,006)
	(58,899,473)
	(341,112)
	(315,376)
	(35,755)
	(1,787,431)
	(3,851,222)
	<u>(738,635,792)</u>
	<u>(738,635,792)</u>

	400,420,348
	138,712,572
	199,890,131
	3,684,638
	2,159,758
	<u>744,867,447</u>
	6,231,655
	264,919,262
\$	<u>271,150,917</u>

KATY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		General	Debt Service Fund
ASSETS			
1110	Cash and Cash Equivalents	\$ 221,296,786	\$ 53,439,097
	Receivables:		
1225	Property Taxes Receivable (net)	7,091,973	2,451,345
1240	Due from Other Governments	11,659,603	53,147
1260	Due from Other Funds	22,359,661	943,372
1290	Other Receivables	471,148	40,330
1300	Inventories, at cost	1,332,832	
1410	Prepaid Items	616,065	
1000	Total Assets	\$ 264,828,068	\$ 56,927,291
LIABILITIES			
	Current Liabilities:		
2110	Accounts Payable	\$ 13,922,853	\$ 133,992
2150	Payroll Withholding Payable	5,073,693	
2160	Accrued Wages Payable	25,423,894	
2170	Due to Other Funds		
2180	Due to Other Governments	3,408,253	
2200	Accrued Expenditures	530,604	
2300	Unearned Revenues	106,864	
2000	Total Liabilities	48,466,161	133,992
DEFERRED INFLOWS OF RESOURCES			
2600	Unavailable Revenue - Property Taxes	7,091,973	2,451,345
2600	Unavailable Revenue - SHARS	6,444,797	
2600	Total Deferred Inflows or Resources	13,536,770	2,451,345
FUND BALANCES			
	Fund Balances:		
3410/30	Nonspendable	1,948,897	
3450-90	Restricted		54,341,954
3510-45	Committed	5,000,000	
3550-90	Assigned	45,262,824	
3600	Unassigned	150,613,416	
3000	Total Fund Balances	202,825,137	54,341,954
4000	Total Liabilities, Deferred Inflows, and Fund Balances	\$ 264,828,068	\$ 56,927,291

See Notes to Financial Statements.

Exhibit C-1

Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
\$ 232,329,414	\$ 14,530,770	\$ 521,596,067
		9,543,318
657,933	7,484,917	19,855,600
	6,307,405	29,610,438
	430,564	942,042
	331,544	1,664,376
		616,065
<u>\$ 232,987,347</u>	<u>\$ 29,085,200</u>	<u>\$ 583,827,906</u>
\$ 54,505,491	\$ 2,528,141	\$ 71,090,477
		5,073,693
	1,571,290	26,995,184
23,768,024	6,558,572	30,326,596
	383	3,408,636
		530,604
	296,641	403,505
<u>78,273,515</u>	<u>10,955,027</u>	<u>137,828,695</u>
		9,543,318
		6,444,797
		<u>15,988,115</u>
	331,544	2,280,441
154,713,832	12,222,209	221,277,995
	5,576,420	10,576,420
		45,262,824
		150,613,416
<u>154,713,832</u>	<u>18,130,173</u>	<u>430,011,096</u>
<u>\$ 232,987,347</u>	<u>\$ 29,085,200</u>	<u>\$ 583,827,906</u>

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**KATY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2017**

Exhibit C-2

Total Fund Balances - Governmental Funds (from Exhibit C-1)	\$ 430,011,096
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	1,718,343,693
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	6,444,797
Unavailable revenue on property taxes receivable and penalty and interest on delinquent taxes have been levied or assessed and are due this year but are not available soon enough to pay for current period's expenditures and added back to Fund Balances for Statement of Net Position.	9,543,318
Deferred loss on refundings are not reported in the fund financial statements.	17,195,673
Addition of Internal Service fund net position	15,770,844
Deferred inflows relating to TRS	(24,540,915)
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. Long-term liabilities at year end consist of:	
Bonds payable and premiums	(1,797,208,451)
Capital Lease	(11,435,000)
Compensated Absences - Long-term Portion	(23,317,006)
Accreted Interest on Capital Appreciation Bonds	(2,835,055)
Interest Payable	(3,679,501)
Net pension liability	(148,128,053)
Deferred outflows relating to TRS	<u>84,985,477</u>
Net Position of Governmental Activities	<u><u>\$ 271,150,917</u></u>

See Notes to Financial Statements.

KATY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2017

Data Control Codes		General	Debt Service Fund
	REVENUES		
5700	Local, Intermediate, and Out-of-State	\$ 410,062,112	\$ 139,223,439
5800	State Program Revenues	230,771,888	2,266,640
5900	Federal Program Revenues	11,981,176	
5020	Total Revenues	652,815,176	141,490,079
	EXPENDITURES		
	Current:		
0011	Instruction	413,802,881	
0012	Instructional Resources and Media Services	7,748,941	
0013	Curriculum and Instructional Staff Development	8,620,117	
0021	Instructional Leadership	5,318,176	
0023	School Leadership	36,668,986	
0031	Guidance, Counseling, and Evaluation Services	27,392,247	
0033	Health Services	6,357,557	
0034	Student Transportation	18,193,837	
0035	Food Services		
0036	Extracurricular Activities	12,483,596	
0041	General Administration	11,763,796	
0051	Facilities Maintenance and Operations	61,614,205	
0052	Security and Monitoring Services	7,758,996	
0053	Data Processing Services	12,045,134	
0061	Community Services	424,303	
	Debt Service:		
0071	Principal on Long-Term Debt		69,182,539
0072	Interest on Long-Term Debt		71,125,300
0073	Bond Issuance Costs and Fees		189,641,921
0081	Capital Outlay: Facilities Acquisition and Construction	4,420,611	
	Intergovernmental Charges:		
0093	Payments to Fiscal Agents SSA	315,376	
0095	Payments to JJAEP	35,755	
0097	Payments to Tax Increment Reinvestment Zone	3,407,903	
0099	Other Intergovernmental Charges	3,851,222	
6030	Total Expenditures	642,223,639	329,949,760
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	10,591,537	(188,459,681)
	OTHER FINANCING SOURCES/(USES)		
7901	Refunding Bonds Issued		163,825,000
7911	Capital-Related Debt Issued		
7912	Sale of Real and Personal Property	127,143	
7915	Transfers In	500,000	4,130,440
7916	Premium on Issuance of Bonds		22,754,609
8911	Transfers Out	(6,014,561)	
7080	Total Other Financing Sources/(Uses)	(5,387,418)	190,710,049
1200	Net Change in Fund Balances	5,204,119	2,250,368
0100	Fund Balance - September 1 (Beginning)	197,621,018	52,091,586
3000	Fund Balance - August 31 (Ending)	\$ 202,825,137	\$ 54,341,954

See Notes to Financial Statements.

Exhibit C-3

Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
\$ 1,115,879	\$ 26,472,846	\$ 576,874,276
	10,824,843	243,863,371
657,933	33,416,153	46,055,262
<u>1,773,812</u>	<u>70,713,842</u>	<u>866,792,909</u>
	25,821,638	439,624,519
	850,822	8,599,763
	3,517,391	12,137,508
	523,109	5,841,285
	559,662	37,228,648
	3,188,075	30,580,322
	272,681	6,630,238
	135,885	18,329,722
	29,818,640	29,818,640
	2,326,406	14,810,002
	3,677	11,767,473
	37,814	61,652,019
	47,518	7,806,514
	4,492	12,049,626
	441,179	865,482
		69,182,539
		71,125,300
1,954,945		191,596,866
293,280,979	947,496	298,649,086
		315,376
		35,755
		3,407,903
		3,851,222
<u>295,235,924</u>	<u>68,496,485</u>	<u>1,335,905,808</u>
<u>(293,462,112)</u>	<u>2,217,357</u>	<u>(469,112,899)</u>
		163,825,000
261,640,000		261,640,000
	34,485	161,628
		4,630,440
33,434,945		56,189,554
<u>(1,115,879)</u>	<u>(500,000)</u>	<u>(7,630,440)</u>
<u>293,959,066</u>	<u>(465,515)</u>	<u>478,816,182</u>
496,954	1,751,842	9,703,283
154,216,878	16,378,331	420,307,813
<u>\$ 154,713,832</u>	<u>\$ 18,130,173</u>	<u>\$ 430,011,096</u>

KATY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Exhibit C-4

Net Change in Fund Balances - Total Governmental Funds (from Exhibit C-3) \$ 9,703,283

Amounts reported for governmental activities in the Statement of Activities (Exhibit B-1) are different because:

Internal Service Funds are used by management to charge the cost of various insurance programs and printing operations to individual funds. The net activity of the Internal Service Funds is included in the Statement of Activities. 973,011

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. 299,269,468

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 position. (75,206,631)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 70,437,539

Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceed are treated as an increase in long-term liabilities. (425,465,000)

Purchase of short term securities for pay off of refunded debt. 188,158,812

Premium received from issuance of long-term debt. (56,189,555)

Interest accrual on capital appreciation bonds and interest accruals through year end on bonds are not recorded in the fund financial statements but are accrued in the government-wide statements. 2,447,258

Net loss on disposal of assets is not recorded in the fund financial statements but is included in the government-wide statements. (6,200,540)

Property tax revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the fund financial statements. 489,608

Amortization of deferred loss on refunding issues, and bond premiums are recorded in the Statement of Activities. 8,253,785

Revenues that are earned but do not provide current financial resources are recorded in the Statement of Activities but are not in the fund financial statements. 6,444,797

KATY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Exhibit C-4

Revenues received in the current year but earned in the prior year are recorded in the fund financial statements but were in the Statement of Activities in the prior year.	\$ (5,511,173)
Pension contributions made after the net pension liability date are reported as expenditures in the fund financial statements and are reported as deferred outflows in the government-wide statements and TRS contribution adjustments.	13,297,916
Pension expense for the pension plan measurement year is not recorded in the fund financial statements but are expensed in the government-wide statements.	(25,237,062)
Increase in long-term compensated absence liability is included in the government-wide statements.	<u>566,139</u>
Change in Net Position of Governmental Activities (see Exhibit B-1)	<u><u>\$ 6,231,655</u></u>

See Notes to Financial Statements.

KATY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
INTERNAL SERVICE FUNDS
AUGUST 31, 2017

Exhibit D-1

Data Control Codes		Governmental Activities
	ASSETS	
	Current Assets:	
1110	Cash and Cash Equivalents	\$ 16,942,899
1260	Due from Other Funds	716,161
1290	Other Receivables	3,183,876
1300	Inventories	95,080
	Total Current Assets	20,938,016
	Noncurrent Assets:	
	Capital Assets:	
1540	Furniture and Equipment	1,642,355
1573	Accumulated Depreciation	(1,008,122)
	Total Noncurrent	634,233
1000	Total Assets	21,572,249
	LIABILITIES	
	Current Liabilities:	
2110	Accounts Payable	3,890,455
2170	Due to Other Funds	3
2200	Accrued Expenses	1,910,947
2000	Total Liabilities	5,801,405
	NET POSITION	
3200	Investment in Capital Assets	634,233
3900	Unrestricted	15,136,611
3000	Total Net Position	\$ 15,770,844

See Notes to Financial Statements.

KATY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION
PROPRIETARY FUND TYPES
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Exhibit D-2

Data Control Codes		Governmental Activities
	OPERATING REVENUES	
5754	Charges for Services	\$ 58,643,226
5020	Total Operating Revenues	<u>58,643,226</u>
	OPERATING EXPENSES	
6200	Administrator Fees	5,171,886
6200	Claims Expense	51,010,533
6200	Repair and Maintenance Expense	33,899
6200	Equipment Rental	90,048
6200	Contracted Services	1,849,829
6300	Supplies	1,948,614
6400	Miscellaneous Operating Expenses	417,894
6400	Depreciation	228,464
6030	Total Operating Expenses	<u>60,751,167</u>
1300	Operating Income (Loss)	<u>(2,107,941)</u>
	NONOPERATING REVENUES	
5742	Investment Income	92,875
	Total Nonoperating Revenue	<u>92,875</u>
	Income (Loss) before Contributions and Transfers	(2,015,066)
7900	Transfers In	3,000,000
7900	Capital Contributions	1,757
8900	Net Loss on Sale of Capital Assets	(13,308)
8900	Transfers of Capital Assets to Government	<u>(372)</u>
1300	Change in Net Position	973,011
0100	Total Net Position - September 1 (Beginning)	14,797,833
3000	Total Net Position - August 31 (Ending)	<u><u>\$ 15,770,844</u></u>

See Notes to Financial Statements.

**KATY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017**

Exhibit D-3

	Governmental Activities
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Receipts from Internal Services Provided	\$ 56,193,406
Cash Payments to Suppliers	(2,378,158)
Cash Payments to Pay Claims	(50,828,791)
Cash Payments to Contract Administrators	(7,345,218)
Net Cash (Used) by Operating Activities	<u>(4,358,761)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(44,896)
Net Cash (Used) by Capital and Related Financing Activities	<u>(44,896)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from Other Funds	3,000,000
Net Cash Provided by Noncapital Financing Activities	<u>3,000,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	92,875
Net Cash Provided by Investing Activities	<u>92,875</u>
Net Decrease in Cash and Cash Equivalents	(1,310,782)
Cash and Cash Equivalents at Beginning of Year	18,253,681
Cash and Cash Equivalents at End of Year	<u><u>\$ 16,942,899</u></u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (2,107,941)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities	
Depreciation	228,464
Change in Assets and Liabilities:	
(Increase) Decrease in Receivables	(1,780,078)
(Increase) Decrease in Inventories	(16,845)
Increase (Decrease) in Accounts Payable	(1,011,606)
Increase (Decrease) in Interfund Payables	(669,739)
Increase (Decrease) in Accrued Expenses	998,984
Net Cash (Used) by Operating Activities	<u><u>\$ (4,358,761)</u></u>
Noncash Investing, Capital, and Financing Activities	
Contributions of Capital Assets from Government	\$ 1,757
Transfers of Capital Assets to Government	\$ 372
Capital Assets Retired	\$ 941,257

See Notes to Financial Statements.

KATY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
AUGUST 31, 2017

Exhibit E-1

Data Control Codes		Agency Funds
	ASSETS	
1110	Cash and Cash Equivalents	\$ 2,736,467
1000	Total Assets	<u>\$ 2,736,467</u>
	LIABILITIES	
2110	Accounts Payable	\$ 198,369
2160	Accrued Wages	2,543
2190	Due to Student Groups	2,535,555
2000	Total Liabilities	<u>\$ 2,736,467</u>

See Notes to Financial Statements.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Katy Independent School District (the District) was formed in February 1919 by a special act of the Texas State Legislature. The District is an independent public educational agency operating under applicable laws and regulations of the State of Texas. A seven member Board of Trustees elected to staggered three-year terms by the District's residents autonomously governs the District. The District prepares its Basic Financial Statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) 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 the Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide" or "FASRG") and the requirements of contracts and grants of agencies from which it received funds.

The District prepared these financial statements in accordance with GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38 "Certain Financial Statement Disclosures" which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a financial reporting model for state and local governments that included the addition of Management's Discussion and Analysis, Government-wide Financial Statements, Required Supplementary Information, and the elimination of the effects of internal service activities and the use of account groups to the already required fund Financial Statements and notes.

The following is a summary of the most significant accounting policies:

A. Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by Generally Accepted Accounting Principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. Based on these considerations, the District's Basic Financial Statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by Generally Accepted Accounting Principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under Generally Accepted Accounting Principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

The Board of Trustees (the Board) is elected by the public and 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. 61, “The Financial Reporting Entity.” There are no component units included with the reporting entity.

B. Government-wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are Government-wide Financial Statements. They report information on all of the Katy Independent School District operating activities and activities other than the District’s fiduciary (agency type) activities. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. The District has no business-type activities that rely to a significant extent on fees and charges for support.

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 school lunch charges, community education tuition, summer school tuition, etc. The “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. Property taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position. In the Government-wide statements, eliminations have been made to minimize double-counting of internal activities. Interfund balances between governmental funds and also between governmental funds and internal service funds are eliminated on the Government-wide Statement of Net Position. Since the internal service funds support the District’s activities, the financial activities of these funds are presented in the governmental activities column in the Government-wide Statement of Activities as a direct expense in the proper functional category. In the Government-wide Statement of Activities, the net activities of the Internal Service such as Health Insurance, Workers’ Compensation, and Print Shop have been allocated to the appropriate functional expense in order to present a more accurate and complete picture of the direct expenses of the functions. The District has no interfund services provided and used between functions that would be program revenue which would not be eliminated in the process of consolidation.

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 as major and reports their financial condition and results of operations in a separate column.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements (continued)

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

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

The Government-wide Financial Statements use the economic resources measurement focus and the accrual basis of accounting. 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, deferred inflows of resources 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 recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Compensated absences are reported in governmental funds only to the extent unused reimbursable leave is outstanding following an employee's resignation or retirement.

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

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors may 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. The Agency Fund has no measurement focus, but utilizes the accrual basis of accounting for reporting its assets and liabilities.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting

The accounts of the District are organized on the basis of funds in accordance with the provisions of the Resource Guide. Each fund is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses. For financial statement presentation, the District's Fund Financial Statements provide more detailed information about the District's most significant funds, not the District as a whole. The funds shown on the Fund Financial Statements are considered significant funds because of the size and activity of the funds in relation to all of the funds.

The District reports the following Governmental Funds:

1. General Fund

The General Fund is the government's primary operating fund. It is used to account for all financial transactions not properly included in other funds. The principal sources of revenues include local property taxes, state funding under the Foundation School Program, interest earnings on fund investments, federal source revenues for indirect costs reimbursed by the programs accounted for in the Special Revenue Fund, and revenues received for School Health and Related Services. Expenditures include all costs associated with the daily operations of the District except for food service, debt service, capital projects, and specific programs funded by the federal or state government.

2. Debt Service Fund

The Debt Service Fund is used to account for the payment of interest and principal on all bonds of the District. The primary sources of revenue for debt service are local property taxes, hold harmless funds, and interest earnings on investments.

3. Capital Projects Fund

The Capital Projects Fund is used to account for the proceeds of the District's bond sales and revenues whose expenditures are restricted to the construction and acquisition of major capital facilities.

4. Special Revenue Fund

The Special Revenue Fund is used to account for all financial resources restricted to, or designated for, specific purposes by a grantor. Specifically, this type of fund is used to account for funds that are used for the District's food service program, including local and federal revenue sources, for federally financed programs (grants) where unused balances are returned to the grantor at the close of specified project periods and other revenue specific programs. Project accounting is employed to maintain integrity for the various sources of funds. Resources accounted for in these programs are awarded to the District for the purpose of accomplishing specific educational tasks as defined by grantors in contracts or other agreements.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

Additionally, the District reports the following Proprietary Fund:

5. Internal Service Fund

The Internal Service Fund is used to account for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis. The following Internal Service Funds are used by the District:

The Workers' Compensation Fund is used to account for the operations of the District's workers' compensation insurance plan, which is supported principally by employer contributions. Expenses include plan benefit payments to insured employees for claims and premium charges. Estimated amounts due for claims incurred but not reported at year-end are included as fund liabilities.

Similar to the Workers' Compensation Fund, the Health Insurance Fund is used to account for the District's health insurance plan, which is supported by both district and employee contributions. Expenses include plan benefit payments to health care providers for claims incurred. Estimated amounts due for claims incurred but not reported at year-end are included as fund liabilities.

The Print Shop Fund is used to account for the District's internal printing operations. All costs and expenses of operating the print shop are accounted for in the fund. Users of the printing services are charged fees based on amounts estimated to cover the cost of operations.

Finally, the District reports the following Fiduciary Funds:

6. Agency Funds

The Agency Funds are used to account for activities of student groups. These funds have no equity; assets are equal to liabilities and do not include revenues and expenditures for general operations of the District. The Agency Fund accounts for resources held in a custodial capacity by the District, and consist of funds that are property of students and others and cannot be used by the District in operations.

E. Other Accounting Policies – Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, balances in privately managed public funds investment pools (TexPool, Texas CLASS and Lone Star), and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the Proprietary Fund Types consider temporary investments, with maturity of three months or less when purchased, to be cash equivalents.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Other Accounting Policies – Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (continued)

2. Investments

Investments consist of deposits with TexPool, Texas CLASS and Lone Star, local government investment pools. The District's investment pools are valued and reported at amortized cost as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. Investments having a maturity of three months or less when purchased are reported as cash and cash equivalents.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles.

3. Short-Term Interfund Receivables/Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as due from other funds or due to other funds on the combined balance sheet.

4. Inventories and Prepaid Items

Inventories consisting of supplies and materials are stated at cost (average cost method) and include consumable custodial, maintenance, transportation, instructional, food consumables and office supplies. Inventories of governmental funds are recorded as expenditures when the supplies and materials are used or consumed (consumption method) rather than when purchased. Inventories of food commodities are recorded as revenues at fair market value supplied by the Texas Department of Human Services on the date received, and are recorded as expenditures when the commodities are consumed. A portion of fund balance is classified as non-spendable to reflect minimum inventory quantities considered necessary for the District's continuing operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as expenditures when the supplies or materials are used and consumed (consumption method) rather than when purchased.

5. Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Primarily, capital assets are defined by the District as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs of the facilities Acquisition and Construction Function that relate to overall planning of District facilities, managing overall District assets and overall construction projects are treated as period costs and are not capitalized unless related to specific assets. Donated capital assets are recorded at acquisition value at the date of donation.

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

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Other Accounting Policies – Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (continued)

5. Capital Assets (continued)

When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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

Assets	Years
Land Improvements	20
Building & Improvements	25-50
Furniture & Equipment	1-20
Vehicles	15

Land and construction in progress are not depreciated.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has four items that qualify for reporting in this category:

- Deferred outflows interest rate swap refunding - This amount is related to the hedging derivative instruments associated with the Series 2015-C Bonds. The deferred amount on refunding related to the Series 2015-C Bonds is reported in the Government-wide Statement of Net Position in this category and will be amortized over the life of the debt. The Series 2015-C Bonds refunded the Series 2012-C Bonds, which had previously refunded the Series 2004-C Bonds.
- Deferred outflows interest rate swap - The imputed at-market swaps associated with the Series 2015-C Bonds are reported as a deferred outflow of resources at market value.
- Deferred outflows net gain/loss on refunding - The net gain/loss on refunding bonds is reported in the Government-wide Statement of Net Position in this category and will be amortized over the life of the shorter of the life of the refunded or refunding debt.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Other Accounting Policies – Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (continued)

6. Deferred Outflows/Inflows of Resources (continued)

- Deferred outflows related to TRS - Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over the closed five year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently 6.90 years.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resource (revenue) until that time. The District has one item that qualifies for reporting in this category.

- Deferred inflows related to TRS - Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently 6.77 years.

In addition to liabilities, the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents unavailable revenues that applies to a future period(s) and so will not be recognized as an inflow or resource (revenue) until that time. The District has two items that qualify for reporting in this category. The unavailable revenue - property taxes and unavailable revenues - SHARS are reported as a deferred inflow of resources and will be recognized as collected.

7. Pensions

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

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Other Accounting Policies – Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (continued)

8. Long-Term Obligations

In the Government-wide Financial Statements and in the 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 Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred. Accretion of interest on the capital appreciation bonds is recorded at the accreted value through the end of the fiscal year.

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 issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Transactions Between Funds

Transactions between funds that would be treated as revenues, expenditures or expenses if they involved organizations external to the District are accounted for as revenues, expenditures or expenses in the applicable funds.

Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund, which are properly attributable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expenses in the fund that is reimbursed.

Other legally authorized transfers are included in the results of operations of the governmental funds.

10. Compensated Absences – Accumulated Vacation Pay and Sick Leave

The District has a vacation pay policy for twelve-month employees whereby eligible employees shall receive vacation of one to fifteen days dependent upon the number of years of service. Employees become eligible for vacation days after six months of employment. All vacation days are forfeited if not taken by June 30 of the following calendar year; therefore, the liability for unused vacation days at August 31, 2017 is not material to the financial statements.

The District pays a portion of accrued sick leave to employees who retire with five or more years of continuous employment in the District and whose retirement can be verified by the Teachers Retirement System. The compensated absences are normally paid through the General Fund when the amounts are due. Payment is limited to the current salary rate for one-half of the locally accumulated sick leave days up to a maximum of 90 accumulated days.

In the Governmental Funds compensated absences that are expected to be liquidated with expendable available resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in long-term liabilities on the statement of net position.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Other Accounting Policies – Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (continued)

11. Fund Equity

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

a. Non-spendable Fund Balance

Non-spendable fund balance represents amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).

b. Restricted Fund Balance

Restricted fund balance consists of amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. The Fund balance for the Debt Service Fund, Capital Project Fund, and Child Nutrition Program and other grants are classified as restricted.

c. Committed Fund Balance

Committed fund balances are amounts constrained to specific purposes by the District itself, using its highest decision making authority (the Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint. The General Fund has committed \$5,000,000 for self-insurance purposes. The District has committed the fund balance in the Campus Activity Fund for uses benefitting the respective campuses where the funds were raised.

d. Assigned Fund Balance

Assigned fund balance is the amount the District intends to use for a specific purpose. The Board of Trustees delegates the responsibility to assign fund balances to the Superintendent or his designees. The District has assigned fund balances in the General Fund in the amount of \$45,262,824 which is detailed in Note 12.

e. Unassigned Fund Balance

Amounts that are available for any purpose are considered unassigned fund balance. Positive numbers can only be reported in the general fund.

The District establishes (and modifies or rescinds) fund balance commitments and assignments by passage of resolution. Per the local policy, assigned fund balance amounts are established by the Superintendent or his designee.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Other Accounting Policies – Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (continued)

12. Use of Estimates

The presentation of financial statements, in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

13. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA 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.

14. Use of Funds

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a formal minimum fund balance policy, however, minimum fund balances and targeted percentages are addressed in Administrative Regulations.

15. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards:

GASB Statement No. 82, *Pension Issues*, an amendment of GASB Statements No. 67, No. 68 and No. 73, addresses the presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 2 – 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 Position

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the Government-wide Statement of Net Position. Major elements of that reconciliation include capital assets which are not financial resources and are therefore not reported in governmental funds, long-term liabilities, including bonds payable, which are not due and payable in the current period and are not reported as liabilities in the Fund Financial Statements, and property taxes receivable which are included as unearned in the Fund Financial Statements are adjusted based on when the tax levy was made and for uncollectible amounts.

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 position 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 position balance and the change in net position. The debt payments on retirement of debt are recorded as expenditures for Fund Basis Financial Statements but are recorded as a reduction of debt in the Government-wide Financial Statements. The capital asset additions are expenditures in the Fund Basis Financial Statements but are capitalized in the Government-wide Financial Statements. The Fund Basis Financial Statements do not include the current depreciation expense.

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 the accrual basis of accounting. As indicated above, if new debt is issued, it is treated as a source of revenue on the Fund Basis Financial Statements, while in the Government-wide Financial Statements; the amount is recorded as a liability. Property taxes are adjusted for the accrual basis and the unearned revenues are adjusted based on prior year levies and current year uncollectible amounts.

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The Board of Trustees adopts an appropriated budget for the General Fund, Debt Service Fund, and the Nutrition and Food Service Program included in the Special Revenue Fund. Budgets are prepared using the same method of accounting as for financial reporting. The District is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund and each major special revenue program. The General Fund budget report appears in the required supplementary information section where the District compares the final amended budget to actual revenues and expenditures. Per regulatory requirements, the Debt Service Fund and Nutrition and Food Services Fund are required to be reported with the original budget, amended budget and actual expenditures. These schedules are included in the Other Supplementary Information section of this report.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. Budgetary Data (continued)

The Capital Projects Fund budget is prepared on a project basis based on the proceeds available from bond issues and planned expenditures outlined in applicable bond ordinances. Capital Projects Fund equity, which represents unexpended appropriations, is re-appropriated in the subsequent fiscal year's budget until available funds for acquisition and construction of facilities have been utilized. Each major construction contract is approved based on the existing availability of bond proceeds and/or approved but unissued bonds. The non-budgeted Special Revenue programs (primarily federal, state, and local grant programs) utilize a managerial type financial plan reviewed at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to state imposed project length budgets and monitored through submission of reimbursement reports to the state.

The following procedures are followed in establishing the budgetary data reflected in the Fund Financial Statements:

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 before the fact, are 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.
4. Each budget is controlled by the Director of Budget and Treasury at the revenue and expenditure function/object level. Budgeted amounts are amended by the Board. All budget appropriations lapse at year end.
5. During the fiscal year ended August 31, 2017 the District did not have any expenditures over appropriations in major funds.
6. A reconciliation of fund balances for both appropriated budget and non-appropriated budget Special Revenue Programs is as follows:

	Special Revenue Fund	Unbudgeted Programs	Budgeted Programs
Revenues	\$ 70,713,842	\$ 40,228,156	\$ 30,485,686
Expenditures	68,496,485	38,223,572	30,272,913
Revenues Over (Under) Expenditures	2,217,357	2,004,584	212,773
Other Sources (Uses)	(465,515)	(500,000)	34,485
Fund Balance Beginning	16,378,331	11,422,492	4,955,839
Fund Balance Ending	<u>\$ 18,130,173</u>	<u>\$ 12,927,076</u>	<u>\$ 5,203,097</u>

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. Budgetary Data (continued)

7. During the fiscal year the operating budget must be amended by the Board for changes to function appropriation amounts. All supplemental appropriations must be within limits of available revenues and fund equity.

The following table summarizes changes to the originally adopted budget for all budgeted funds:

Fund	Appropriations as of September 1, 2016 (Original Budget)	Supplemental Appropriations and Revisions	Appropriations as of August 31, 2017 (Amended Budget)
General Fund	\$ 631,409,405	\$ 20,422,648	\$ 651,832,053
Special Revenue Fund	31,771,708	(535,623)	31,236,085
Debt Service Fund	141,599,577	188,586,698	330,186,275
Total all Budgeted Funds	<u>\$ 804,780,690</u>	<u>\$ 208,473,723</u>	<u>\$ 1,013,254,413</u>

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities, but are reported as assignments of fund balances. Since appropriations lapse at the end of each fiscal year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments. As shown in footnote 12, \$1,518,503 of fund balance has been assigned for these outstanding encumbrances.

NOTE 4 – DEPOSITS (CASH) AND INVESTMENTS

A. Deposits (Cash)

Deposits and investment transactions of the District are regulated by State statutes of the Texas Education Code and other regulations regarding security for District funds in depository institutions.

In accordance with applicable statutes, the District has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the District incurs as a result of banking services received. All depository contracts have a term of two years, commencing with the start of every odd-numbered fiscal year. However, the contract can be extended for two additional two year periods should the depository and the District agree to the extension. Depository contracts are awarded on the basis of competitive proposals received from area banks and can be awarded to more than one bank.

The District may place funds with the depository in interest and non-interest bearing accounts. Statutes and the depository contract require that all funds in the depository institution be fully secured by federal depository insurance or a combination of federal depository insurance and acceptable collateral securities and/or an acceptable surety bond. The collateral securities are placed with an independent third party custodian or trustee institution. In accordance with State statutes pertaining to lawful collateralization of District deposits, safekeeping receipts are issued in the name of the depository with proper identification that the collateral securities are pledged by the depository to secure funds of the District.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 4 – DEPOSITS (CASH) AND INVESTMENTS (continued)

A. Deposits (Cash) (continued)

Acceptable collateral securities include direct obligations of the United States of America (U.S.), bonds of any agency of the U.S., bonds of the State of Texas or of any county, school district, city, or town of the State of Texas that have been rated A or better and other securities as authorized by Chapter 2257 Collateral for Public Funds of the Government Code and Chapter 2256 Public Fund Investment Act.

The District may approve all collateral securities prior to their being pledged. The depository can release or replace collateral securities pledged to secure District funds only upon obtaining the written approval of the District.

All demand and time deposits in the depository bank were entirely covered by federal depository insurance and by acceptable collateral securities pledged in the District's name by Prosperity Bank and held in safekeeping by Federal Home Loan Bank of Dallas at year-end in accordance with provisions of the depository contract.

At August 31, 2017 the cash in the bank was \$339,683,517. As of August 31, 2017 the deposits and amount of pledged collateral and FDIC coverage was as follows:

Financial Institution	Carrying Amount of Combined Deposit	Pledged Collateral and Surety Bond	Available FDIC Coverage	Month
Prosperity Bank	\$ 335,828,334	\$ 553,346,118	\$ 500,000	August 31, 2017

B. Investments

The Board of Trustees of the District has adopted a written investment policy (the "Investment Policy") regarding the investment of the funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area, conducted as part of the audit, disclosed that in the area of investment practices, management reports, and establishment of appropriate policies, the District was in substantial compliance with the requirements of the Act. Additionally, the investments and investment practices of the District are in compliance with the Trustees' Investment Policy.

The District's Investment Policy emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity of any individual investment and the maximum average dollar weighted maturity allowed for fund groups.

The District is authorized to invest in the following investment instruments:

1. Obligations of, or guaranteed by, the U.S. Government and its agencies and instrumentalities as permitted by Government Code 2256.009. This excludes collateralized mortgage obligations. Maximum maturity shall be three years.
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010.
3. Fully Collateralized repurchase agreements as permitted by Government Code 2256.011.
4. A1/P1 Commercial paper as defined by Government Code 2256.013 and not to exceed 60 days to maturity.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 4 – DEPOSITS (CASH) AND INVESTMENTS (continued)

B. Investments (continued)

5. No-load money market mutual funds as permitted by Government Code 2256.014.
6. Constant dollar public funds investment pools as permitted by Government Codes 2256.016 – 2256.019.

A summary of the District's cash and investments at August 31, 2017 is shown below.

	Cash on Hand	Bank Deposits	Investment Pools	Total
General	\$ 39,565	\$ 86,522,047	\$ 134,735,174	\$ 221,296,786
Debt Service		4,927,703	48,511,394	53,439,097
Capital Projects		232,329,414		232,329,414
Special Revenue Fund	100	2,279,422	12,251,248	14,530,770
Total Governmental Funds	<u>39,665</u>	<u>326,058,586</u>	<u>195,497,816</u>	<u>521,596,067</u>
Internal Service Fund		7,033,281	9,909,618	16,942,899
Total Governmental Activities	<u>39,665</u>	<u>333,091,867</u>	<u>205,407,434</u>	<u>538,538,966</u>
Fiduciary Funds				
Trust and Agency		2,736,467		2,736,467
Total	<u>\$ 39,665</u>	<u>\$ 335,828,334</u>	<u>\$ 205,407,434</u>	<u>\$ 541,275,433</u>

The District generally holds all securities to maturity. The District did not purchase any derivative investment products during the current year nor participate in any reverse repurchase agreements or security lending agreements during the fiscal year 2017.

The following table includes the portfolio balances, credit rating, and weighted average maturity of the portfolio balance by investment type of the District as of August 31, 2017:

	Rating	Fair Value	Weighted Avg. Maturity
Lone Star - Public Funds Investment Pool	AAAm	\$ 6,098,690	22 days
TexPool - Public Funds Investment Pool	AAAm	161,768,084	32 days
Texas CLASS - Public Funds Investment Pool	AAAm	37,540,660	56 days
Total Investments and Cash Equivalent		<u>\$ 205,407,434</u>	

As of August 31, 2017, the District's investments included TexPool, Texas CLASS, and Lone Star Public Funds Investment Pools. The investment pools investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

Investment Pool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act of 1987, as amended. Oversight responsibility for TexPool is provided by The Texas State Comptroller of Public Accounts, for Texas CLASS by an advisory board and member elected Board of Trustees, and for Lone Star by The Texas Association of School Boards.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 4 – DEPOSITS (CASH) AND INVESTMENTS (continued)

B. Investments (continued)

The value of District portions in TexPool, Texas CLASS, and Lone Star are the same as the value of the Shares. The external pooled funds use amortized cost rather than fair value to report net assets to compute share price, such funds have daily liquidity.

Credit Risk Related to Investments

Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement, will decline. Market risk is not depicted in this note.

In compliance with GASB 40, local policy also addresses credit risk by monitoring investment diversification through specific identification disclosure and weighted average maturity disclosure.

As of August 31, 2017, TexPool, Texas CLASS, and Lone Star represented 78.7%, 18.3%, and 3.0 %, respectively, of the General Fund, Debt Service Fund, Capital Projects Fund, Special Revenue Fund, Internal Service Fund and Fiduciary Fund investments pools and are rated AAAm by Standard and Poor's.

The District's investment policy permits investment pools authorized by government codes 2256.016 – 2256.019 which requires investment pools to be continuously rated no lower than AAA or AAAm or at an equivalent rating by at least one nationally recognized rating service.

In accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amount. These pools do not impose any liquidity fees or redemption gates.

Interest Rate Risk

As a means of minimizing risk of loss due to interest rate fluctuations, the District's Investment Policy requires that investment maturities in the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Fund will not exceed the lesser of a dollar weighted average maturity of 365 day or the anticipated cash flow requirements of the fund. The District's Investment Policy also limits that no investment shall have a maturity greater than three years from the date of purchase.

As of August 31, 2017, 37.9% of the entire portfolio was invested in AAAm rated public investment pools. The dollar weighted average maturity of the pools was 36 days, which is less than the threshold of 180 days.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 4 – DEPOSITS (CASH) AND INVESTMENTS (continued)

B. Investments (continued)

Custodial Credit Risk

The District's agent holds the securities in the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Fund in the District's name; therefore, the District is not exposed to custodial credit risk. Custodial credit risk for investments is the risk that, in event of the failure of the counterparty (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The District's policy requires that a third party custodian or a bank trust department hold all securities owned by, or pledged as collateral to the District.

NOTE 5 – PROPERTY TAXES

The current assessment ratio of the District is 100% of market valuation of all property within the District's boundaries. The local maintenance and debt service tax rates for the 2016-17 school year were \$1.1266 and \$0.39 respectively per \$100 of assessed valuation. The 2016-17 assessed valuation was \$36,351,443,912 and resulted in a final adjusted tax levy of \$540,445,558.

Property taxes are levied by October 1 on the assessed value listed the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Local taxes assessed on valuations made as of January 1 each year are recorded in the District's Financial Statements net of the related allowance for uncollectible taxes. The resulting net taxes receivable is stated at the amount estimated to be collectible based upon the District's collection experience. Uncollectible taxes are periodically reviewed and written off by the District, as provided by specific statutory authority from the State Legislature. Net property taxes receivable at August 31, 2017 consisted of the following:

	General Fund	Debt Service Fund	Total
Property Taxes Receivable-Current Year Levy	\$ 2,695,802	\$ 933,197	\$ 3,628,999
Property Taxes Receivable-Prior Years' Levies	3,877,959	1,345,157	5,223,116
Total Property Taxes Receivable	6,573,761	2,278,354	8,852,115
Penalty and Interest on Delinquent Property Taxes	3,289,657	1,122,601	4,412,258
Total Property Taxes and Penalty and Interest	9,863,418	3,400,955	13,264,373
Less Allowance for Uncollectible Taxes	2,771,445	949,610	3,721,055
Net Property Taxes Receivable	<u>\$ 7,091,973</u>	<u>\$ 2,451,345</u>	<u>\$ 9,543,318</u>

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 5 – PROPERTY TAXES (continued)

Appraisal District

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. The District has property in Harris, Fort Bend, and Waller Counties. Beginning January 1, 2008 the District contracted with each county for the appraisal of property for all taxing units in the county's boundaries, including the District. The District paid Harris County Appraisal District, Fort Bend County Appraisal District, and Waller County Appraisal District \$2,233,327, \$1,386,578 and \$231,317 respectively in fiscal 2017 for appraising property.

NOTE 6 – AMOUNTS DUE TO/FROM OTHER FUNDS AND INTERFUND TRANSFERS

Amounts Due To/From Other Funds at August 31, 2017 include the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 22,359,661	\$
Debt Service Fund	943,372	
Capital Projects Fund		23,768,024
Special Revenue Fund	6,307,405	6,558,572
Total - Governmental Funds	29,610,438	30,326,596
Internal Service Fund	716,161	3
Total - All Funds	<u>\$ 30,326,599</u>	<u>\$ 30,326,599</u>

The District uses the General Fund cash account for accounts payable and payroll, creating interfund balances. The interfund balances are cleared monthly. Most of the amounts represent short-term borrowings between funds for payroll and operating expense payments made from the General Fund cash accounts. For the year ended August 31, 2017, the District was unable to clear some of the interfund balances before year end due to the District closure for Hurricane Harvey. These balances were transferred after the District returned to normal operations.

Transfers between funds in fiscal year 2017 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 500,000	\$ 6,014,561
Debt Service Fund	4,130,440	
Capital Projects Fund		1,115,879
Special Revenue Fund:		
Tax Increment Reinvestment Zone		500,000
Total - Governmental Funds	4,630,440	7,630,440
Internal Service Fund	3,000,000	
Total - All Funds	<u>\$ 7,630,440</u>	<u>\$ 7,630,440</u>

Transfers are used to: 1) move interest revenues from the Capital Projects Fund where they are collected to the Debt Service Fund for payment of principal and interest, 2) move the federal subsidy payment on the Build America Bonds from the General Fund to the Debt Service Fund for payment of principal and interest, 3) provide supplemental funding from the General Fund to the Health Insurance Internal Service Fund and, 4) to move funds from the Tax Increment Reinvestment Fund program to General Fund.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 7 – AMOUNTS DUE FROM AND TO OTHER GOVERNMENTS

Receivables Due from Other Governments at August 31, 2017 consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Due from State Agencies:					
State Grant Expenditure					
Reimbursement	\$	\$	\$	\$ 2,735,020	\$ 2,735,020
State Summary of Finances	5,057,156	53,147			5,110,303
School Health and Related Services	6,444,797				6,444,797
Due from Federal Agencies:					
Federal Grant Expenditure					
Reimbursement	157,650		657,933	4,633,558	5,449,141
Due from Local Agencies:					
Local Grant Expenditure					
Reimbursement				116,339	116,339
Total Due from Other Governments	<u>\$ 11,659,603</u>	<u>\$ 53,147</u>	<u>\$ 657,933</u>	<u>\$ 7,484,917</u>	<u>\$ 19,855,600</u>

Payables Due to Other Governments at August 31, 2017 consisted of the following:

	General Fund	Special Revenue Fund	Total
Due to Federal Agencies:			
Early Childhood Intervention		\$ 383	\$ 383
Due to Local Agencies:			
Katy Development Authority	3,408,253		3,408,253
	<u>\$ 3,408,253</u>	<u>\$ 383</u>	<u>\$ 3,408,636</u>

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the governmental activities of the District for the year ended August 31, 2017 is as follows:

	Balance September 1, 2016	Additions	Retirements and Transfers	Balance August 31, 2017
Governmental Activities				
Capital Assets not being Depreciated:				
Land	\$ 79,103,830	\$ 4,649,779	\$ 289,755	\$ 84,043,364
Construction in Progress	205,196,706	244,594,927	(378,941,959)	70,849,674
Total Capital Assets, not being Depreciated	284,300,536	249,244,706	(378,652,204)	154,893,038
Capital Assets being Depreciated:				
Land Improvements	58,280,786	6,020,781	8,806,542	73,108,109
Buildings and Improvements	1,469,890,453	2,178,220	365,537,641	1,837,606,314
Furniture and Equipment	165,848,941	35,453,704	(26,668,906)	174,633,739
Vehicles	57,113,606	6,436,689	(901,707)	62,648,588
Total Capital Assets, being Depreciated at Historical Cost	1,751,133,786	50,089,394	346,773,570	2,147,996,750
Less: Accumulated Depreciation for:				
Land Improvements	(31,841,130)	(3,797,339)	18,825	(35,619,644)
Buildings and Improvements	(383,849,817)	(54,738,677)	207,295	(438,381,199)
Furniture and Equipment	(97,356,931)	(13,246,895)	24,623,031	(85,980,795)
Vehicles	(21,093,303)	(3,652,184)	815,263	(23,930,224)
Total Accumulated Depreciation	(534,141,181)	(75,435,095)	25,664,414	(583,911,862)
Governmental Activities				
Capital Assets, Net	<u>\$ 1,501,293,141</u>	<u>\$ 223,899,005</u>	<u>\$ (6,214,220)</u>	<u>\$ 1,718,977,926</u>

Capital Leases included in the above schedule consist of the following major classes:

	Balance September 1, 2016	Additions	Retirements and Transfers	Balance August 31, 2017
Capital Lease Assets				
Land Improvements	\$ 172,506	\$	\$	\$ 172,506
Buildings and Improvements	23,526,587	27,539	(1,189,200)	22,364,926
Furniture and Equipment	632,292	3,604	(155,555)	480,341
Total Capital Lease Assets	24,331,385	31,143	(1,344,755)	23,017,773
Less: Accumulated Depreciation for:				
Land Improvements	(4,675)	(1,752)		(6,427)
Buildings and Improvements	(5,187,151)	(474,752)		(5,661,903)
Furniture and Equipment	(400,472)	(114,117)	97,485	(417,104)
Total Accumulated Depreciation	(5,592,298)	(590,621)	97,485	(6,085,434)
Capital Leases, Net	<u>\$ 18,739,087</u>	<u>\$ (559,478)</u>	<u>\$ (1,247,270)</u>	<u>\$ 16,932,339</u>

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 8 – CAPITAL ASSETS (continued)

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

Governmental Activities Depreciation Expense:

Instruction	\$ 43,268,451
Instructional Resources and Media Services	3,208,054
Curriculum and Instructional Staff Development	9,622
Instructional Leadership	39,314
School Leadership	2,865,078
Guidance, Counseling, and Evaluation Services	1,248,920
Health Services	1,221,206
Student Transportation	4,623,896
Food Service	5,767,247
Extracurricular Activities	6,091,962
General Administration	915,078
Facilities Maintenance and Operations	4,192,992
Security and Monitoring Services	156,568
Data Processing Services	1,805,341
Facilities Acquisition and Construction	21,366
Total Depreciation Expense Governmental Activities	<u>\$ 75,435,095</u>

Construction in progress and remaining commitments under related construction contracts at August 31, 2017 are as follows:

Project	Contract Expenditures	Other Project Costs	Construction in Progress
Elementary #41	\$ 9,229,725	\$ 700,384	\$ 9,930,109
Junior High #16	378,000	9,156	387,156
High School #9	1,433,250	27,467	1,460,717
Pattison Elementary Renovation	189,000	6,000	195,000
Golbow Elementary Renovation	189,000	95,286	284,286
Mayde Creek High Renovation	35,118,903	456,022	35,574,925
Katy Junior High CTE Expansion	1,956,932	38,476	1,995,408
McDonald Junior High CTE Expansion	2,317,837	32,422	2,350,259
Beck Junior High CTE Expansion	1,923,840	185,632	2,109,472
McMeans Junior High CTE Expansion	1,981,227	28,899	2,010,126
Cinco Ranch Junior High CTE Expansion	2,073,483	25,996	2,099,479
Hutsell Elementary Kitchen Renovation	1,130,332	7,135	1,137,467
Bear Creek Elementary Kitchen Renovation	1,256,778	4,410	1,261,188
Morton Ranch High Performing Arts Center Retrofit	1,074,072	1,657	1,075,729
Seven Lakes High Performing Arts Center Retrofit	1,041,782	311	1,042,093
Taylor High Track	51,765		51,765
McDonald Junior High Systems Replacement	300,150	206	300,356
Beck Junior High Systems Replacement	313,200	206	313,406
Agricultural Sciences Complex	931,334	228,196	1,159,530
Safety & Security Upgrades	5,796,240	314,963	6,111,203
	<u>\$ 68,686,850</u>	<u>\$ 2,162,824</u>	<u>\$ 70,849,674</u>

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 8 – CAPITAL ASSETS (continued)

Project	Authorized Contract	Contract Expenditures	Remaining Commitment
Elementary #41	\$ 25,619,311	\$ 9,229,725	\$ 16,389,586
Junior High #16	1,440,000	378,000	1,062,000
High School #9	5,460,000	1,433,250	4,026,750
Pattison Elementary Renovation	956,250	189,000	767,250
Golbow Elementary Renovation	956,250	189,000	767,250
Mayde Creek High Renovation	54,960,641	35,118,903	19,841,738
Katy Junior High CTE Expansion	2,441,717	1,956,932	484,785
McDonald Junior High CTE Expansion	2,853,716	2,317,837	535,879
Beck Junior High CTE Expansion	2,460,486	1,923,840	536,646
McMeans Junior High CTE Expansion	2,460,684	1,981,227	479,457
Cinco Ranch Junior High CTE Expansion	2,615,034	2,073,483	541,551
Hutsell Elementary Kitchen Renovation	1,273,529	1,130,332	143,197
Bear Creek Elementary Kitchen Renovation	1,369,529	1,256,778	112,751
Morton Ranch High Performing Arts Center Retrofit	1,474,990	1,074,072	400,918
Seven Lakes High Performing Arts Center Retrofit	1,474,990	1,041,782	433,208
Taylor High Track	175,550	51,765	123,785
McDonald Junior High Systems Replacement	348,548	300,150	48,398
Beck Junior High Systems Replacement	352,748	313,200	39,548
Agricultural Sciences Complex	1,532,034	931,334	600,700
Safety & Security Upgrades	9,679,498	5,796,240	3,883,258
	<u>\$ 119,905,505</u>	<u>\$ 68,686,850</u>	<u>\$ 51,218,655</u>

As explained in Note 3, encumbrance accounting is utilized to assure effective budgetary control. As of August 31, 2017 the General Fund had \$1,518,503, the Capital Projects Fund had \$84,829,549 and Special Revenue Fund had \$4,324,729 in outstanding encumbrances.

NOTE 9 – LONG-TERM DEBT

General Obligation Bonds

General long-term debt of the District consists of General Obligation Bonds which provide funds to construct, acquire, and equip school buildings, to purchase necessary sites for school buildings, and to purchase school buses. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond orders. The District has never defaulted on any principal or interest payment.

In November 2014 voters authorized \$748,120,000 of General Obligation Bonds and in May 2017, the District issued \$261,640,000 of Unlimited Tax School Building Bonds, Series 2017. The bonds have interest rates ranging from four to five percent and are the final sale of the 2014 authorization. The District has no authorized but unissued bonds remaining at August 31, 2017.

General long-term debt consists of bonds payable and accretion of capital appreciation bonds. Bonds are payable solely from revenues of the Debt Service Fund which consists primarily of property taxes collected by the District, state existing debt and instructional facilities allotments, and investment income. The capital lease is paid from General Fund property tax revenues generated within the Tax Increment Reinvestment Zone.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 9 – LONG-TERM DEBT (continued)

Changes in Long-Term Debt

A summary of long-term debt transactions of the District for the year ended August 31, 2017 is as follows:

	Balance at September 1, 2016	Additions	Retirements	Balance at August 31, 2017	Due Within One Year
General Obligation Bonds	\$ 1,449,414,330	\$ 425,465,000	\$ 253,302,540	\$ 1,621,576,790	\$ 51,306,790
Accreted Interest on Capital					
Appreciation Bonds	5,602,776	194,740	2,962,461	2,835,055	2,835,055
Imputed Borrowing	31,534,324		2,466,186	29,068,139	2,466,195
Bond Issuance Premiums	128,684,350	56,189,555	9,242,244	175,631,661	
Total Bonds Payable	1,615,235,780	481,849,295	267,973,431	1,829,111,645	56,608,040
Capital Leases	12,690,000		1,255,000	11,435,000	1,290,000
Compensated Absences	24,440,991	363,189	956,570	23,847,610	530,604
Total	\$ 1,652,366,771	\$ 482,212,484	\$ 270,185,001	\$ 1,864,394,255	\$ 58,428,644

The District is in compliance with all significant bond and note limitations and restrictions.

Outstanding bonded debt at August 31, 2017 consisted of the following:

Issue	Series Description	Interest Rate	Matures	Debt Outstanding
\$ 23,055,000	2005-A Unlimited Tax Refunding Bonds	3.00-5.25 %	2018	\$ 1,802
29,685,000	2005-B Unlimited Tax Refunding Bonds	3.00-5.25	2018	94,988
61,395,000	2007-C Limited Tax Refunding Bonds	4.00-5.63	2027	32,760,000
97,700,000	2008-C Unlimited Tax School Building Bonds	2.75-5.00	2019	6,975,000
24,315,000	2009 Unlimited Tax School Building Bonds	2.00-5.00	2019	1,190,000
68,910,000	2010-A Unlimited Tax Refunding Bonds	2.00-5.00	2022	30,830,000
11,625,000	2010-B Limited Tax Refunding Bonds	3.00-5.00	2027	3,410,000
41,470,000	2010-C Unlimited Tax School Building Bonds	4.00-5.00	2021	11,160,000
155,000,000	2010-D Unlimited Tax School Building Bonds	4.50-5.30	2041	155,000,000
147,680,000	2012-A Unlimited Tax School Building & Refunding Bonds	4.00-5.00	2042	139,335,000
103,000,000	2013 Unlimited Tax School Building Bonds	2.00-5.00	2043	89,450,000
133,970,000	2014-A Unlimited Tax Refunding Bonds	1.00-5.00	2036	132,060,000
18,150,000	2014-B Limited Tax Refunding Bonds	3.00-5.00	2028	17,935,000
155,310,000	2015-A Unlimited Tax School Building Bonds	2.00-5.00	2045	142,540,000
52,955,000	2015-B Unlimited Tax Refunding Bonds	4.00-5.00	2037	52,955,000
115,000,000	2015-C Variable Rate Unlimited Tax Refunding Bonds	4.47-4.80	2036	115,000,000
245,095,000	2016-A Unlimited Tax School Building Bonds	4.00-5.00	2046	241,900,000
23,515,000	2016-B Unlimited Tax Refunding Bonds	3.00-5.00	2038	23,515,000
11,510,000	2016-C Limited Tax Refunding Bonds	5.00	2024	11,510,000
152,315,000	2016-D Unlimited Tax Refunding Bonds	3.00-5.00	2032	152,315,000
261,640,000	2017 Unlimited Tax School Building Bonds	4.00-5.00	2047	261,640,000
Total Bonded Debt				1,621,576,790
Plus Accreted Interest on CABs				2,835,055
Plus Unamortized Imputed Borrowing				29,068,139
Plus Unamortized Premiums				175,631,661
Total Bonds Payable				1,829,111,645
Less Amounts Due Within One Year				(56,608,040)
Total Bonded Debt Long-Term				\$ 1,772,503,605

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 9 – LONG-TERM DEBT (continued)

Annual requirements to amortize all bonded long-term debt outstanding (including accretion) as of August 31, 2017 are as follows:

Fiscal Year Ending	Principal	Interest	Totals
2018	\$ 51,306,790	\$ 79,368,006	\$ 130,674,796
2019	63,945,000	73,745,584	137,690,584
2020	63,370,000	71,061,289	134,431,289
2021	62,985,000	67,962,257	130,947,257
2022	57,565,000	65,072,778	122,637,778
2023	65,415,000	62,120,424	127,535,424
2024	68,070,000	58,853,614	126,923,614
2025	62,915,000	55,592,870	118,507,870
2026	65,340,000	52,383,032	117,723,032
2027	64,510,000	49,089,931	113,599,931
2028	67,580,000	45,740,483	113,320,483
2029	60,760,000	42,660,476	103,420,476
2030	60,570,000	39,827,468	100,397,468
2031	60,905,000	36,908,438	97,813,438
2032	59,120,000	34,081,655	93,201,655
2033	55,250,000	31,393,914	86,643,914
2034	58,045,000	28,762,260	86,807,260
2035	60,685,000	26,059,205	86,744,205
2036	63,575,000	23,172,228	86,747,228
2037	53,210,000	20,111,773	73,321,773
2038	49,895,000	17,504,184	67,399,184
2039	46,695,000	14,977,535	61,672,535
2040	49,005,000	12,470,977	61,475,977
2041	51,115,000	9,907,846	61,022,846
2042	44,035,000	7,588,300	51,623,300
2043	39,510,000	5,688,550	45,198,550
2044	35,395,000	4,076,650	39,471,650
2045	36,935,000	2,539,775	39,474,775
2046	28,815,000	1,178,500	29,993,500
2047	15,055,000	301,100	15,356,100
	1,621,576,790	1,040,201,102	2,661,777,892
Less: Current Portion	51,306,790	79,368,006	130,674,796
Long Term Debt	<u>\$ 1,570,270,000</u>	<u>\$ 960,833,096</u>	<u>\$ 2,531,103,096</u>

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 9 – LONG-TERM DEBT (continued)

Interest Rate Swap Agreements

Variable Interest Rate Bonds Synthetic Fixed Rate Swaps

On July 28, 2004 as a means to reduce its borrowing cost in comparison to the issuance of traditional fixed rate bonds, the District entered into two identical pay fixed/receive variable rate swap agreements on the District's \$115,000,000 Variable Rate Unlimited Tax School Building Bonds, Series 2004-C ("2004-C Bonds"). The swap agreements and the bonds were issued at the same time. The swap agreements are with JP Morgan Chase Bank, N.A. and Bank of America, N.A., each in an original notional amount of \$57,500,000 in order to synthetically fix the interest obligations on the variable interest bonds.

On July 17, 2012 the District refunded the 2004-C Bonds with the \$115,000,000 Variable Rate Unlimited Tax Refunding Bonds, Series 2012-C ("2012-C Bonds") in order to mitigate bank risk while increasing the effectiveness of the hedging derivative.

On March 18, 2015 the District refunded the 2012-C Bonds with the \$115,000,000 Variable Rate Unlimited Tax Refunding Bonds, Series 2015-C ("2015-C Bonds") in order to continue to mitigate bank risk while lowering borrowing costs.

Objective

The objective of the swaps is to hedge against the potential of rising interest rates in conjunction with the District's \$115,000,000 outstanding variable rate debt. The interest rate swaps were effective hedges as of the prior reporting period with each swap's cumulative change in fair value recorded in deferred outflows on the Statement of Net Position. The refunding of the 2004-C and 2012-C Bonds were considered termination events as described in Governmental Accounting Standards Board (GASB) Statement 53. As of the refunding date the swaps were considered to be off-market, consisting of an imputed at-the-market swap and an imputed borrowing. The fair values of the derivative instruments outstanding at August 31, 2017 and the changes in fair values for the year then ended are as follows:

Governmental Activities	Fair Value at August 31, 2017	
	Classification	Amount
Cash Flow Hedge:		
Pay fixed interest rate swap	Liability: Interest Rate Swaps	\$ 415,826
	Liability: Imputed Borrowing	29,068,139
	Negative Fair Value	<u>\$ 29,483,965</u>
Governmental Activities	Changes in Fair Value	
	Classification	Amount
Cash Flow Hedge:		
Pay fixed interest rate swap	Deferred Outflows: Interest Rate Swap	\$ 7,176,789

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 9 – LONG-TERM DEBT (continued)

Interest Rate Swap Agreements (continued)

Terms

The swaps notional amounts total \$115,000,000, the principal amount of the associated 2015-C Bonds. The District's swap agreements contain scheduled reductions to outstanding notional amounts that follow anticipated payments of principal of the 2015-C Bonds in varying amounts during the years 2019 to 2036. Under the terms of the swaps, the District will pay a fixed rate of 3.92% and receive a floating rate equal to 67% of the one-month London Interbank Offered Rate (LIBOR) Index. All agreements were effective July 28, 2004, the date of issuance of the 2004-C Bonds. The termination date is August 15, 2036.

For the fiscal year ending August 31, 2017 the effective rate of the bonds associated with the swaps is as follows:

	Terms	Rate Paid (Received)
Fixed rate paid for swaps		3.92%
Average variable rate payment received from counterparties	LIBOR x 67%	(0.58)
Net rate paid/(received) for swaps		3.34
Average variable rate paid on bonds associated with swaps		1.11
Effective rate of bonds associated with swaps		4.45%

In contrast, the fixed rate the District would have paid on General Obligation Bonds at a comparable maturity on the same original sale date in 2004 would have been 5.15%. The savings in interest expenditures realized by participating in the swap agreement ranges from \$6.0 million to \$18.3 million as compared to costs the District would have incurred if the debt had been issued as traditional fixed rate bonds at the time of original issuance.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Because LIBOR interest rates have declined since inception of the swaps, the swaps had a negative fair value of \$29,483,965 on August 31, 2017 (Level 2 inputs). This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates.

Credit Risk

As of August 31, 2017, the District was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates increase and the fair value of the swaps become positive, the District would be exposed to credit risk on the swaps in the amount of its fair value.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 9 – LONG-TERM DEBT (continued)

Interest Rate Swap Agreements (continued)

Basis Risk

The 2015-C Bonds were issued as Floating Rate Notes. During the initial rate period ending August 14, 2019, the interest rate on the hedged bonds is indexed to 67% of one-month LIBOR with monthly rate resets plus a constant of 55 basis points. The reference rate on the floating leg of each hedging derivative is also 67% of one-month LIBOR with monthly rate resets. Because the variable amount the District is paying and receiving are both based on the same index, the District is not exposed to basis risk.

Interest Rate Risk

Interest payments on the hedged variable-rate debt are expected to increase (decrease) as LIBOR rates increase (decrease). Because the variable amount the District is paying and receiving are both based on 67% of one-month LIBOR, the District's exposure to interest rate risk is mitigated.

Termination Risk

The District has the unilateral right to voluntarily terminate the swap agreements at any time over their term at the then prevailing market value. A counterparty may only terminate a swap if the District fails to perform under the terms of the contract. The District's options are to terminate with the swap providers at an agreed market value, assign the Swap to a third party based on bids or quotes, or enter into an off-setting swap transaction. If the swap should be terminated, the associated variable-rate bonds would no longer carry synthetic fixed interest rates. Also, if at the time of the termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value. The negative fair value of the swap agreements does not expose the District to a loss because it is unlikely the District would exercise its termination rights when the fair value is negative. However, should interest rates change and the fair value of the swap agreements become positive, the District would receive payment of the fair value if the agreements were terminated.

The swap agreements are subject to termination in the event of default or if the ratings assigned to either the District's or the counterparty's unenhanced long-term debt obligations are withdrawn or reduced to BBB- by S&P or Baa3 by Moody's. At August 31, 2017, the credit rating assigned to JP Morgan Chase Bank, N.A. is A+ by S&P and Aa3 by Moody's, while the credit rating assigned to Bank of America, N.A. is A1 by S&P and Aa3 by Moody's.

Remarketing and Rollover Risk

The 2015-C Bonds will bear interest initially at the rate of 67% of one-month LIBOR plus 55 basis points from March 18, 2015 through and including August 14, 2019. The bonds do not require a liquidity agent or a remarketing agent for that time period and therefore the District is not exposed to remarketing risk during the initial rate period.

Thereafter, the bonds will bear interest at a LIBOR rate determined by a remarketing agent to be selected by the District before the end of the initial rate period. In the event the remarketing agent at the conversion date cannot remarket the bonds, the District does not have any obligation to purchase the bonds at that time. In this event, the bonds that have been unsuccessfully remarketed will bear interest at a rate of eight percent.

The District's 2015-C Bonds and swaps have matching notional maturity dates of August 15, 2036; therefore, the District is not exposed to rollover risk at this time.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 9 – LONG-TERM DEBT (continued)

Interest Rate Swap Agreements (continued)

Swap Payments and Associated Debt

As of August 31, 2017 the following are debt service requirements assuming current interest rates during the initial rate period, and rates returning to pre-refunding rates thereafter.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest*</u>	<u>Total</u>
2018	\$	\$ 5,140,500	\$ 5,140,500
2019	2,500,000	5,140,500	7,640,500
2020	4,550,000	5,401,805	9,951,805
2021	4,750,000	5,169,073	9,919,073
2022	4,960,000	4,948,440	9,908,440
2023-2027	28,400,000	20,949,234	49,349,234
2028-2032	35,380,000	13,502,757	48,882,757
2033-2036	34,460,000	4,219,188	38,679,188
Total	<u>\$ 115,000,000</u>	<u>\$ 64,471,497</u>	<u>\$ 179,471,497</u>

*Initial rate period (through August 14, 2019) budgeted at 4.47%. Assumes 3.92% synthetic fixed rate and .55% constant. Variable rate payments and receipts negate as they are based on the same index and percentage.

Thereafter (August 15, 2019 through August 15, 2036) budgeted at 4.795%. Assumes 3.92% synthetic fixed rate, .40% liquidity fees, .35% budgeted reserve, and .125% remarketing fees.

Accreted Interest on Premium Capital Appreciation Bonds

A portion of the Series 2005 and 2007 refunding bonds are capital appreciation bonds. These obligations have a principal value of \$96,790 and a maturity value of \$3,000,000. The interest on these obligations will be paid upon maturity in the fiscal year ending August 31, 2018. The accreted value of these bonds at August 31, 2017 is \$2,931,846 including accreted interest on these bonds of \$2,835,055, which is reflected in the accompanying general long-term debt accounts.

Current Year Refunding

In December 2016 the District issued \$11,510,000 in Limited Tax Refunding Bonds, Series 2016-C. This refunding was treated as a current refunding. The refunding bonds have an average interest rate of 5.00% and were issued to refund outstanding Series 2008-B Bonds with an average interest rate of 4.15%. This refunding reduced the District's total debt service payment by \$588,553 for an economic gain of \$529,002 (difference between the present values of the debt service payments on the old and new debt). The deferred charge on this refunding is \$404,178 and is being amortized over 7 years. The escrow proceeds of \$12,435,636 were recorded as debt service expenditures and not other financing uses since the refunding date is within 90 days of the call date of the defeased bonds.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 9 – LONG-TERM DEBT (continued)

Current Year Refunding (continued)

Also in December 2016 the District issued \$152,315,000 in Unlimited Tax Refunding Bonds, Series 2016-D. This refunding was treated as a current refunding. The refunding bonds have an average interest rate of 4.78% and were issued to refund \$171,925,000 of portions of outstanding Series 2007-B and Series 2008-A bonds with an average interest rate of 4.52%. This refunding reduced the District's total debt service payment by \$25,147,944 for an economic gain of \$19,480,057 (difference between the present values of the debt service payments on the old and new debt). The deferred charge on this refunding is \$6,309,521 and is being amortized over 15 years. The escrow proceeds of \$175,723,176 were recorded as debt service expenditures and not other financing uses since the refunding date is within 90 days of the call date of the defeased bonds.

Prior Year Advanced Refunding of General Long-Term Debt

In prior years the District defeased certain outstanding School Building and Refunding 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 respective trust account assets and the liability for the defeased bonds are not included in the District's Financial Statements. At August 31, 2017 approximately \$57.2 million previously refunded bonds outstanding are considered defeased.

Current Year Redemption of General Long-Term Debt

In 2017, the District paid off \$25,275,000 of outstanding bonds consisting of \$3,800,000 of the Series 2007-C Limited Tax Refunding Bonds, and \$21,475,000 of the Series 2012-B Variable Rate Unlimited Tax Refunding Bonds. The Series 2007-C Bonds were scheduled to mature in fiscal year ending 2022 and the Series 2012-B Bonds were scheduled to mature in fiscal years ending 2025 through 2028.

The payment of these bonds in 2017 resulted in gross interest savings of \$10,514,875.

Build America Bonds

In February 2009, as part of the American Recovery and Reinvestment Act of 2009, Congress added Sections 54AA and 6431 to the Internal Revenue Code of 1986, which permit state and local governments to obtain certain tax advantages when issuing taxable obligations that meet certain requirements of the Code and the related Treasury regulations. Such obligations are referred to as Build America Bonds (BABs).

In December 2010, the District issued Series 2010-D Bonds in the amount of \$155,000,000 under the BABs program. Under this program, the District receives semi-annual subsidies equal to 35% of the interest it pays on the bonds. The subsidy payments received by the District will not be pledged as security for the payment of the Series 2010-D Bonds and no holder of the Series 2010-D Bonds will be entitled to a tax credit or any subsidy payment with respect to the Series 2010-D Bonds. The District intends to use the subsidy payments for any lawful purpose, which may include payment of principal and interest on the Series 2010-D Bonds. In the fiscal year ended August 31, 2017 the District received \$3,014,561 in such subsidies. This includes a reduction of the 2016-17 subsidy payments by 6.9% due to federal sequestration. The amount received was recorded as federal revenue in the General Fund and, at the discretion of the District, was transferred to the Debt Service Fund. The sequestration reduction percentage for 2018 has been set at 6.6%.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 10 – COMMITMENT TO FINANCE MULTI-PURPOSE COMPLEX THROUGH PARTICIPATION IN TAX INCREMENT REINVESTMENT ZONE AGREEMENTS

Under a series of agreements, the District agreed to provide funding to finance \$25,590,000 of tax-exempt bonds issued in September 2002 by the Katy Development Authority (KDA). The Bonds are legally described as The Katy Development Authority Tax Increment Contract Revenue Bonds (Katy ISD Contract), Series 2002. The Bonds were issued pursuant to the terms and conditions of a Bond Resolution approved by the KDA Board. The issuance of the bonds was approved by the Zone Board and the City Council of the City of Katy (City). In June 2012 the KDA refunded the \$18,800,000 outstanding Series 2002 Bonds by issuing Series 2012 Refunding Bonds in the amount of \$17,360,000.

Capital Lease Arrangement

The arrangements under the series of agreements constitute a capital lease arrangement for the District in constructing a multi-purpose complex and this arrangement is not altered by the refunding. The District recorded a capital lease obligation and a related asset in the approximate amount of the original bonds. Total assets under capital lease at August 31, 2017 were \$23,017,773. Of that amount \$22,364,926 is classified as Buildings and Improvements, \$480,341 as Furniture and Equipment and \$172,506 as Land Improvements.

The bond proceeds were used to construct a multi-purpose complex for large District functions. It is also available for rent by outside entities. Although the KDA legally owns the multi-purpose center, the agreements provide that the District lease, construct, and control the use of this facility during the life of the bonds issued to construct it. Ownership of the multi-purpose complex will revert to the District once the bonds are retired. District collected tax increments from the General Fund will be used to pay the debt during this term through a lease arrangement between the District and the KDA. No rent paid to the District for use of the multi-purpose complex will be pledged as security for the bonds.

Pursuant to an Amended and Restated Interlocal Agreement between the City and the District (the Interlocal Agreement), the District has agreed to pay to the City for deposit to a special account of the Tax Increment Fund established for the Zone (the Tax Increment Fund) certain of its tax collections resulting from its taxation of the increase, if any, in the appraised value of real property located in the Zone since the designated base year of 1997 (the District Tax Increments). The City, the KDA, and the Zone have entered into an agreement (the Tri-Party Agreement) which sets forth, among other things, the agreement of the City on behalf of itself and the Zone, to pay to the KDA the District Tax Increments. Once debt service on the bonds for the current bond year has been deposited and the applicable fees have been paid, the District may use any surplus as specified in the Interlocal Agreement.

The KDA has pledged to the payment of the bonds all of its rights to the District Tax Increments and all of its rights in the project and project site.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 10 – COMMITMENT TO FINANCE MULTI-PURPOSE COMPLEX THROUGH PARTICIPATION IN TAX INCREMENT REINVESTMENT ZONE AGREEMENTS (continued)

Capital Lease Arrangement (continued)

Significant aspects of the bonds/capital lease obligation of the District as of August 31, 2017 are shown below:

Series	Amount Outstanding	Interest Rates	Maturity Date Serially, Beginning/Ending	Interest Payment Dates	Callable Dates
2012	\$ 11,435,000	2.88%	5/15/18 to 5/15/25	May 15/ November 15	2017* 2020**

*Bonds maturing on or after May 15, 2017 through May 15, 2020 are subject to redemption at a price of 102% of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

**Bonds maturing on or after May 15, 2021 are subject to redemption in whole, or from time to time in part, at the option of KDA prior to their maturity dates on May 15, 2020 or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

The debt service requirements on the bonds/capital lease obligation of the District are as follows:

Fiscal Year Ended August 31,	Principal	Interest	Annual Debt Service
2018	\$ 1,290,000	\$ 329,328	\$ 1,619,328
2019	1,325,000	292,176	1,617,176
2020	1,365,000	254,016	1,619,016
2021	1,405,000	214,704	1,619,704
2022	1,445,000	174,240	1,619,240
2023	1,490,000	132,624	1,622,624
2024	1,535,000	89,712	1,624,712
2025	1,580,000	45,504	1,625,504
Total	11,435,000	1,532,304	12,967,304
Less: Current Portion	1,290,000	329,328	1,619,328
Long Term Lease	\$ 10,145,000	\$ 1,202,976	\$ 11,347,976

The average annual calendar debt service on the bonds is \$1,620,913 through maturity. The maximum annual calendar debt service on the bonds is \$1,625,504 through maturity.

Through the fiscal year ended August 31, 2017, the District has paid \$43,372,800 in collected tax increments and state revenues to the KDA. The District will pay additional tax increments of \$2,355,425 collected in fiscal 2016-17 and state revenues of \$1,052,477 to the KDA in fiscal 2017-18, and these amounts have been included as a liability in these financial statements. The District estimates that it will collect an additional \$3,644,987 in tax increments and state revenues in fiscal 2017-18 to be paid to the KDA in the 2018-19 fiscal year. The tax increment base value is \$4,397,510 and the certified taxable value in the Zone for the 2017 tax year is \$228,016,361. The District has received \$12,915,021 in tax collections in excess of bond payment requirements and related expenses. These proceeds have been placed in a special revenue fund to be used within the TIRZ at the discretion of the District.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 10 – COMMITMENT TO FINANCE MULTI-PURPOSE COMPLEX THROUGH PARTICIPATION IN TAX INCREMENT REINVESTMENT ZONE AGREEMENTS (continued)

Other Significant Information

The KDA, a public not-for-profit local government corporation, was authorized to be established by the City of Katy, Texas in 1998, to aid, assist, and act on behalf of the City in the performance of the City's governmental functions and to provide a means of financing certain project costs in connection with Reinvestment Zone Number One, City of Katy, Texas (the Zone). The KDA is governed by a board of directors (the Board), whose voting members are appointed by the City. KDA is the administrator of the Zone. The KDA is considered a discretely presented component unit of the City in accordance with accounting principles generally accepted in the United States of America applicable to state and local governments.

The Zone was created by the City Council of the City, pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the TIF Act), to facilitate development of the land within the boundaries of the Zone, consisting of land located entirely within the City and Fort Bend County (the County). The majority of the Zone, consisting of 479 acres, is bounded by Interstate 10 on the north, Pin Oak Village and Falcon Point on the south, Katy Fort Bend Road on the east, and Pin Oak Road on the west. An interchange on Interstate provides direct access to the Zone. The remainder of the property in the Zone is located north of Interstate 10 and is owned by the District.

The ordinance of the City establishing the Zone also established a board of directors of the Zone (the Zone Board). The Board of Directors of the Zone consists of nine persons: five appointed by the City, one appointed by the County, one appointed by the District, one appointed by the state senator in whose district the Zone is located, and one appointed by the state representative in whose district the Zone is located.

As required under the TIF Act, the Zone Board adopted, and the City Council of the City approved, a Project Plan and Reinvestment Zone Financing Plan, which has been amended (as amended, the Plan). The Plan sets out the public improvements needed to develop or induce development within the Zone (the Public Improvements). The cost of the Public Improvements, the cost of creation of the Zone, and related organizational costs (the Project Costs) constitute eligible project costs under the TIF Act, which may be financed with proceeds of the bonds.

NOTE 11 – UNEARNED REVENUES AND DEFERRED INFLOWS OF RESOURCES

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Government funds also record unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources and unearned revenue at August 31, 2017 reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Deferred Inflows of Resources		
Net Property Taxes Receivable (General Fund)	\$ 7,091,973	\$
Net Property Taxes Receivable (Debt Service Fund)	2,451,345	
School Health and Related Services	6,444,797	
Unearned Revenue		
Proceeds-Expenditure		
Driven State Grants (Special Revenue Fund)		296,641
Revenues Received Prior to Meeting all		
Expenditure Requirements (General Fund)		106,864
Total	<u>\$ 15,988,115</u>	<u>\$ 403,505</u>

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 12 – FUND EQUITY

Nonspendable, Restricted, Committed and Assigned Fund Balance

A summary of nonspendable, restricted, committed and assigned fund balance at August 31, 2017 is as follows:

Fund Balances:	General	Debt Service	Capital Projects	Special Revenue
Nonspendable:				
Inventory	\$ 1,332,832	\$	\$	\$ 331,544
Prepaid Items	616,065			
Total Nonspendable	<u>\$ 1,948,897</u>	<u>\$</u>	<u>\$</u>	<u>\$ 331,544</u>
Restricted for:				
Long-Term Debt	\$	\$ 54,341,954	\$	\$
Capital Acquisitions and Contracts			154,713,832	
Food Services				4,871,553
Tax Increment Reinvestment Zone				6,832,890
Other Grant Programs				517,766
Total Restricted	<u>\$</u>	<u>\$ 54,341,954</u>	<u>\$ 154,713,832</u>	<u>\$ 12,222,209</u>
Committed to:				
Self Funded Insurance	\$ 5,000,000	\$	\$	\$
Campus Activity Funds				5,576,420
Total Committed	<u>\$ 5,000,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 5,576,420</u>
Assigned to:				
Maintain Debt Service Rate	\$ 3,850,000	\$	\$	\$
Economic Stabilization	14,000,000			
Opening Additional Schools	3,714,404			
Self Funded Insurance-Stop Loss	1,000,000			
New Elementary Construction	16,179,917			
Capital Expenditures for Equipment	5,000,000			
Other Assignments-Encumbrances	1,518,503			
Total Assigned	<u>\$ 45,262,824</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

NOTE 13 – REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General	Debt Service	Capital Projects	Special Revenue	Total
Property Taxes	\$ 398,147,652	\$ 137,890,803	\$	\$	\$ 536,038,455
Penalties, Interest, and					
Other Tax Related Income	1,940,548	664,310			2,604,858
Summer School, Tuition and Fees	2,111,922				2,111,922
Investment Income	1,773,966	621,215	1,115,879	80,706	3,591,766
Food Sales				16,452,492	16,452,492
Cocurricular Student Activities	1,486,138				1,486,138
Facility Rental	2,531,186				2,531,186
Other	2,070,700	47,111		9,939,648	12,057,459
Total	<u>\$ 410,062,112</u>	<u>\$ 139,223,439</u>	<u>\$ 1,115,879</u>	<u>\$ 26,472,846</u>	<u>\$ 576,874,276</u>

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 14 – GENERAL FUND FEDERAL PROGRAM REVENUES

For purposes of regulatory requirements of the Texas Education Agency, a summary of federal program revenues received in the General Fund for the year ended August 31, 2017 follows:

Program or Source	CFDA Number	Amount
Naval Junior Reserve Officers Training Program	n/a	\$ 73,449
SHARS	93.778	7,247,495
E-Rate School and Libraries Universal Support	n/a	154,133
Build America Bonds Subsidy	n/a	3,014,561
Indirect Costs		
National School Breakfast Program	10.553	198,941
National School Lunch Program	10.555	1,027,598
ESEA Title I, Part A - Improving Basic Programs	84.010A	78,591
IDEA Part B - Formula	84.027A	130,043
IDEA Part B - Preschool	84.173A	1,569
Carl D. Perkins, Title I, Part C	84.048A	5,374
ESEA Title II, Part A - Teacher & Principal	84.367A	6,767
ESEA Title III, Part A	84.365A	23,511
Early Childhood Intervention	Various	17,749
IDEA Part B - Deaf	84.027A	1,395
Total		\$ 11,981,176

NOTE 15 – RETIREMENT PLAN

Retirement Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 15 – RETIREMENT PLAN (continued)

Retirement Plan (continued)

Benefit Provisions

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

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

	<u>Measurement Year (2016)</u>	<u>Fiscal Year (2017)</u>
	<u>Contributions Required and Made</u>	<u>TRS Contributions</u>
Member (Employee) Contributions	\$ 32,602,050	\$ 36,618,429
Non-employer contributing agency (State) Contributions	24,247,063	24,884,418
District Contributions	12,454,547	13,273,105

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 15 – RETIREMENT PLAN (continued)

Retirement Plan (continued)

Contributions Required and Made (continued)

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

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

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

Actuarial Assumptions

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 15 – RETIREMENT PLAN (continued)

Retirement Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	(0.2%)	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 15 – RETIREMENT PLAN (continued)

Retirement Plan (continued)

Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease 7%	Current Rate 8%	1% Increase 9%
District's proportional share of the net pension liability	\$ 229,252,326	\$ 148,128,053	\$ 79,318,269

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

At August 31, 2017, the District reported a liability of \$148,128,053 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 148,128,053
State's proportionate share that is associated with the District	287,808,897
Total	<u>\$ 435,936,950</u>

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

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.39% which was an decrease of 0.01% from its proportion measured as of August 31, 2015.

Changes since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2017, the District recognized pension expense of \$25,237,062 and revenue of \$29,867,701 for support provided by the State.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 15 – RETIREMENT PLAN (continued)

Retirement Plan (continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,322,620	\$ (4,423,018)
Changes of assumptions	4,514,677	(4,105,913)
Net difference between projected and actual earnings on pension plan investments	28,544,478	(16,001,300)
Changes in proportion and differences between District contributions and proportionate share of contributions	36,330,597	(10,684)
District contributions subsequent to the measurement date	13,273,105	
Total	<u>\$ 84,985,477</u>	<u>\$ (24,540,915)</u>

The \$13,273,105 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2017. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31	Amount
2018	(8,442,882)
2019	(8,442,882)
2020	(16,443,532)
2021	(7,828,137)
2022	(5,290,755)
Thereafter	(723,269)
	<u>\$ (47,171,457)</u>

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 15 – RETIREMENT PLAN (continued)

Retiree Health Plan

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas contribution rates were 1.0% for 2015-2017. Active public school employee contribution rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016, and 2015. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1.00%. The District contributed 100% of the annual required contribution for fiscal year 2017, 2016, and 2015.

Contributions made by the state, District, and active employees for the years ended August 31, 2017, 2016, and 2015 to TRS-Care are as follows:

Fiscal Year	State TRS-Care Contributions Made on Behalf of the District	District Required Contributions to TRS-Care	Active Employees' Contributions to TRS-Care
2015	\$ 4,037,282	\$ 2,493,897	\$ 2,771,320
2016	4,370,300	2,648,206	2,943,247
2017	4,578,181	2,812,442	3,091,893

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 15 – RETIREMENT PLAN (continued)

Retiree Health Plan (continued)

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on-behalf of the District were \$1,419,158, \$1,748,997, and \$1,815,965, respectively. The contributions made on behalf of the District have been recorded in the financial statements of the District as both revenue and payroll expenditure.

Compensated Absences

The District pays one-half of the locally accumulated sick leave days up to a maximum of 90 accumulated days to employees who retire with five or more years of continuous employment in the District and who retire from the state Teacher Retirement System. The majority of the payments are administered through Public Agency Retirement Services (PARS). During 2017, \$956,570 was disbursed to 92 members. No assets are being held or accumulated for future distribution. The District has accrued \$23,847,610 in the Government-wide Financial Statements to pay for compensated absences.

NOTE 16 – RISK MANAGEMENT

The District is exposed to various risks related to torts: theft of, damage to and destruction of assets, errors and omissions, natural disasters, health and welfare of employees for which the District carries commercial insurance or self-insures. No settlements have exceeded insurance coverage in the last three years.

Property, Casualty, General Liability, Professional Liability, and Unemployment

The District purchases commercial insurance for property loss with limits of \$250 million, \$25 million for named windstorms. The policy covers up to \$25 million per year for flood losses. In addition, the policy covers \$1 million for the one property currently in a flood plain. The District purchases an additional \$0.5 million building and \$0.5 million contents in flood protection for this facility. Casualty risks are insured by a risk pool through an Interlocal agreement with Texas Association of School Boards (TASB), with limits of \$1 million per occurrence and \$3 million aggregate for commercial general liability and a \$0.5 million combined single limit automobile policy. Professional liability risks are insured with limits of \$1 million. Within these policy limits, the District's exposure is limited to deductibles.

In addition to purchasing insurance for property, casualty, and liability risks, the District is a member of the Texas Association of School Boards Property/Casualty Joint Account, a public entity risk pool. The District uses the risk pool for its unemployment insurance coverage. The District's participation in the risk pool is limited to payment premiums for its unemployment coverage. The risk pool is fully funded through annual premiums, and excess loss policies are purchased by the pool as considered necessary. Settled claims have not exceeded insurance coverage in any of the previous three fiscal years.

There has not been any significant reduction in insurance coverage from that of the previous year.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 16 – RISK MANAGEMENT (continued)

Health Insurance

Effective January 1, 2004, the District established a partially self-insured program for health insurance coverage. Contributions are paid from all governmental funds to the Health Insurance Internal Service Fund from which all claims and administrative expenses are paid. Claims administration and consulting services are provided to the District through a third party administrator.

An accrual for incurred but not reported claims in the amount of \$1.9 million has been recorded in the fund as of August 31, 2017. Claims payable, including an estimate of claims incurred but not reported, was actuarially determined based on an estimate of the remaining liability of known claims.

At August 31, 2017, the fund had net position of \$11,022,992. Because of past history and the method of calculation, the District considers all claims to be current liabilities. Changes in incurred but not paid claims liability for the fiscal years ended August 31, 2017 and 2016 are as follows:

	Health Insurance	
	2017	2016
Beginning Accrual	\$ 867,813	\$ 1,608,679
Current Estimates	50,781,715	42,137,708
Payments for Claims	(49,766,541)	(42,878,574)
Ending Accrual	<u>\$ 1,882,987</u>	<u>\$ 867,813</u>

Workers' Compensation

The District established a limited risk management program for Workers' Compensation in 1992 by setting up the Workers' Compensation Internal Service Fund to account for its insured and self-insured risk of loss.

The Internal Service Fund charges the General Fund and Special Revenue Funds on the basis of payroll incurred by each fund in order to provide for Workers' Compensation claims of District employees. The ending retained earnings balance in the Internal Service Fund has been accumulated by the District's management to reserve for losses which may be incurred under its partially self-insured plan. The Internal Service Fund services all claims for risk of loss to which the District is exposed.

Workers' Compensation liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but were not reported until after August 31, 2017. Because of past history, the District considers all claims to be current liabilities. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements and impairment benefits, the process used in computing claims liability results in an estimate. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Claims liability activities for 2017 compared to 2016 are as follows:

	Workers' Compensation	
	2017	2016
Beginning Accrual	\$ 44,150	\$ 40,755
Current Estimates	1,046,060	928,119
Payments for Claims	(1,062,250)	(924,724)
Ending Accrual	<u>\$ 27,960</u>	<u>\$ 44,150</u>

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 16 – RISK MANAGEMENT (continued)

Workers' Compensation (continued)

At August 31, 2017, the District had \$3.1 million in cash available for payment of Workers' Compensation claims. The District has also purchased an excess Workers' Compensation policy for coverage relating to excessive Workers' Compensation claims. The District has a \$550,000 Self-Insured Retention (SIR) per any one occurrence. The policy has an obligation to pay all costs required by the Texas Workers' Compensation Act in excess of the District's SIR for each workers' compensation occurrence.

NOTE 17 – ARBITRAGE

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of 1) the amount earned on investments purchased with bond proceeds over 2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. The District has not recorded a liability for arbitrage as of August 31, 2017. In management's opinion, the arbitrage liability, if any, would be immaterial to the financial statements as of August 31, 2017.

NOTE 18 – JOINT VENTURE SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for a Shared Service Arrangement (SSA) which provides services for deaf students of the District, Bellville ISD, Brazos ISD, Royal ISD and Sealy ISD. All services are provided by the fiscal agent, and funds are received directly by the fiscal agent from the granting agency. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in the appropriate Special Revenue Fund Program and has accounted for these funds using Model 2 in the SSA section of the Resource Guide. Expenditures as of August 31, 2017 of the SSA are summarized below:

	<u>Katy ISD</u>	<u>Bellville ISD</u>	<u>Brazos ISD</u>	<u>Royal ISD</u>	<u>Sealy ISD</u>
IDEA-B Discretionary, Deaf	\$ 87,814	\$ 5,629	\$ 1,126	\$ 3,377	\$ 6,755
IDEA-C Early Intervention	2,405	154	31	93	185
Regional Day School For the Deaf	542,139	34,752	6,951	20,852	41,703
Local Share, Deaf	228,186	14,457	2,891	8,674	17,349
	<u>\$ 860,544</u>	<u>\$ 54,992</u>	<u>\$ 10,999</u>	<u>\$ 32,996</u>	<u>\$ 65,992</u>

The District also participates in a Shared Service Arrangement for deaf education services with seven other school districts. Approximately 2% of the students served by the Shared Service Arrangement are attributable to the District. The District does not account for revenues or expenditures of this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Cypress-Fairbanks ISD, nor does the District have a net equity interest in the fiscal agent.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 18 – JOINT VENTURE SHARED SERVICE ARRANGEMENTS (continued)

The fiscal agent is neither accumulating significant financial resources nor fiscal contingencies that would give rise to a future additional benefit or burden to Katy ISD. The fiscal agent manager is responsible for all financial activities of the Shared Services Arrangement. Presented below are the revenues and expenditures as of August 31, 2017 attributable to the District's participation.

Revenues:	
Local Revenue	\$ 28,085
State Revenue	45,705
Total Revenues	<u>\$ 73,790</u>
Expenditures:	
Payroll Costs	\$ 73,605
Contract Services	57
Supplies	4
Other Operating Expenditures	124
Total Expenditures	<u>\$ 73,790</u>

NOTE 19 – LITIGATION AND CONTINGENCIES

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. In the best judgment of the District's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

NOTE 20 – TAX ABATEMENTS

The District had one Chapter 313 Agreement with Weatherford Artificial Lift Systems, Inc. for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for the value limitation agreement, the applicant is required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the project. The application, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website: <https://comptroller.texas.gov/economy/local/ch313/agreement-docs.php>. The agreement and all supporting documentation was assigned a Texas Comptroller Application number.

Weatherford Artificial Lift Systems, Inc.'s (Application 233) first year's value limitation was tax year 2015. The net benefit to the District is \$21,229 for the 2016-2017 school year. The project's value limitation is \$30,000,000, with a total project value of \$45,277,850. The applicant's M&O taxes have been reduced by \$212,288 for fiscal year 2017.

KATY INDEPENDENT SCHOOL DISTRICT

NOTE 20 – TAX ABATEMENTS (continued)

The District also has one active Foreign Trade Zone Agreement with Kobelco Construction Machinery Co. Ltd. Foreign Trade Zones in the State of Texas can access an ad valorem property tax exemption under Federal Law at 19 USC 81 O (e). The exempted value in the zone for 2016-2017 year is \$12,078,776, resulting in the applicant's taxes being reduced by \$183,187. State funding formulas will hold the District harmless for \$1.00 of the District's \$1.5166 tax rate and Kobelco reimbursed the District for lost tax revenues on the remaining \$0.5166 tax rate in the amount of \$62,399.

NOTE 21 – HURRICANE HARVEY

On August 25, 2017, Hurricane Harvey made landfall on the Texas coast before stalling over the Houston-Galveston area and producing significant flooding. As a result, District officials cancelled classes from August 25 through September 8, 2017. Many residences and commercial properties sustained damage due to flooding. The Texas Education Agency notified districts in the disaster declared areas that they are eligible to apply for missed school day waivers for the time period that the District cancelled classes. The district has applied for and received the waiver.

The District did experience damage to some facilities which did not have a substantial negative effect on the operation of the District. However, damage to the Education Support Center/Leonard Merrell Center (ESC/LMC) and Creech Elementary School was more extensive due to flooding. The remediation and restoration of the ESC/LMC facility is anticipated to be substantially complete by early 2018, while Creech Elementary is not projected to reopen until the 2018-2019 school year. Creech Elementary students are temporarily located at alternative site for school year 2017-2018.

The District has recorded an impairment to the ESC/LMC facility and Creech Elementary in the amount of \$2,460,139 and \$1,477,780, respectively.

On August 25, 2017, the President of the United States issued a major disaster declaration, which was later amended and includes all three counties in which the District is located; Harris, Fort Bend, and Waller Counties. This declaration made federal assistance available including direct federal assistance under the Public Assistance Program. The District expects to utilize its general fund balance to initially cover Hurricane Harvey related expenses and to seek reimbursement from the Federal Emergency Management Agency (FEMA) for eligible disaster-related expenses. The District also intends to file insurance claims to cover eligible losses at sites that sustained damage. The District's insurance policies generally carry a windstorm deductible at each site.

The District has authorized the appraisal districts of the three counties in which it is located to reappraise damaged properties, but will not know the full extent of damages and the resulting affect to property values until sometime in 2018.

NOTE 22 – SUBSEQUENT EVENTS

On November 7, 2017, voters authorized \$609,200,000 of General Obligation Bonds to provide funding for the construction of new facilities, the renovation of existing facilities, and the purchase of land sites, buses, furniture, equipment, and technology.

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Required Supplementary Information



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KATY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ORIGINAL BUDGET, AMENDED FINAL, AND ACTUAL – GENERAL FUND
YEAR ENDED AUGUST 31, 2017
with comparative actual balances for the Year Ended August 31, 2016

Data Control Codes		2017	
		Budgeted Amounts	
		Original	Final
	REVENUES		
5700	Local, Intermediate, and Out-of-State	\$ 404,886,675	\$ 410,970,271
5800	State Program Revenues	222,975,619	231,703,458
5900	Federal Program Revenues	10,672,915	11,832,881
5020	Total Revenues	<u>638,535,209</u>	<u>654,506,610</u>
	EXPENDITURES		
	Current:		
0011	Instruction	405,361,901	416,877,663
0012	Instructional Resources and Media Services	7,627,407	7,860,544
0013	Curriculum and Instructional Staff Development	9,088,999	9,003,283
0021	Instructional Leadership	5,431,883	5,505,532
0023	School Leadership	36,832,086	37,075,095
0031	Guidance, Counseling, and Evaluation Services	26,661,673	27,988,481
0033	Health Services	6,256,320	6,592,058
0034	Student Transportation	20,038,632	19,095,697
0036	Extracurricular Activities	12,594,846	12,836,820
0041	General Administration	13,251,463	12,423,324
0051	Facilities Maintenance and Operations	57,826,408	62,929,484
0052	Security and Monitoring Services	7,789,780	8,064,017
0053	Data Processing Services	12,172,827	12,282,783
0061	Community Services	512,208	731,957
0081	Facilities Acquisition and Construction	1,685,393	4,773,337
0093	Payments to Fiscal Agents SSA	484,258	425,000
0095	Payments to JJAEP	135,965	73,400
0097	Payments to Tax Increment Reinvestment Zone	3,657,356	3,432,356
0099	Other Intergovernmental Charges	4,000,000	3,861,222
6030	Total Expenditures	<u>631,409,405</u>	<u>651,832,053</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>7,125,804</u>	<u>2,674,557</u>
	OTHER FINANCING SOURCES/(USES)		
7912	Sales of Real and Personal Property		127,143
7915	Transfers In	500,000	500,000
8911	Transfers Out	(6,014,560)	(6,014,560)
7080	Total Other Financing Sources/(Uses)	<u>(5,514,560)</u>	<u>(5,387,417)</u>
1200	Net Change in Fund Balances	1,611,244	(2,712,860)
0100	Fund Balances - Beginning	197,621,018	197,621,018
3000	Fund Balances - Ending	<u>\$ 199,232,262</u>	<u>\$ 194,908,158</u>

See accompanying notes to the Required Supplementary Information

Exhibit F-1

		2016	
Actual	Variance with Final Budget Positive (Negative)	Actual	
\$ 410,062,112	\$ (908,159)	\$ 373,966,253	
230,771,888	(931,570)	258,832,435	
11,981,176	148,295	10,866,953	
652,815,176	(1,691,434)	643,665,641	
413,802,881	3,074,782	395,809,220	
7,748,941	111,603	7,692,793	
8,620,117	383,166	8,952,385	
5,318,176	187,356	5,283,888	
36,668,986	406,109	35,107,419	
27,392,247	596,234	25,632,868	
6,357,557	234,501	5,687,983	
18,193,837	901,860	17,778,671	
12,483,596	353,224	11,625,760	
11,763,796	659,528	10,999,583	
61,614,205	1,315,279	60,250,037	
7,758,996	305,021	8,192,178	
12,045,134	237,649	11,849,634	
424,303	307,654	642,314	
4,420,611	352,726	9,319,839	
315,376	109,624		
35,755	37,645	37,893	
3,407,903	24,453	3,120,641	
3,851,222	10,000	3,508,948	
642,223,639	9,608,414	621,492,054	
10,591,537	7,916,980	22,173,587	
127,143		142,628	
500,000			
(6,014,561)	(1)	(7,017,799)	
(5,387,418)	(1)	(6,875,171)	
5,204,119	7,916,979	15,298,416	
197,621,018		182,322,602	
\$ 202,825,137	\$ 7,916,979	\$ 197,621,018	

KATY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2017

Budgets and Budgetary Accounting

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the General Fund, the Child Nutrition Fund and the Debt Service Fund for the fiscal year beginning September 1. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The Budgets are prepared on a basis of accounting that is used for reporting in accordance with Generally Accepted Accounting Principles.

The District annually adopts legally authorized appropriated budgets for the General Fund, Debt Service Fund, and Child Nutrition Program.

The District's administration performs budget reviews during the year by which budget requirements are re-evaluated and revisions recommended to the Board. The Board may approve amendments to the budget, which are required when a change is made to any one of the functional expenditure categories or revenue object accounts defined by the TEA. Expenditures may not legally exceed budgeted appropriations, as amended, at the function level by fund. Unexpended appropriations lapse at year-end.

The following procedures were followed in establishing the budgetary data reflected in the Fund Financial Statements:

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 adopted 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 before the fact, are 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.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are amended by the Board. All budget appropriations lapse at year end.

During the fiscal year ended August 31, 2017 the District did not have any expenditures over appropriations on all required legally adopted budgets.

KATY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM
FOR THE LAST THREE MEASUREMENT YEARS ENDED AUGUST 31

Exhibit F-2

	<u>2014</u>	<u>2015</u>	<u>2016</u>
District's Proportion of the Net Pension Liability	0.23%	0.40%	0.39%
District's Proportionate Share of Net Pension Liability	\$ 61,442,566	\$ 141,271,770	\$ 148,128,053
State's Proportionate Share of the Net Pension Liability associated with the District	<u>217,114,716</u>	<u>267,896,675</u>	<u>287,808,897</u>
Total	<u>\$ 278,557,282</u>	<u>\$ 409,168,445</u>	<u>\$ 435,936,950</u>
District's Covered-Employee Payroll	\$ 384,948,688	\$ 426,358,194	\$ 452,806,263
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	15.96%	33.13%	32.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%	78.43%	78.00%
Plan's Net Pension Liability as a Percentage of Covered-Employee Payroll	72.89%	91.94%	92.75%

The amounts presented are for each Plan year which ends the preceding August 31 of the District's fiscal year.

Ten years of data should be presented in this schedule, however data is unavailable prior to 2014. Net pension liability and related ratios will be presented prospectively as data becomes available.

KATY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM
FOR THE LAST TEN YEARS ENDED AUGUST 31

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Contractually Required Contribution	\$ 2,079,444	\$ 4,051,357	\$ 4,397,046	\$ 4,731,099
Contribution in Relation to the Contractually Required Contribution	<u>2,079,444</u>	<u>4,051,357</u>	<u>4,397,046</u>	<u>4,731,099</u>
Contribution Deficiency (Excess)	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>
District's Covered-Employee Payroll	\$ 288,477,796	\$ 314,245,274	\$ 331,937,388	\$ 355,508,558
Contributions as a Percentage of Covered-Employee Payroll	0.72%	1.29%	1.32%	1.33%

Exhibit F-3

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 3,783,874	\$ 4,751,427	\$ 5,831,753	\$ 11,839,803	\$ 12,454,547	\$ 13,273,105
<u>3,783,874</u>	<u>4,751,427</u>	<u>5,831,753</u>	<u>11,839,803</u>	<u>12,454,547</u>	<u>13,273,105</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$ 328,345,312	\$ 352,558,343	\$ 384,948,688	\$ 426,358,194	\$ 452,806,263	\$ 475,674,264
1.15%	1.35%	1.51%	2.78%	2.75%	2.79%

KATY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2017

Effective September 1, 2014, employers who did not contribute Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan. Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

Changes in Assumptions

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

Changes in Benefit Terms

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

Other Supplementary Information



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**COMPARATIVE STATEMENTS, COMBINING SCHEDULES
AND BUDGET COMPARISONS**

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GENERAL FUND

The General Fund is used to account for all financial transactions not properly included in other funds. The principal sources of revenues include local property taxes, state reimbursement for professional salaries and other operating expenditures, and earnings on investments. Expenditures include all costs associated with the daily operations of the schools.

**KATY INDEPENDENT SCHOOL DISTRICT
COMPARATIVE BALANCE SHEET
GENERAL FUND
AUGUST 31, 2017**

Exhibit G-1

Data Control Codes		August 31, 2017	August 31, 2016
	ASSETS		
1110	Cash and Cash Equivalents	\$ 221,296,786	\$ 214,635,014
	Receivables:		
1225	Property Taxes Receivable (net)	7,091,973	6,759,824
1240	Due from Other Governments	11,659,603	12,005,401
1260	Due from Other Funds	22,359,661	6,169,878
1290	Other Receivables	471,148	1,117,531
1300	Inventories, at Cost	1,332,832	1,152,132
1410	Prepaid Items	616,065	530,257
1000	Total Assets	\$ 264,828,068	\$ 242,370,037
	LIABILITIES		
	Current Liabilities:		
2110	Accounts Payable	\$ 13,922,853	\$ 10,711,166
2150	Payroll Withholding Payable	5,073,693	4,607,221
2160	Accrued Wages Payable	25,423,894	12,892,956
2170	Due to Other Funds		501,039
2180	Due to Other Governments	3,408,253	3,120,641
2200	Accrued Expenditures	530,604	557,846
2300	Unearned Revenue	106,864	87,153
2000	Total Liabilities	48,466,161	32,478,022
	DEFERRED INFLOWS OF RESOURCES		
2600	Unavailable Revenue - Property Taxes	7,091,973	6,759,824
2600	Unavailable Revenue - SHARS	6,444,797	5,511,173
2600	Total Deferred Inflows or Resources	13,536,770	12,270,997
	FUND BALANCE		
	Fund Balances:		
3410/30	Nonspendable	1,948,897	1,682,389
3540	Committed	5,000,000	5,000,000
3580	Assigned	45,262,824	59,718,583
3600	Unassigned	150,613,416	131,220,046
3000	Total Fund Balance	202,825,137	197,621,018
4000	Total Liabilities, Deferred Inflows, and Fund Balances	\$ 264,828,068	\$ 242,370,037

KATY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED AUGUST 31, 2017
with comparative actual balances for the year ended August 31, 2016

Exhibit G-2

	2017			2016
	Budget	Actual	Variance Positive (Negative)	Actual
Local Sources				
Real and Personal Property Taxes	\$ 398,458,539	\$ 397,732,774	\$ (725,765)	\$ 362,929,757
Taxes Collected on Tax Increment Zone	2,355,425	2,355,425		2,156,880
Tuition and Fees from Patrons	2,086,996	2,111,922	24,926	1,997,111
Investment Income	1,718,089	1,773,966	55,877	1,129,950
Rental Income	2,647,899	2,531,186	(116,713)	2,516,420
Athletics	1,735,537	1,486,138	(249,399)	1,880,394
Other	1,967,786	2,070,701	102,915	1,355,741
Revenues - Local Sources	<u>410,970,271</u>	<u>410,062,112</u>	<u>(908,159)</u>	<u>373,966,253</u>
State Sources				
Per Capita and Foundation	199,945,719	199,782,392	(163,327)	228,737,871
TRS On-Behalf Benefit	31,650,000	30,881,757	(768,243)	29,977,793
Other State Revenue	107,739	107,739		116,771
Revenues - State Sources	<u>231,703,458</u>	<u>230,771,888</u>	<u>(931,570)</u>	<u>258,832,435</u>
Federal Sources				
Indirect Costs - Federal Grants	1,200,536	1,491,539	291,003	1,400,835
Federal Grants	298,798	227,581	(71,217)	779,224
SHARS	7,318,987	7,247,495	(71,492)	5,669,095
Build America Bonds Subsidy	3,014,560	3,014,561	1	3,017,799
Revenues - Federal Sources	<u>11,832,881</u>	<u>11,981,176</u>	<u>148,295</u>	<u>10,866,953</u>
Total Revenues	<u>\$ 654,506,610</u>	<u>\$ 652,815,176</u>	<u>\$ (1,691,434)</u>	<u>\$ 643,665,641</u>

KATY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED AUGUST 31, 2017
with comparative actual balances for the year ended August 31, 2016

Exhibit G-3
Page 1 of 4

Function	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Instruction and Instruction-Related Services				
Instruction				
6100 Payroll Costs	\$ 399,564,432	\$ 398,064,826	\$ 1,499,606	\$ 372,230,705
6200 Purchased and Contracted Services	3,438,534	3,483,467	(44,933)	1,684,618
6300 Supplies and Materials	13,272,370	11,684,847	1,587,523	21,158,490
6400 Other Operating Expenditures	500,466	467,923	32,543	424,603
6600 Capital Outlay	101,861	101,818	43	310,804
Total Instruction	416,877,663	413,802,881	3,074,782	395,809,220
Instructional Resources and Media Services				
6100 Payroll Costs	6,934,999	6,860,959	74,040	6,368,058
6200 Purchased and Contracted Services	8,335	2,696	5,639	16,352
6300 Supplies and Materials	908,564	877,427	31,137	1,300,977
6400 Other Operating Expenditures	8,646	7,859	787	7,406
Total Instructional Resources/Media Svc.	7,860,544	7,748,941	111,603	7,692,793
Curriculum and Instructional Staff Development				
6100 Payroll Costs	7,180,197	7,015,145	165,052	7,308,793
6200 Purchased and Contracted Services	377,292	343,503	33,789	236,610
6300 Supplies and Materials	565,916	443,741	122,175	623,072
6400 Other Operating Expenditures	879,878	817,728	62,150	776,577
6600 Capital Outlay				7,333
Total Curriculum/Instr. Staff Development	9,003,283	8,620,117	383,166	8,952,385
Total Instruction and Instruction-Related Services	433,741,490	430,171,939	3,569,551	412,454,398
Instruction and School Leadership				
Instructional Leadership				
6100 Payroll Costs	5,020,108	4,924,295	95,813	4,871,370
6200 Purchased and Contracted Services	191,250	166,783	24,467	87,672
6300 Supplies and Materials	172,959	124,006	48,953	189,142
6400 Other Operating Expenditures	114,829	96,706	18,123	117,101
6600 Capital Outlay	6,386	6,386		18,603
Total Instructional Leadership	5,505,532	5,318,176	187,356	5,283,888
School Leadership				
6100 Payroll Costs	36,245,688	35,916,873	328,815	33,972,090
6200 Purchased and Contracted Services	19,934	13,542	6,392	19,405
6300 Supplies and Materials	440,431	402,893	37,538	733,978
6400 Other Operating Expenditures	369,042	335,678	33,364	381,946
Total School Leadership	37,075,095	36,668,986	406,109	35,107,419
Total Instruction and School Leadership	42,580,627	41,987,162	593,465	40,391,307

KATY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED AUGUST 31, 2017
with comparative actual balances for the year ended August 31, 2016

Exhibit G-3
Page 2 of 4

	2017			2016
	Budget	Actual	Variance Positive (Negative)	Actual
Support Services - Student				
Guidance, Counseling and Evaluation Services				
6100 Payroll Costs	\$ 25,732,793	\$ 25,405,396	\$ 327,397	\$ 23,893,964
6200 Purchased and Contracted Services	719,193	639,293	79,900	245,031
6300 Supplies and Materials	1,319,980	1,147,100	172,880	1,294,655
6400 Other Operating Expenditures	210,152	194,095	16,057	175,250
6600 Capital Outlay	6,363	6,363		23,968
Total Guidance, Counsel. and Eval. Services	27,988,481	27,392,247	596,234	25,632,868
Health Services				
6100 Payroll Costs	6,212,570	6,103,834	108,736	5,490,228
6200 Purchased and Contracted Services	189,435	106,305	83,130	24,306
6300 Supplies and Materials	166,318	130,555	35,763	152,696
6400 Other Operating Expenditures	23,735	16,863	6,872	12,983
6600 Capital Outlay				7,770
Total Health Services	6,592,058	6,357,557	234,501	5,687,983
Student Transportation				
6100 Payroll Costs	15,675,933	15,146,946	528,987	14,222,153
6200 Purchased and Contracted Services	787,497	740,717	46,780	606,991
6300 Supplies and Materials	2,390,284	2,130,025	260,259	1,957,571
6400 Other Operating Expenditures	234,583	168,749	65,834	227,399
6600 Capital Outlay	7,400	7,400		764,557
Total Student Transportation	19,095,697	18,193,837	901,860	17,778,671
Extracurricular Activities				
6100 Payroll Costs	8,297,452	8,216,269	81,183	7,458,797
6200 Purchased and Contracted Services	946,913	902,215	44,698	791,102
6300 Supplies and Materials	1,891,463	1,722,426	169,037	1,577,998
6400 Other Operating Expenditures	1,659,363	1,601,058	58,305	1,651,673
6600 Capital Outlay	41,629	41,628	1	146,190
Total Extracurricular Activities	12,836,820	12,483,596	353,224	11,625,760
Total Support Services - Student	66,513,056	64,427,237	2,085,819	60,725,282
Administrative Support Services				
General Administration				
6100 Payroll Costs	8,881,520	8,718,128	163,392	8,217,825
6200 Purchased and Contracted Services	2,277,346	1,964,428	312,918	1,702,436
6300 Supplies and Materials	365,313	335,425	29,888	344,815
6400 Other Operating Expenditures	899,145	745,815	153,330	734,507
Total Administrative Support Services	12,423,324	11,763,796	659,528	10,999,583

KATY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED AUGUST 31, 2017
with comparative actual balances for the year ended August 31, 2016

Exhibit G-3
Page 3 of 4

	2017			2016
	Budget	Actual	Variance Positive (Negative)	Actual
Support Services - Nonstudent Based				
Facilities Maintenance and Operations				
6100 Payroll Costs	\$ 30,747,736	\$ 30,273,565	\$ 474,171	\$ 29,271,724
6200 Purchased and Contracted Services	24,677,736	24,304,130	373,606	22,676,342
6300 Supplies and Materials	4,865,250	4,532,767	332,483	4,810,669
6400 Other Operating Expenditures	1,710,884	1,696,350	14,534	1,551,057
6600 Capital Outlay	927,878	807,393	120,485	1,940,245
Total Facilities Maintenance and Operations	62,929,484	61,614,205	1,315,279	60,250,037
Security and Monitoring Services				
6100 Payroll Costs	7,278,225	7,135,866	142,359	6,845,521
6200 Purchased and Contracted Services	244,899	174,801	70,098	163,977
6300 Supplies and Materials	353,210	272,910	80,300	457,816
6400 Other Operating Expenditures	46,109	25,074	21,035	49,268
6600 Capital Outlay	141,574	150,345	(8,771)	675,596
Total Security and Monitoring Services	8,064,017	7,758,996	305,021	8,192,178
Data Processing Services				
6100 Payroll Costs	8,462,404	8,355,337	107,067	8,240,956
6200 Purchased and Contracted Services	646,378	557,380	88,998	723,552
6300 Supplies and Materials	3,014,482	3,001,479	13,003	2,655,555
6400 Other Operating Expenditures	134,089	105,508	28,581	122,157
6600 Capital Outlay	25,430	25,430		107,414
Total Data Processing Services	12,282,783	12,045,134	237,649	11,849,634
Total Support Services - Nonstudent Based	83,276,284	81,418,335	1,857,949	80,291,849
Ancillary Services				
Community Services				
6100 Payroll Costs	506,637	311,444	195,193	528,578
6200 Purchased and Contracted Services	54,915	48,847	6,068	44,656
6300 Supplies and Materials	160,418	54,765	105,653	61,307
6400 Other Operating Expenditures	9,987	9,247	740	7,773
Total Ancillary Services	731,957	424,303	307,654	642,314

KATY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED AUGUST 31, 2017
with comparative actual balances for the year ended August 31, 2016

Exhibit G-3
Page 4 of 4

	2017			2016
	Budget	Actual	Variance Positive (Negative)	Actual
Capital Outlay				
Facilities Acquisition and Construction				
6100 Payroll Costs	\$ 780,434	\$ 760,142	\$ 20,292	\$ 783,050
6200 Purchased and Contracted Services				15,352
6300 Supplies and Materials	38,794	37,841	953	14,280
6400 Other Operating Expenditures	5,640	4,236	1,404	3,043
6600 Capital Outlay	3,948,469	3,618,392	330,077	8,504,114
Total Capital Outlay	4,773,337	4,420,611	352,726	9,319,839
Intergovernmental Charges				
Payments to Fiscal Agents				
6400 Other Operating Expenditures	425,000	315,376	109,624	
Payments to JJAEP				
6200 Purchased and Contracted Services	73,400	35,755	37,645	37,893
Payments to Tax Increment Reinvestment Zone				
6400 Other Operating Expenditures	3,432,356	3,407,903	24,453	3,120,641
Other Intergovernmental Charges				
6200 Purchased and Contracted Services	3,861,222	3,851,222	10,000	3,508,948
Total Intergovernmental Charges	7,791,978	7,610,256	181,722	6,667,482
6030 Total Expenditures	\$ 651,832,053	\$ 642,223,639	\$ 9,608,414	\$ 621,492,054

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DEBT SERVICE FUND

The Debt Service Fund is used to account for revenues from debt service taxes and earnings on investments which are used for payment of interest and principal on the District's bonded indebtedness.

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KATY INDEPENDENT SCHOOL DISTRICT
COMPARATIVE BALANCE SHEET
DEBT SERVICE FUND
AUGUST 31, 2017 and 2016

Exhibit H-1

Data Control Codes		August 31, 2017	August 31, 2016
	ASSETS		
1110	Cash and Cash Equivalents	\$ 53,439,097	\$ 51,871,229
	Receivables:		
1225	Property Taxes Receivable (net)	2,451,345	2,293,886
1240	Due from Other Governments	53,147	44,085
1260	Due from Other Funds	943,372	251,068
1290	Other Receivables (Net)	40,330	16,910
1000	Total Assets	<u>\$ 56,927,291</u>	<u>\$ 54,477,178</u>
	LIABILITIES		
	Current Liabilities:		
2110	Accounts Payable	\$ 133,992	\$ 91,706
2000	Total Liabilities	<u>133,992</u>	<u>91,706</u>
	DEFERRED INFLOWS OF RESOURCES		
2600	Unavailable Revenue - Property Taxes	<u>2,451,345</u>	<u>2,293,886</u>
	FUND BALANCE		
	Restricted For:		
3480	Retirement of Long-term Debt	<u>54,341,954</u>	<u>52,091,586</u>
3000	Total Fund Balance	<u>54,341,954</u>	<u>52,091,586</u>
4000	Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 56,927,291</u>	<u>\$ 54,477,178</u>

KATY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – ORIGINAL BUDGET, AMENDED FINAL, AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED AUGUST 31, 2017
with comparative actual balances for the year ended August 31, 2016

Data Control Codes		2017	
		Budgeted Amounts	
		Original	Final
	REVENUES		
5700	Local, Intermediate, and Out-of-State	\$ 137,551,974	\$ 139,440,982
5800	State Program Revenues	2,228,655	2,266,640
5020	Total Revenues	<u>139,780,629</u>	<u>141,707,622</u>
	EXPENDITURES		
	Debt Service:		
0071	Principal on Long-Term Debt	65,907,539	69,182,539
0072	Interest on Long-Term Debt	75,380,364	71,263,165
0073	Bond Issuance Costs and Fees	311,674	189,740,571
6030	Total Expenditures	<u>141,599,577</u>	<u>330,186,275</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,818,948)</u>	<u>(188,478,653)</u>
	OTHER FINANCING SOURCES/(USES)		
7901	Refunding Bonds Issued		163,825,000
7915	Transfers In	3,264,560	3,808,557
7916	Premium on Issuance of Bonds		22,754,609
8940	Payment to Bond Refunding Escrow Agent		
7080	Total Other Financing Sources/(Uses)	<u>3,264,560</u>	<u>190,388,166</u>
1200	Net Change in Fund Balance	1,445,612	1,909,513
0100	Fund Balances - Beginning	52,091,586	52,091,586
3000	Fund Balances - Ending	<u>\$ 53,537,198</u>	<u>\$ 54,001,099</u>

Exhibit H-2

		2016
Actual	Variance with Final Budget Positive (Negative)	Actual
\$ 139,223,439	\$ (217,543)	\$ 126,855,770
2,266,640		2,534,997
141,490,079	(217,543)	129,390,767
69,182,539		64,781,333
71,125,300	137,865	67,048,851
189,641,921	98,650	259,329
329,949,760	236,515	132,089,513
(188,459,681)	18,972	(2,698,746)
163,825,000		23,515,000
4,130,440	321,883	4,040,477
22,754,609		4,099,988
		(27,459,965)
190,710,049	321,883	4,195,500
2,250,368	340,855	1,496,754
52,091,586		50,594,832
\$ 54,341,954	\$ 340,855	\$ 52,091,586

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CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for proceeds from the sale of general obligation bonds and the expenditures of these funds for the construction and equipping of new school facilities, to purchase school sites, and the renovation or repair of present facilities.

KATY INDEPENDENT SCHOOL DISTRICT
COMPARATIVE BALANCE SHEET
CAPITAL PROJECTS FUND
AUGUST 31, 2017 and 2016

Exhibit I-1

Data Control Codes		August 31, 2017	August 31, 2016
	ASSETS		
1110	Cash and Cash Equivalents	\$ 232,329,414	\$ 207,281,767
	Receivables:		
1240	Due from Other Governments	657,933	
1290	Other Receivables		294,988
1000	Total Assets	<u><u>\$ 232,987,347</u></u>	<u><u>\$ 207,576,755</u></u>
	LIABILITIES		
	Current Liabilities:		
2110	Accounts Payable	\$ 54,505,491	\$ 47,189,999
2170	Due to Other Funds	<u>23,768,024</u>	<u>6,169,878</u>
2000	Total Liabilities	<u><u>78,273,515</u></u>	<u><u>53,359,877</u></u>
	FUND BALANCE		
	Restricted For:		
3470	Capital Acquisitions and Contracts	<u>154,713,832</u>	<u>154,216,878</u>
3000	Total Fund Balance	<u><u>154,713,832</u></u>	<u><u>154,216,878</u></u>
4000	Total Liabilities and Fund Balance	<u><u>\$ 232,987,347</u></u>	<u><u>\$ 207,576,755</u></u>

**KATY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
YEAR ENDED AUGUST 31, 2017 and 2016**

Exhibit I-2

Data Control Codes		August 31, 2017	August 31, 2016
	REVENUES		
5700	Local, Intermediate, and Out-of-State	\$ 1,115,879	\$ 1,022,678
5900	Federal Program Revenues	657,933	2,959,094
5020	Total Revenues	<u>1,773,812</u>	<u>3,981,772</u>
	EXPENDITURES		
0081	Facilities Acquisition and Construction:		
	Land and Improvements	9,454,995	7,584,191
	Building and Improvements	239,499,547	246,945,964
	Furniture and Equipment	44,326,437	25,445,972
	Total Facilities Acquisition and Construction	<u>293,280,979</u>	<u>279,976,127</u>
0073	Bond Issuance Cost and Fees	<u>1,954,945</u>	<u>1,741,889</u>
6030	Total Expenditures	<u>295,235,924</u>	<u>281,718,016</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(293,462,112)</u>	<u>(277,736,244)</u>
	OTHER FINANCING SOURCES/(USES)		
7911	Capital Related Debt Issued	261,640,000	245,095,000
7916	Premium on Issuance of Bonds	33,434,945	31,646,889
8911	Transfers Out	<u>(1,115,879)</u>	<u>(1,022,678)</u>
7080	Total Other Financing Sources/(Uses)	<u>293,959,066</u>	<u>275,719,211</u>
1200	Net Change in Fund Balance	496,954	(2,017,033)
0100	Fund Balances - Beginning	<u>154,216,878</u>	<u>156,233,911</u>
3000	Fund Balances - Ending	<u>\$ 154,713,832</u>	<u>\$ 154,216,878</u>

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SPECIAL REVENUE FUND

The Special Revenue Fund is used to account for financial resources restricted to or designated for specific purposes by a grantor. Specifically, this type of fund is used to account for the District's Food Service program, including local and federal revenue sources for state and federally financed programs (grants) where unused balances are returned to the grantor at the close of specified project periods, and other revenue specific programs.

Special Revenue Program Descriptions

McKinney Vento - Funds are to be used to provide supplemental academic and related assistance to facilitate the academic success of students who are in homeless situations.

Elementary and Secondary Education Act (ESEA) Title I, Part A - Improving Basic Programs - Funds are used on identified campuses to enable schools to provide opportunities for children served to acquire the knowledge and skills contained in the challenging State content standards and to meet the challenging State performance standards developed for all children.

Individuals with Disabilities Education Act (IDEA), Part B - Formula - Funds are used to operate educational programs for children with disabilities. This program also includes capacity building and improvement (sliver) subgrants.

Individuals with Disabilities Education Act (IDEA), Part B - Preschool - Funds are used for preschool children with disabilities.

Nutrition and Food Services - Funds are used to account for allowable expenditures, as determined under the National School Lunch Act, for the operation and improvement of the Child Nutrition Programs.

Vocational Education, Carl Perkins Basic Grant - Funds are used to provide instruction related to career and technology education and to develop new and/or improve career and technology education programs for paid and unpaid employment.

Elementary and Secondary Education Act (ESEA) Title II, Part A - Teacher and Principal Training and Recruiting – Funds are used to 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.

Elementary and Secondary Education Act (ESEA) Title III, Part A - LEP and Immigrant - Funds are used 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.

Medicaid Administrative Claiming Program - Funds are used for reimbursement of eligible administrative costs for activities attributed to the implementation of the Medicaid state plan.

Mathematics and Science Partnerships - Funds are used to improve the academic achievement of students in mathematics and science by providing professional development to improve teaching.

Federally Funded Special Revenue - Funds include the reimbursement of summer school costs for Limited English Proficient Students in Kindergarten and First Grade. They also include Early Childhood Intervention funds which are used to identify and provide needed intervention services for children from Birth to age 3 who are developmentally delayed or appear to be at risk for developmental delay.

Individuals with Disabilities Education Act (IDEA), Part B-Discretionary Deaf, SSA - Funds are used to support an education service center basic special education component and also targeted support to LEAs, Regional Day School Programs for the Deaf, private residential placements, priority projects, and other emerging needs.

Special Revenue Program Descriptions (continued)

Individuals with Disabilities Education Act (IDEA), Part C, Early Intervention, SSA - Funds are used to assist local Regional Day School for the Deaf programs and the Texas School for the Deaf in providing direct services to hearing impaired infants to toddlers ages birth through two years of age. The program also provides supplemental and appropriate services to eligible students that are provided by a certified and trained teacher.

State Visually Handicapped - Funds are used to provide educational assistance to visually impaired students.

Non-Educational Community-Based Support Services - Funds are used for the provision of non-educational community-based support services to students with disabilities who would remain or have to be placed in residential facilities for educational reasons without the provision of these services. The support services may include transportation, respite for the parents, case management, social work, in-home family support and other items.

Advanced Placement Incentive - Funds are used for training for eligible teachers who complete TEA-approved workshops.

Instructional Materials Allotment - Funds are used to provide instructional materials awarded under the textbook allotment.

Read-To-Succeed License Plate Program - Funds are awarded to specific campuses based on the sale of specialty license plates and are to be used to pay for educational materials for the school library.

State Funded Special Revenue Programs - Accounts for state funded special revenue that has not been specified above.

Regional Day School for the Deaf, SSA - Funds are used for staff and activities of the Regional Day School Program for the Deaf (RDSPD).

Local Share Regional Day School for the Deaf, SSA - Funds are used to account for excess costs of services provided to hearing impaired students ages birth through twenty-one.

Campus Activity Funds - Funds are used for activities benefiting students and staff.

Locally Funded Special Revenue Programs - Locally funded special revenue programs not specified above.

Tax Increment Reinvestment Zone - Funds are used to account for tax increment revenues, in excess of bond payments, restricted for expenditures within the reinvestment zone.

Katy ISD Education Foundation Grants - Funds will be used to provide resources to enrich teaching, inspire learning, and enhance opportunities for students enrolled in Katy ISD.

KATY INDEPENDENT SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – SPECIAL REVENUE FUND PROGRAMS
AUGUST 31, 2017

Data Control Codes		206 McKinney Vento TEXSHEP	211 ESEA Title I Part A	224 IDEA Part B Formula
	REVENUES			
5700	Local, Intermediate, and Out-of-State	\$	\$	\$
5800	State Program Revenues			
5900	Federal Program Revenues	53,722	5,597,003	9,146,473
5020	Total Revenues	53,722	5,597,003	9,146,473
	EXPENDITURES			
0011	Instruction	1,963	4,759,583	5,455,972
0012	Instructional Resources and Media Services			
0013	Curriculum and Instructional Staff Development	984	630,526	531,527
0021	Instructional Leadership		44,984	
0023	School Leadership		27,785	
0031	Guidance, Counseling, and Evaluation Services		598	3,122,974
0033	Health Services			36,000
0034	Student Transportation	48,288		
0035	Food Services			
0036	Extracurricular Activities			
0041	General Administration			
0051	Facilities Maintenance and Operations	1,520		
0052	Security and Monitoring Services			
0053	Data Processing Services			
0061	Community Services	967	133,527	
0081	Facilities Acquisition and Construction			
6030	Total Expenditures	53,722	5,597,003	9,146,473
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures			
	OTHER FINANCING SOURCES/(USES)			
7912	Sale of Real and Personal Property			
8911	Transfers Out			
7080	Total Other Financing Sources/(Uses)			
1200	Net Change in Fund Balance			
0100	Fund Balance - September 1 (Beginning)			
3000	Fund Balance - August 31 (Ending)	\$	\$	\$

225 IDEA Part B Preschool	240 Nutrition and Food Services	244 Voc. Ed. Basic Grant	255 ESEA Title II Part A	263 ESEA Title III Part A	272 Medicaid Administrative Claiming
\$	\$ 16,558,661 165,273	\$	\$	\$	\$
91,437	13,761,752	502,894	604,312	1,826,589	206,516
91,437	30,485,686	502,894	604,312	1,826,589	206,516
86,641		287,400	8,264	558,555	
4,796		215,494	585,845	980,867	
			8,464		
					103,522
	29,814,340			79,194	
			1,739		
				207,973	
	458,573				
91,437	30,272,913	502,894	604,312	1,826,589	103,522
	212,773				102,994
	34,485				
	34,485				
	247,258				102,994
	4,955,839				365,567
\$	\$ 5,203,097	\$	\$	\$	\$ 468,561

KATY INDEPENDENT SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – SPECIAL REVENUE FUND PROGRAMS
AUGUST 31, 2017

Data Control Codes		273 Math/Science Title II Part B	289 Federally Funded Special Revenue	315 SSA IDEA B Discretionary
	REVENUES			
5700	Local, Intermediate, and Out-of-State	\$	\$ 224,643	\$
5800	State Program Revenues		296,809	
5900	Federal Program Revenues	1,750	1,516,136	104,701
5020	Total Revenues	<u>1,750</u>	<u>2,037,588</u>	<u>104,701</u>
	EXPENDITURES			
0011	Instruction		1,642,085	104,701
0012	Instructional Resources and Media Services			
0013	Curriculum and Instructional Staff Development	1,750	9,714	
0021	Instructional Leadership		356,979	
0023	School Leadership			
0031	Guidance, Counseling, and Evaluation Services			
0033	Health Services		23,355	
0034	Student Transportation			
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		5,455	
0081	Facilities Acquisition and Construction			
6030	Total Expenditures	<u>1,750</u>	<u>2,037,588</u>	<u>104,701</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures			
	OTHER FINANCING SOURCES/(USES)			
7912	Sale of Real and Personal Property			
8911	Transfers Out			
7080	Total Other Financing Sources/(Uses)			
1200	Net Change in Fund Balance			
0100	Fund Balance - September 1 (Beginning)			
3000	Fund Balance - August 31 (Ending)	<u>\$</u>	<u>\$</u>	<u>\$</u>

340 SSA IDEA C Early Intervention	385 State Visually Handicapped	392 Non-Ed Community Support	397 Advanced Placement Incentive	410 Instructional Materials Allotment	427 Read to Succeed License Plate Program
\$	\$	\$	\$	\$	\$
	39,000	14,100	21,200	49,205 8,546,413	229
2,868					
2,868	39,000	14,100	21,200	8,595,618	229
2,666	39,000			8,537,013	
202			21,200	9,400	229
		14,100			
2,868	39,000	14,100	21,200	8,546,413	229
				49,205	
				49,205	
\$	\$	\$	\$	\$	\$
				49,205	

KATY INDEPENDENT SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – SPECIAL REVENUE FUND PROGRAMS
AUGUST 31, 2017

Data Control Codes	429 State Funded Special Revenue	435 SSA Regional Deaf CO-OP	455 SSA Deaf Local Share
REVENUES			
5700 Local, Intermediate, and Out-of-State	\$	\$	\$ 271,557
5800 State Program Revenues	1,095,422	646,397	
5900 Federal Program Revenues			
5020 Total Revenues	<u>1,095,422</u>	<u>646,397</u>	<u>271,557</u>
EXPENDITURES			
0011 Instruction	908,887	528,799	127,059
0012 Instructional Resources and Media Services			
0013 Curriculum and Instructional Staff Development	126,448		13,363
0021 Instructional Leadership			104,493
0023 School Leadership			
0031 Guidance, Counseling, and Evaluation Services		41,408	2,783
0033 Health Services		76,190	22,999
0034 Student Transportation			
0035 Food Services			
0036 Extracurricular Activities	1,198		
0041 General Administration			
0051 Facilities Maintenance and Operations			
0052 Security and Monitoring Services	3,670		
0053 Data Processing Services			
0061 Community Services	55,219		860
0081 Facilities Acquisition and Construction			
6030 Total Expenditures	<u>1,095,422</u>	<u>646,397</u>	<u>271,557</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures			
OTHER FINANCING SOURCES/(USES)			
7912 Sale of Real and Personal Property			
8911 Transfers Out			
7080 Total Other Financing Sources/(Uses)			
1200 Net Change in Fund Balance			
0100 Fund Balance - September 1 (Beginning)			
3000 Fund Balance - August 31 (Ending)	<u>\$</u>	<u>\$</u>	<u>\$</u>

461 Campus Activity Funds	480 Locally Funded Special Revenue	495 Tax Increment Reinvestment Zone	499 Katy ISD Education Found. Grants	Special Revenue Fund August 31, 2017
\$ 7,483,840	\$ 102,196	\$ 1,532,435	\$ 250,309	\$ 26,472,846
				10,824,843
				33,416,153
<u>7,483,840</u>	<u>102,196</u>	<u>1,532,435</u>	<u>250,309</u>	<u>70,713,842</u>
2,514,012	8,729		250,309	25,821,638
850,593				850,822
334,061	51,214			3,517,391
15,018	1,635			523,109
490,163	33,250			559,662
19,377	935			3,188,075
10,615				272,681
8,403				135,885
	4,300			29,818,640
2,323,075	2,133			2,326,406
1,938				3,677
36,294				37,814
43,848				47,518
4,492				4,492
23,078				441,179
420,114		68,809		947,496
<u>7,095,081</u>	<u>102,196</u>	<u>68,809</u>	<u>250,309</u>	<u>68,496,485</u>
<u>388,759</u>		<u>1,463,626</u>		<u>2,217,357</u>
				34,485
		(500,000)		(500,000)
		(500,000)		(465,515)
388,759		963,626		1,751,842
5,187,661		5,869,264		16,378,331
<u>\$ 5,576,420</u>	<u>\$</u>	<u>\$ 6,832,890</u>	<u>\$</u>	<u>\$ 18,130,173</u>

KATY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ORIGINAL BUDGET, AMENDED FINAL, AND ACTUAL –
NUTRITION AND FOOD SERVICE FUND
YEAR ENDED AUGUST 31, 2017
with comparative actual balances for the Year Ended August 31, 2016

Data Control Codes		2017	
		NUTRITION AND	
		Budgeted Amounts	
		Original	Final
	REVENUES		
5700	Local, Intermediate, and Out-of-State	\$ 16,235,000	\$ 16,412,576
5800	State Program Revenues	162,000	163,285
5900	Federal Program Revenues	12,671,650	13,701,643
5020	Total Revenues	29,068,650	30,277,504
	EXPENDITURES		
0035	Food Services		
	Payroll Costs	12,829,218	12,135,807
	Professional and Contracted Services	67,000	70,868
	Supplies and Materials	18,831,990	18,445,242
	Other Operating Expenses	43,500	36,695
	Capital Outlay		88,900
	Total Food Service	31,771,708	30,777,512
0081	Facilities Acquisition and Construction		
	Capital Outlay		458,573
	Total Facilities Acquisition and Construction		458,573
6030	Total Expenditures	31,771,708	31,236,085
1100	Excess (Deficiency) of Revenues		
	Over (Under) Expenditures	(2,703,058)	(958,581)
	OTHER FINANCING SOURCES/(USES)		
7912	Sale of Real and Personal Property		34,485
	Total Other Financing Sources/(Uses)		34,485
1200	Net Change in Fund Balance	(2,703,058)	(924,096)
0100	Fund Balance - September 1 (Beginning)	4,955,839	4,955,839
3000	Fund Balance - August 31 (Ending)	\$ 2,252,781	\$ 4,031,743

FOOD SERVICE		
Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actuals
\$ 16,558,661	\$ 146,085	\$ 16,086,167
165,273	1,988	161,047
13,761,752	60,109	12,403,881
30,485,686	208,182	28,651,095
11,830,306	305,501	11,199,981
72,147	(1,279)	57,944
17,794,275	650,967	17,505,384
28,712	7,983	27,712
88,900		
29,814,340	963,172	28,791,021
458,573		357,774
458,573		357,774
30,272,913	963,172	29,148,795
212,773	1,171,354	(497,700)
34,485		9,157
34,485		9,157
247,258	1,171,354	(488,543)
4,955,839		5,444,382
\$ 5,203,097	\$ 1,171,354	\$ 4,955,839

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INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis.

KATY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2017

Exhibit K-1

Data Control Codes		Governmental Activities			Total Internal Service Funds
		Health Insurance	Workers' Compensation	Print Shop	
ASSETS					
Current Assets:					
1110	Cash and Cash Equivalents	\$ 12,026,330	\$ 3,082,126	\$ 1,834,443	\$ 16,942,899
1260	Due from Other Funds	716,161			716,161
1290	Other Receivables	3,183,876			3,183,876
1300	Inventories			95,080	95,080
	Total Current Assets	15,926,367	3,082,126	1,929,523	20,938,016
Noncurrent Assets:					
Capital Assets:					
1540	Furniture and Equipment			1,642,355	1,642,355
1573	Accumulated Depreciation			(1,008,122)	(1,008,122)
	Total Noncurrent Assets			634,233	634,233
1000	Total Assets	15,926,367	3,082,126	2,563,756	21,572,249
LIABILITIES					
Current Liabilities:					
2110	Accounts Payable	3,020,388	353,028	517,039	3,890,455
2170	Due to Other Funds		3		3
2200	Accrued Expenses	1,882,987	27,960		1,910,947
2000	Total Liabilities	4,903,375	380,991	517,039	5,801,405
NET POSITION					
3200	Investment in Capital Assets			634,233	634,233
3900	Unrestricted	11,022,992	2,701,135	1,412,484	15,136,611
3000	Total Net Position	\$ 11,022,992	\$ 2,701,135	\$ 2,046,717	\$ 15,770,844

KATY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Exhibit K-2

Data Control Codes		Governmental Activities			Total Internal Service Funds
		Health Insurance	Workers' Compensation	Print Shop	
	OPERATING REVENUES				
5754	Charges for Services	\$ 54,108,837	\$ 614,794	\$ 3,919,595	\$ 58,643,226
5020	Total Operating Revenues	<u>54,108,837</u>	<u>614,794</u>	<u>3,919,595</u>	<u>58,643,226</u>
	OPERATING EXPENSES				
6200	Administrator Fees	5,055,477	116,409		5,171,886
6200	Claims Expense	50,067,541	942,992		51,010,533
6200	Repair and Maintenance Expense			33,899	33,899
6200	Equipment Rental			90,048	90,048
6200	Contracted Services	4,799		1,845,030	1,849,829
6300	Supplies		4,717	1,943,897	1,948,614
6400	Miscellaneous Operating Expenses	333,463	84,431		417,894
6400	Depreciation			228,464	228,464
6030	Total Operating Expenses	<u>55,461,280</u>	<u>1,148,549</u>	<u>4,141,338</u>	<u>60,751,167</u>
1300	Operating Income (Loss)	<u>(1,352,443)</u>	<u>(533,755)</u>	<u>(221,743)</u>	<u>(2,107,941)</u>
	NONOPERATING REVENUES (EXPENSES)				
5742	Investment Income	69,395	16,888	6,592	92,875
	Total Nonoperating Revenue	<u>69,395</u>	<u>16,888</u>	<u>6,592</u>	<u>92,875</u>
	Income (Loss) before Contributions & Transfers	<u>(1,283,048)</u>	<u>(516,867)</u>	<u>(215,151)</u>	<u>(2,015,066)</u>
7900	Transfers In	3,000,000			3,000,000
7900	Capital Contributions			1,757	1,757
8900	Net Loss on Sale of Capital Assets			(13,308)	(13,308)
8900	Transfers of Capital Assets to Government			(372)	(372)
1300	Change in Net Position	1,716,952	(516,867)	(227,074)	973,011
0100	Total Net Position September 1 (Beginning)	9,306,040	3,218,002	2,273,791	14,797,833
3000	Total Net Position August 31 (Ending)	<u>\$ 11,022,992</u>	<u>\$ 2,701,135</u>	<u>\$ 2,046,717</u>	<u>\$ 15,770,844</u>

**KATY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017**

Exhibit K-3

	Governmental Activities			Total
	Health Insurance	Workers' Compensation	Print Shop	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Receipts from Internal Services Provided	\$ 51,659,021	\$ 614,790	\$ 3,919,595	\$ 56,193,406
Cash Payments to Suppliers	(333,463)	(89,148)	(1,955,547)	(2,378,158)
Cash Payments to Pay Claims	(49,766,541)	(1,062,250)		(50,828,791)
Cash Payments to Contract Administrators	(5,241,386)	(122,704)	(1,981,128)	(7,345,218)
Net Cash Provided (Used) by Operating Activities	(3,682,369)	(659,312)	(17,080)	(4,358,761)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets			(44,896)	(44,896)
Net Cash (Used) by Capital and Related Financing Activities			(44,896)	(44,896)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from Other Funds	3,000,000			3,000,000
Net Cash Provided by Noncapital Financing Activities	3,000,000			3,000,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	69,395	16,888	6,592	92,875
Net Cash Provided by Investing Activities	69,395	16,888	6,592	92,875
Net Increase (Decrease) in Cash and Cash Equivalents	(612,974)	(642,424)	(55,384)	(1,310,782)
Cash and Cash Equivalents at Beginning of Year	12,639,304	3,724,550	1,889,827	18,253,681
Cash and Cash Equivalents at End of Year	\$ 12,026,330	\$ 3,082,126	\$ 1,834,443	\$ 16,942,899
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (1,352,443)	\$ (533,755)	\$ (221,743)	\$ (2,107,941)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation			228,464	228,464
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(1,780,078)			(1,780,078)
(Increase) Decrease in Inventories			(16,845)	(16,845)
Increase (Decrease) in Accounts Payable	(895,284)	(109,366)	(6,956)	(1,011,606)
Increase (Decrease) in Interfund Payables	(669,738)	(1)		(669,739)
Increase (Decrease) in Accrued Expenses	1,015,174	(16,190)		998,984
Net Cash Provided (Used) by Operating Activities	\$ (3,682,369)	\$ (659,312)	\$ (17,080)	\$ (4,358,761)
Noncash Investing, Capital, and Financing Activities				
Contributions of Capital Assets from Government	\$	\$	\$ 1,757	\$ 1,757
Transfers of Capital Assets to Government	\$	\$	\$ 372	\$ 372
Capital Assets Retired	\$	\$	\$ 941,257	\$ 941,257

FIDUCIARY FUNDS

Agency Fund

The Agency Fund is used to account for assets held by the District as an agent for employees and various student groups throughout the District.

Student Activity Fund

The Agency Fund is used to account for assets held for various student groups throughout the District.

KATY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED AUGUST 31, 2017

Exhibit L-1

	Balance September 1, 2016	Additions	Deductions	Balance August 31, 2017
<u>STUDENT ACTIVITIES</u>				
ASSETS				
Cash and Cash Equivalents	\$ 3,271,836	\$ 886	\$ 536,255	\$ 2,736,467
Due From Other Funds		8,262,143	8,262,143	
Total Assets	<u>\$ 3,271,836</u>	<u>\$ 8,263,029</u>	<u>\$ 8,798,398</u>	<u>\$ 2,736,467</u>
LIABILITIES				
Accounts Payable	\$ 150,160	\$ 7,321,922	\$ 7,273,713	\$ 198,369
Accrued Wages	4,560	2,543	4,560	2,543
Due to Student Groups	3,117,116	7,040,575	7,622,136	2,535,555
Total Liabilities	<u>\$ 3,271,836</u>	<u>\$ 14,365,040</u>	<u>\$ 14,900,409</u>	<u>\$ 2,736,467</u>

KATY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF CHANGES IN DUE TO STUDENT GROUPS
AGENCY FUNDS
YEAR ENDED AUGUST 31, 2017

Exhibit L-2
Page 1 of 2

	Balance September 1, 2016	Additions	Deductions	Balance August 31, 2017
<u>Student Activities</u>				
Due to Student Groups				
High Schools:				
Katy	\$ 200,386	\$ 453,055	\$ 475,958	\$ 177,483
Taylor	272,112	571,282	618,830	224,564
Mayde Creek	128,754	351,887	343,500	137,141
Cinco Ranch	286,048	947,539	972,816	260,771
Morton Ranch	155,937	332,991	406,454	82,474
Seven Lakes	572,853	961,158	1,154,928	379,083
Tompkins	141,998	768,878	694,088	216,788
Raines	285		285	
Paetow		23,559	8,376	15,183
Opportunity Awareness Center	(61)	236	125	50
Miller Career & Technology Center	3,385	13,755	17,273	(133)
Junior High Schools:				
Katy	89,849	31,386	70,898	50,337
West Memorial	41,654	73,459	83,214	31,899
Mayde Creek	16,307	56,272	59,474	13,105
Memorial Parkway	72,248	45,752	80,604	37,396
McDonald	19,462	38,979	43,011	15,430
Beck	67,037	198,844	220,173	45,708
McMeans	114,831	103,025	146,768	71,088
Cinco Ranch	44,395	173,640	172,308	45,727
Morton Ranch	34,951	40,349	56,839	18,461
Beckendorff	101,670	286,202	323,325	64,547
Cardiff	18,570	56,815	59,135	16,250
Wood Creek	71,154	87,823	107,363	51,614
Seven Lakes	134,503	260,644	328,410	66,737
Tays	3,122	177,926	142,898	38,150
Stockdick		12,280	7,021	5,259
Elementary Schools:				
Wolfe	1,138	613	439	1,312
Katy	2,043	2,854	2,628	2,269
West Memorial	1,974	319	211	2,082
Memorial Parkway	728	1,511	1,433	806
Hutsell	3,964	6,585	7,476	3,073
Bear Creek	4,129	1,517	3,303	2,343
Cimarron	2,452	3,268	967	4,753
Winborn	10,669	8,503	7,758	11,414
Nottingham Country	1,411	4,091	4,585	917
Sundown	556	3,256	2,388	1,424

KATY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF CHANGES IN DUE TO STUDENT GROUPS
AGENCY FUNDS
YEAR ENDED AUGUST 31, 2017

Exhibit L-2
Page 2 of 2

	Balance September 1, 2016	Additions	Deductions	Balance August 31, 2017
Elementary Schools: (continued)				
Mayde Creek	\$ 4,062	\$ 6,460	\$ 7,262	\$ 3,260
Pattison	844	2,213	1,315	1,742
Golbow	4,095	11,548	12,134	3,509
Fielder	5,101	5,983	7,820	3,264
Hayes	1,331	3,113	2,807	1,637
McRoberts	1,271	2,994	3,666	599
Alexander	(1,029)	579		(450)
Williams	3,607	675	2,399	1,883
Creech	6,391	3,987	3,817	6,561
King	3,417	2,061	1,279	4,199
Schmalz	8,978	3,161	5,085	7,054
Kilpatrick	4,301	1,062	931	4,432
Rylander	3,823	404	2,804	1,423
Exley	1,321	1,086	688	1,719
Rhoads	2,952	4,098	5,275	1,775
Franz	888	726	980	634
Griffin	5,832	3,296	3,760	5,368
Stephens	7,756	3,689	4,444	7,001
Woodcreek	2,296	4,972	5,469	1,799
Morton Ranch	1,800	2,872	752	3,920
Holland	846	2,471	2,581	736
Stanley	1,153	769	1,617	305
Wilson	1,862	3,546	2,403	3,005
Wolman	5,518	3,556	2,761	6,313
Shafer	5,582	5,967	8,113	3,436
Davidson	7,977	5,832	6,437	7,372
Randolph	806	811	1,279	338
Jenks	501	3,843	2,299	2,045
Bethke	563	3,877	3,562	878
Bryant		500		500
Total All Schools	<u>2,714,359</u>	<u>6,196,404</u>	<u>6,729,001</u>	<u>2,181,762</u>
Non-School Activities				
Athletics	14,621		13,126	1,495
Central Administration	274,029	100,441	123,028	251,442
Vocational Administration	104,387	733,117	733,112	104,392
Music Department	20,005		19,305	700
Other	(10,285)	10,613	4,564	(4,236)
Total Non-School Activities	<u>402,757</u>	<u>844,171</u>	<u>893,135</u>	<u>353,793</u>
Total Due to Student Groups	<u>\$ 3,117,116</u>	<u>\$ 7,040,575</u>	<u>\$ 7,622,136</u>	<u>\$ 2,535,555</u>

COMPLIANCE SCHEDULES

KATY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2017

Fiscal Year	Tax Rates			Assessed/Appraised Value For School Tax Purposes	Beginning Balance September 1
	Maintenance	Debt Service	Total		
2008 and prior	Various	Various	Various	Various	\$ 814,964
2009	\$ 1.1266	\$ 0.4000	\$ 1.5266	\$ 18,673,124,451	400,269
2010	1.1266	0.4000	1.5266	19,517,648,879	412,814
2011	1.1266	0.4000	1.5266	19,819,925,666	406,527
2012	1.1266	0.4000	1.5266	20,727,521,751	533,376
2013	1.1266	0.4000	1.5266	22,083,259,111	553,718
2014	1.1266	0.4000	1.5266	24,283,430,990	678,901
2015	1.1266	0.4000	1.5266	28,605,871,081	905,020
2016	1.1266	0.3900	1.5166	32,904,425,128	2,882,337
2017	1.1266	0.3900	1.5166	36,351,443,912	
1000 Totals					<u><u>\$ 7,587,926</u></u>

9000 - Portion of Row 1000 for Taxes Paid
into Tax Increment Zone Under Chapter 311, Tax Code

\$ 213,471,284 \$

Note: Tax rates are per \$100 valuation.

Exhibit M-1

Current Year's Total Levy	Maintenance and Operations Collections	Interest and Sinking Fund Collections	Total Collections	Entire Year's Adjustments	Ending Balance August 31
\$	\$ 41,401	\$ 9,827	\$ 51,228	\$ (212,192)	\$ 551,544
	4,911	1,744	6,655	(1,677)	391,937
	33,588	11,925	45,513	(657)	366,644
	45,346	16,100	61,446	79,189	424,270
	168,832	59,944	228,776	105,557	410,157
	227,157	80,652	307,809	319,374	565,283
	322,505	114,505	437,010	431,693	673,584
	11,754	4,173	15,927	(138,205)	750,888
	(1,435,526)	(496,942)	(1,932,468)	(3,725,996)	1,088,809
540,445,558	398,727,684	138,088,875	536,816,559		3,628,999
<u>\$ 540,445,558</u>	<u>\$ 398,147,652</u>	<u>\$ 137,890,803</u>	<u>\$ 536,038,455</u>	<u>\$ (3,142,914)</u>	<u>8,852,115</u>
Penalty and Interest Receivable on Taxes					4,412,258
Less Allowance					(3,721,055)
Total Property Taxes Receivable (net) per Exhibit C-1					<u>\$ 9,543,318</u>
\$ 2,355,425	\$ 2,355,425	\$	\$ 2,355,425	\$	\$

KATY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
YEAR ENDED AUGUST 31, 2017

Exhibit M-2
L1 Worksheet

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year-end	\$ 2,835,055
SF11	Net Pension Assets (1920) at fiscal year-end.	\$
SF12	Net Pension Liability (2540) at fiscal year-end.	\$ 148,128,053
SF13	Pension Expense (6147) at fiscal year-end.	

STATISTICAL SECTION (UNAUDITED)

The statistical section of the Katy 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 District's economic condition and overall financial health. To assist financial statement users, the information contained within this section is categorized as follows:

Financial Trends Information

These schedules contain trend information to show how the District's financial performance and position have changed over time.

Revenue Capacity Information

These schedules contain information to help assess the factors affecting the District's most significant local revenue source, the property tax.

Debt Capacity Information

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

Demographic and Economic Information

These schedules provide demographic and economic indicators to help in understanding the environment in which the District operates and to facilitate in comparisons over time.

Operating Information

These schedules provide information about the District's operations and resources to assist in using the financial statement information to better understand and assess the District's economic condition.

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FINANCIAL TRENDS INFORMATION

These schedules contain trend information to assist users in understanding how the District's financial position has changed over time.

KATY INDEPENDENT SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2008 (1)</u>	<u>2009 (1)</u>	<u>2010 (1)</u>	<u>2011 (1)</u>
Governmental Activities:				
Net Investment in Capital Assets	\$ 23,580,292	\$ 20,218,827	\$ 8,212,302	\$ 21,482,594
Restricted	39,551,272	43,724,826	55,025,421	53,397,875
Unrestricted	54,974,366	70,842,091	76,101,294	89,003,969
Total Governmental Activities Net Position	<u>\$ 118,105,930</u>	<u>\$ 134,785,744</u>	<u>\$ 139,339,017</u>	<u>\$ 163,884,438</u>
Primary Government:				
Net Investment in Capital Assets	\$ 23,580,292	\$ 20,218,827	\$ 8,212,302	\$ 21,482,594
Restricted	39,551,272	43,724,826	55,025,421	53,397,875
Unrestricted	54,974,366	70,842,091	76,101,294	89,003,969
Total Primary Government Net Position	<u>\$ 118,105,930</u>	<u>\$ 134,785,744</u>	<u>\$ 139,339,017</u>	<u>\$ 163,884,438</u>

- (1) 2009 and prior have not been restated for the change in fund classification of Campus Wide Activity Funds.
2012 and prior have not been restated for GASB 65 regarding expensing of bond issuance costs.
2014 and prior have not been restated for GASB 68 regarding reporting for pensions.

Source: District Financial Statements

Exhibit I

2012 (as restated) (1)	2013 (1)	2014 (1)	2015	2016	2017
\$ 25,842,564	\$ 14,038,245	\$ 18,488,857	\$ 42,267,486	\$ 78,027,768	\$ 82,852,902
56,177,142	58,244,628	62,159,491	61,083,366	62,162,827	65,667,551
114,349,856	142,191,271	159,985,665	114,283,057	124,728,667	122,630,464
<u>\$ 196,369,562</u>	<u>\$ 214,474,144</u>	<u>\$ 240,634,013</u>	<u>\$ 217,633,909</u>	<u>\$ 264,919,262</u>	<u>\$ 271,150,917</u>
\$ 25,842,564	\$ 14,038,245	\$ 18,488,857	\$ 42,267,486	\$ 78,027,768	\$ 82,852,902
56,177,142	58,244,628	62,159,491	61,083,366	62,162,827	65,667,551
114,349,856	142,191,271	159,985,665	114,283,057	124,728,667	122,630,464
<u>\$ 196,369,562</u>	<u>\$ 214,474,144</u>	<u>\$ 240,634,013</u>	<u>\$ 217,633,909</u>	<u>\$ 264,919,262</u>	<u>\$ 271,150,917</u>

KATY INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Expenses	2008 (1)	2009 (1)	2010 (1)	2011 (1)
Governmental Activities:				
Instruction	\$ 268,533,006	\$ 290,197,501	\$ 318,792,587	\$ 321,361,278
Instructional Resources and Media Services	6,672,377	7,092,893	8,776,073	8,694,209
Curriculum and Instructional Staff Development	7,157,010	6,948,941	7,910,924	8,323,619
Instructional Leadership	3,757,887	3,880,467	3,925,420	4,078,594
School Leadership	25,360,780	26,951,641	28,700,116	29,459,540
Guidance, Counseling, and Evaluation Services	16,855,291	17,813,064	19,331,101	19,932,124
Health Services	4,303,590	4,588,493	5,374,766	5,410,272
Student Transportation	15,233,885	12,873,013	15,870,638	16,776,762
Food Services	21,354,474	23,056,332	25,659,045	25,802,502
Extracurricular Activities	9,928,317	9,151,182	10,309,076	12,465,039
General Administration	8,472,898	9,213,607	9,536,158	10,142,271
Facilities Maintenance and Operations	43,420,624	46,868,909	47,824,859	48,326,942
Security and Monitoring Services	4,215,405	4,710,876	5,114,765	5,162,174
Data Processing Services	11,422,292	11,041,079	11,759,319	11,894,172
Community Services	1,329,072	1,209,595	1,205,834	1,159,882
Interest and Issuance Costs on Long-term Debt	41,581,426	44,936,815	46,647,128	41,206,516
Facilities Planning	1,540,284	1,131,835	1,845,948	623,871
Payments to Shared Service Arrangements	359,539	448,412	305,166	300,087
Payments to JJAEP	66,347	76,926	69,917	47,890
Payments to Tax Increment Reinvestment Zone	955,208	1,041,344	510,997	306,098
Payments to Appraisal Districts	1,652,904	2,019,174	2,134,824	2,242,299
Total Primary Government Expenses	494,172,616	525,252,099	571,604,661	573,716,141
Program Revenues				
Governmental Activities:				
Charges for Services:				
Instruction	1,055,369	1,044,537	1,065,708	1,043,362
Food Services	12,340,206	12,792,926	13,032,422	14,375,772
Extracurricular Activities	1,014,173	1,480,755	1,765,252	2,023,554
Facilities Maintenance and Operations	1,389,066	1,613,579	1,729,204	1,876,929
Community Services	457,242	482,679	200,650	174,218
Facilities Planning				
Other Activities	559,189	244,137	593,306	156,749
Operating Grants and Contributions	63,253,951	65,190,405	84,775,106	92,971,578
Total Primary Government Program Revenues	80,069,196	82,849,018	103,161,648	112,622,162
Net (Expense)/Revenue				
Total Primary Government Net Expense	\$ (414,103,420)	\$ (442,403,081)	\$ (468,443,013)	\$ (461,093,979)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Property Taxes, Levied for General Purposes	\$ 179,739,418	\$ 209,445,201	\$ 219,043,580	\$ 223,109,407
Property Taxes, Levied for Debt Service	63,556,260	74,282,810	77,572,287	79,267,758
State Aid - Formula Grants	174,912,493	171,839,753	166,306,187	181,203,466
Investment Earnings	9,548,757	2,484,905	6,792,995	1,275,513
Miscellaneous	1,101,869	1,030,226	1,075,254	783,256
Special Items				
Total Primary Government General Revenues and Special Items	428,858,797	459,082,895	470,790,303	485,639,400
Change in Net Position				
Total Primary Government	\$ 14,755,377	\$ 16,679,814	\$ 2,347,290	\$ 24,545,421

- (1) 2009 and prior have not been restated for the change in fund classification of Campus Wide Activity Funds.
2012 and prior have not been restated for GASB 65 regarding expensing of bond issuance costs.
2014 and prior have not been restated for GASB 68 regarding reporting for pensions.

Source: District Financial Statements

Exhibit II

2012 (as restated) (1)	2013 (1)	2014 (1)	2015	2016	2017
\$ 311,062,572	\$ 333,099,527	\$ 379,326,682	\$ 417,723,329	\$ 463,004,721	\$ 499,089,811
8,525,841	9,015,595	9,458,754	10,448,836	11,092,997	12,273,284
6,942,069	7,871,530	9,222,524	11,408,842	12,571,661	12,472,927
3,798,441	4,059,587	4,795,027	5,475,459	6,084,697	6,057,793
28,339,372	30,333,001	33,654,588	35,148,787	39,272,358	41,475,495
19,103,538	21,261,678	23,634,110	27,693,860	31,395,110	32,968,404
4,932,619	5,407,237	5,960,105	6,442,002	7,098,188	8,143,076
16,917,348	17,006,681	18,117,006	19,926,295	21,738,829	23,746,998
26,234,107	27,993,364	29,705,565	31,336,015	33,037,502	36,363,758
11,808,768	12,246,444	13,922,981	15,033,286	16,523,156	21,460,317
9,799,768	9,484,422	10,445,330	11,577,316	7,608,850	12,977,024
45,314,890	47,106,425	52,109,678	54,724,812	66,746,993	65,888,818
4,893,473	5,388,225	6,457,842	7,208,059	7,944,254	8,022,653
11,368,931	12,031,043	13,588,172	14,528,909	15,527,959	14,199,302
1,278,824	1,036,286	900,660	797,196	1,436,184	867,309
50,383,193	55,659,332	56,831,827	57,765,290	62,022,560	64,227,782
2,103,510	1,502,445	841,035	1,009,182	859,056	836,105
232,862	204,065	208,693	175,830	330,796	315,376
32,924	18,088	39,240	35,805	37,893	35,755
452,731	1,122,877	1,252,136	1,281,931	1,500,033	1,787,431
2,348,096	2,455,136	2,604,686	3,107,984	3,508,948	3,851,222
<u>565,873,877</u>	<u>604,302,988</u>	<u>673,076,641</u>	<u>732,849,025</u>	<u>809,342,745</u>	<u>867,060,640</u>
907,065	1,033,348	934,922	1,104,420	1,294,417	1,395,102
10,456,147	12,699,017	15,120,998	16,094,307	16,060,740	16,520,390
1,952,969	2,252,426	1,886,069	1,983,194	2,437,040	2,150,542
2,426,812	2,232,762	2,896,388	2,847,061	2,823,800	3,029,620
149,276	156,057	180,555	170,961	146,048	147,467
3,325,766	1,219,902				
370,651	324,107	724,219	378,370	563,700	1,455,789
79,970,734	77,328,433	83,729,556	87,414,257	108,517,945	103,725,938
<u>99,559,420</u>	<u>97,246,052</u>	<u>105,472,707</u>	<u>109,992,570</u>	<u>131,843,690</u>	<u>128,424,848</u>
<u>\$ (466,314,457)</u>	<u>\$ (507,056,936)</u>	<u>\$ (567,603,934)</u>	<u>\$ (622,856,455)</u>	<u>\$ (677,499,055)</u>	<u>\$ (738,635,792)</u>
\$ 232,528,594	\$ 248,945,316	\$ 274,072,603	\$ 319,183,036	\$ 365,143,237	\$ 400,420,348
82,571,766	88,449,282	97,327,086	113,362,401	126,545,712	138,712,572
173,734,050	195,933,554	219,955,117	233,974,886	228,854,642	199,890,131
1,171,162	1,140,128	1,277,872	1,339,493	2,601,510	3,684,638
946,468	870,835	1,131,125	1,611,220	1,639,307	2,159,758
7,847,541	468,634				
<u>498,799,581</u>	<u>535,807,749</u>	<u>593,763,803</u>	<u>669,471,036</u>	<u>724,784,408</u>	<u>744,867,447</u>
<u>\$ 32,485,124</u>	<u>\$ 28,750,813</u>	<u>\$ 26,159,869</u>	<u>\$ 46,614,581</u>	<u>\$ 47,285,353</u>	<u>\$ 6,231,655</u>

KATY INDEPENDENT SCHOOL DISTRICT
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Fiscal Year Ended 08/31:	2008	2009	2010	2011
General Fund				
Non-spendable	\$ 1,873,623	\$ 1,391,967	\$ 2,157,515	\$ 1,421,067
Committed	2,600,000	4,600,000	5,500,000	5,000,000
Assigned	1,840,860	180,621	334,402	8,940,358
Unassigned	64,643,540	73,692,155	77,732,382	83,922,091
Total General Fund	<u>\$ 70,958,023</u>	<u>\$ 79,864,743</u>	<u>\$ 85,724,299</u>	<u>\$ 99,283,516</u>
All Other Governmental Funds				
Non-spendable	\$ 132,669	\$ 179,606	\$ 251,330	\$ 218,906
Restricted (1)	91,648,933	79,766,603	71,624,798	181,202,286
Committed			2,352,818	2,565,430
Total All Other Governmental Funds	<u>\$ 91,781,602</u>	<u>\$ 79,946,209</u>	<u>\$ 74,228,946</u>	<u>\$ 183,986,622</u>

(1) Changes in Restricted Fund Balances due to the timing of annual bond sales and related construction expenditures.

Source: District Financial Statements

Exhibit III

2012	2013	2014	2015	2016	2017
\$ 1,236,844	\$ 2,453,621	\$ 1,632,902	\$ 1,676,224	\$ 1,682,389	\$ 1,948,897
5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
34,873,093	22,273,650	38,313,114	33,345,793	59,718,583	45,262,824
85,796,245	119,478,591	122,079,868	142,300,585	131,220,046	150,613,416
<u>\$ 126,906,182</u>	<u>\$ 149,205,862</u>	<u>\$ 167,025,884</u>	<u>\$ 182,322,602</u>	<u>\$ 197,621,018</u>	<u>\$ 202,825,137</u>
\$ 239,268	\$ 329,238	\$ 257,088	\$ 298,222	\$ 331,870	\$ 331,544
138,769,172	163,803,381	111,246,054	217,899,330	217,167,264	221,277,995
2,807,308	2,803,515	2,968,982	3,877,399	5,187,661	5,576,420
<u>\$ 141,815,748</u>	<u>\$ 166,936,134</u>	<u>\$ 114,472,124</u>	<u>\$ 222,074,951</u>	<u>\$ 222,686,795</u>	<u>\$ 227,185,959</u>

KATY INDEPENDENT SCHOOL DISTRICT
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2008	2009	2010	2011
REVENUES				
Local, Intermediate, and Out-of-State	\$ 270,977,481	\$ 303,580,951	\$ 327,094,361	\$ 329,823,325
State Programs	216,105,399	210,251,108	196,102,519	213,715,690
Federal Programs	21,393,828	26,219,083	49,137,229	57,953,778
Total Revenues	508,476,708	540,051,142	572,334,109	601,492,793
EXPENDITURES				
Current:				
Instruction	251,354,793	269,537,620	291,917,938	301,529,674
Instructional Resources and Media Services	5,273,769	5,757,651	6,747,428	6,942,900
Curriculum and Instructional Staff Development	7,143,582	6,864,451	7,845,233	8,324,803
Instructional Leadership	3,711,127	3,770,034	3,843,553	4,057,656
School Leadership	24,160,937	25,462,905	26,716,508	27,969,423
Guidance, Counseling, and Evaluation Services	16,343,264	17,069,072	18,445,897	19,276,983
Health Services	3,772,423	4,058,489	4,591,317	4,746,316
Student Transportation	16,293,597	13,486,474	12,530,374	17,673,359
Food Services	19,675,576	20,578,180	22,196,554	22,740,357
Extracurricular Activities	7,898,546	7,302,397	7,709,668	9,969,462
General Administration	7,803,126	8,531,368	8,816,940	9,556,448
Facilities Maintenance and Operations	41,647,853	45,135,795	45,736,061	46,003,543
Security and Monitoring Services	4,094,284	4,571,848	4,957,056	5,309,484
Data Processing Services	7,824,710	7,308,873	7,676,070	8,203,034
Community Services	1,330,580	1,205,533	1,207,373	1,160,407
Debt Service:				
Principal on Long-term Debt	33,424,703	30,310,140	32,443,017	33,038,949
Interest on Long-term Debt	44,944,261	50,352,037	47,218,663	57,116,297
Bond Issuance Costs and Fees	2,226,613	812,816	2,628,369	3,053,887
Capital Outlay:				
Facilities Acquisition and Construction	188,034,286	40,056,710	16,170,704	88,182,312
Intergovernmental:				
Payments to Shared Service Arrangements	359,540	448,412	305,166	300,087
Payments to JJAEP	66,347	76,926	69,917	47,890
Payments to Tax Increment Reinvestment Zone	2,938,733	3,054,869	2,493,628	2,290,436
Other Intergovernmental Charges	1,652,904	2,019,174	2,134,824	2,242,299
Total Expenditures	691,975,554	567,771,774	574,402,258	679,736,006
Excess (Deficiency) of Revenues Over (Under) Expenditures	(183,498,846)	(27,720,632)	(2,068,149)	(78,243,213)
OTHER FINANCING SOURCES (USES)				
Refunding Bonds Issued	69,085,000		80,535,000	6,220,000
Issuance of Capital Related Debt (General Obligation Bonds)	177,700,000	24,315,000		196,470,000
Sale of Real and Personal Property	319,733	43,402	42,371	47,765
Transfers In	4,516,274	1,155,775	663,483	2,761,373
Premium/Discount from Issuance of Bonds	5,383,879	433,557	10,038,986	5,429,882
Transfers Out	(4,516,275)	(1,155,775)	(663,483)	(2,761,373)
Payment to Bond Refunding Escrow Agent	(72,201,154)		(90,611,898)	(6,607,541)
Total Other Financing Sources (Uses)	180,287,457	24,791,959	4,459	201,560,106
SPECIAL ITEMS				
Insurance Recoveries				
Extraordinary Item				
Net Change in Fund Balances	\$ (3,211,389)	\$ (2,928,673)	\$ (2,063,690)	\$ 123,316,893
Debt Service as a Percentage of Noncapital Expenditures (1)	15.65%	15.33%	14.27%	15.38%
Source: District Financial Statements				
(1) In calculating the ratio of total debt service expenditures to noncapital expenditures, governmental fund expenditures for the acquisition and construction of assets that are classified as capital assets for reporting in the government-wide financial statements are subtracted from the total governmental fund expenditures.				
Total Expenditures	\$ 691,975,554	\$ 567,771,774	\$ 574,402,258	\$ 679,736,006
Less: Capital Expenditures	191,177,412	41,572,647	16,035,610	93,728,031
Total Non-Capital Expenditures	\$ 500,798,142	\$ 526,199,127	\$ 558,366,648	\$ 586,007,975

Exhibit IV

2012	2013	2014	2015	2016	2017
\$ 340,712,386	\$ 364,676,808	\$ 400,850,779	\$ 465,812,407	\$ 527,631,325	\$ 576,874,276
202,618,331	225,451,668	258,627,309	272,681,653	265,692,757	243,863,371
43,429,299	40,873,475	40,341,603	43,506,099	47,985,831	46,055,262
586,760,016	631,001,951	699,819,691	782,000,159	841,309,913	866,792,909
285,930,849	307,311,490	352,095,091	394,990,339	416,482,583	439,624,519
6,524,212	7,019,390	7,385,250	8,427,268	8,519,921	8,599,763
6,898,759	7,797,437	9,168,624	11,521,033	12,088,477	12,137,508
3,736,648	3,981,530	4,766,798	5,493,216	5,797,435	5,841,285
26,462,148	28,383,632	31,697,268	33,625,710	35,609,939	37,228,648
18,236,935	20,309,986	22,735,997	27,191,723	29,156,552	30,580,322
4,159,915	4,629,497	5,156,712	5,708,886	5,960,809	6,630,238
13,972,298	13,634,988	15,442,251	18,371,600	17,925,290	18,329,722
23,048,070	24,583,868	26,092,121	27,881,956	28,791,021	29,818,640
9,176,420	9,925,589	11,431,026	12,633,909	13,617,113	14,810,002
9,145,782	8,814,839	9,999,472	10,863,559	11,010,758	11,767,473
42,901,346	45,126,472	50,528,784	52,778,256	60,259,705	61,652,019
4,847,057	5,435,400	7,077,700	7,190,977	8,226,561	7,806,514
7,436,616	8,775,464	9,910,686	10,948,978	11,867,199	12,049,626
1,300,534	1,031,636	898,736	808,809	1,395,720	865,482
35,181,136	35,255,000	40,152,444	59,006,822	64,781,333	69,182,539
50,163,326	55,662,253	60,495,882	57,594,953	67,048,851	71,125,300
4,243,024	1,015,900	35,575	4,117,255	2,001,218	191,596,866
199,914,742	98,070,970	60,815,880	80,781,635	290,909,587	298,649,086
232,862	204,065	208,693	175,831	330,796	315,376
32,924	18,088	39,240	35,805	37,893	35,755
2,435,819	2,690,626	2,869,992	2,901,667	3,120,641	3,407,903
2,348,096	2,455,136	2,604,686	3,107,984	3,508,948	3,851,222
758,329,518	692,133,256	731,608,908	836,158,171	1,098,448,350	1,335,905,808
(171,569,502)	(61,131,305)	(31,789,217)	(54,158,012)	(257,138,437)	(469,112,899)
167,785,000			320,075,000	23,515,000	163,825,000
129,370,000	103,000,000		155,310,000	245,095,000	261,640,000
4,259,371	80,252	145,229	171,340	151,785	161,628
4,081,714	3,987,659	3,914,349	3,270,784	4,040,477	4,630,440
29,314,822	7,779,789		61,010,989	35,746,877	56,189,554
(4,081,714)	(6,487,659)	(6,914,349)	(8,270,784)	(8,040,477)	(7,630,440)
(174,020,686)			(354,509,772)	(27,459,965)	
156,708,507	108,360,041	(2,854,771)	177,057,557	273,048,697	478,816,182
312,787	191,330				
\$ (14,548,208)	\$ 47,420,066	\$ (34,643,988)	\$ 122,899,545	\$ 15,910,260	\$ 9,703,283
15.29%	15.32%	15.07%	15.49%	16.40%	13.53%
\$ 758,329,518	\$ 692,133,256	\$ 731,608,908	\$ 836,158,171	\$ 1,098,448,350	\$ 1,335,905,808
200,034,542	98,666,580	63,582,450	83,540,938	294,411,021	299,269,468
\$ 558,294,976	\$ 593,466,676	\$ 668,026,458	\$ 752,617,233	\$ 804,037,329	\$ 1,036,636,340

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REVENUE CAPACITY INFORMATION

These schedules contain information to assist users in understanding and assessing the factors affecting the District's ability to generate its own-source revenues.

KATY INDEPENDENT SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended 8/31:	Actual Value			
	Residential	Commercial & Industrial	Minerals	Vacant Land
2008	\$ 11,620,659,904	\$ 4,533,500,162	\$ 53,317,250	\$ 1,002,449,685
2009	12,819,282,488	5,797,265,319	61,812,773	1,125,242,489
2010	13,681,249,992	5,966,281,419	39,107,987	1,312,938,313
2011	14,401,416,679	5,705,922,710	40,504,850	1,314,770,327
2012	15,151,391,289	5,956,767,164	25,676,428	1,301,661,488
2013	16,095,198,911	6,304,330,980	18,887,750	1,435,122,329
2014	17,666,123,656	6,946,066,195	8,467,871	1,322,654,238
2015	20,601,740,928	8,432,123,480	9,125,164	1,413,972,480
2016	24,897,292,508	9,645,411,945	15,548,521	1,636,118,144
2017	27,284,043,996	10,573,764,227	9,444,271	1,797,249,063

(1) Tax Rates are per \$100 of assessed value.

Source: County Appraisal Districts

Exhibit V

Other	Less: Exemptions	Total Assessed Value	Total Direct Rate (1)
\$ 361,470,191	\$ 1,399,660,324	\$ 16,171,736,868	\$ 1.5266
243,110,631	1,373,589,249	18,673,124,451	1.5266
276,521,902	1,758,450,734	19,517,648,879	1.5266
287,292,349	1,929,981,249	19,819,925,666	1.5266
270,073,732	1,978,048,350	20,727,521,751	1.5266
259,998,534	2,030,279,393	22,083,259,111	1.5266
282,107,473	1,941,988,443	24,283,430,990	1.5266
316,708,571	2,167,799,542	28,605,871,081	1.5266
334,145,538	3,624,091,528	32,904,425,128	1.5166
354,442,894	3,667,500,539	36,351,443,912	1.5166

KATY INDEPENDENT SCHOOL DISTRICT
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS

Taxing Authority	2008	2009	2010	2011
<u>District Direct Rates:</u>				
Maintenance & Operations	\$ 1.1266	\$ 1.1266	\$ 1.1266	\$ 1.1266
Debt Service	0.4000	0.4000	0.4000	0.4000
Total District Direct Rates	\$ 1.5266	\$ 1.5266	\$ 1.5266	\$ 1.5266
<u>Overlapping Rates:</u>				
Addicks UD	\$ 0.6100	\$ 0.6000	\$ 0.6300	\$ 0.6550
Baker Road MUD	0.6600	0.6300	0.5450	0.5650
Castlewood MUD	0.9500	0.8900	0.8900	0.8700
Cimarron MUD	0.6000	0.5800	0.5700	0.5700
Cinco MUD #1	0.8800	0.8800	0.6750	0.6450
Cinco MUD #2	0.5200	0.5000	0.4750	0.4750
Cinco MUD #3	0.5100	0.5100	0.4700	0.4700
Cinco MUD #5	0.5750	0.5750	0.5000	0.4950
Cinco MUD #6	0.5900	0.5900	0.4800	0.4800
Cinco MUD #7	0.5750	0.5750	0.5250	0.5200
Cinco MUD #8	0.8900	0.8900	0.8400	0.8500
Cinco MUD #9	0.6500	0.3700	0.6100	0.5950
Cinco MUD #10	0.6500	0.6500	0.6000	0.6100
Cinco MUD #12	0.5300	0.5300	0.4700	0.4300
Cinco MUD #14	0.7900	0.7900	0.6600	0.6350
Cinco SW MUD #1	*N/A	1.5000	1.5000	1.5000
Cinco SW MUD #2	1.5000	1.5000	1.5000	1.5000
Cinco SW MUD #3	*N/A	1.5000	1.5000	1.5000
Cinco SW MUD #4	*N/A	1.5000	1.5000	1.5000
Cornerstone MUD	0.4300	0.3800	0.3700	0.3700
Fort Bend Co.	0.5167	0.4998	0.4998	0.4998
Fort Bend Co. LID #12	0.2500	0.1900	0.1500	0.1400
Fort Bend Co. MUD #34	0.7200	0.7100	0.7100	0.6900
Fort Bend Co. MUD #35	1.0500	0.8900	0.7400	0.6900
Fort Bend Co. MUD #37	0.5900	0.5900	0.5600	0.5200
Fort Bend Co. MUD #57	1.5000	1.5000	1.5000	1.5000
Fort Bend Co. MUD #58	1.5000	1.5000	1.5000	1.5000
Fort Bend Co. MUD #124	0.9900	0.9200	0.9200	0.9200
Fort Bend Co. MUD #130	0.7900	0.7700	0.7600	0.7600
Fort Bend Co. MUD #142	1.3200	1.3200	1.3200	1.3200
Fort Bend Co. MUD #151	1.3000	1.3000	1.3000	1.2700
Fort Bend Co. MUD #156	*N/A	*N/A	*N/A	*N/A
Fort Bend Co. MUD #161	*N/A	*N/A	*N/A	*N/A
Fort Bend Co. MUD #163	*N/A	*N/A	*N/A	*N/A
Fort Bend Co. MUD #171	*N/A	1.2940	1.2940	1.2950
Fort Bend Co. MUD #172	*N/A	*N/A	*N/A	1.2950
Fort Bend Co. MUD #173	*N/A	*N/A	*N/A	1.2950
Fort Bend Co. MUD #182	*N/A	*N/A	*N/A	*N/A
Fort Bend Co. MUD #185	*N/A	1.2500	1.2500	1.2500

Exhibit VI
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2012	2013	2014	2015	2016	2017
\$ 1.1266	\$ 1.1266	\$ 1.1266	\$ 1.1266	\$ 1.1266	\$ 1.1266
0.4000	0.4000	0.4000	0.4000	0.3900	0.3900
\$ 1.5266	\$ 1.5266	\$ 1.5266	\$ 1.5266	\$ 1.5166	\$ 1.5166
\$ 0.6550	\$ 0.6550	\$ 0.6550	\$ 0.6550	\$ 0.6550	\$ 0.6550
0.5650	0.5000	0.4250	0.3750	0.3400	0.3000
0.8500	0.8500	0.8100	0.7000	0.5800	0.4500
0.5700	0.5700	0.5700	0.5700	0.4200	0.3850
0.5950	0.5500	0.5000	0.4800	0.4400	0.4400
0.4750	0.4750	0.4750	0.4700	0.4500	0.3400
0.4800	0.4600	0.4200	0.4200	0.4000	0.3700
0.4950	0.4750	0.4450	0.4150	0.3800	0.3700
0.4800	0.4800	0.4100	0.3950	0.3550	0.3300
0.4900	0.4850	0.4850	0.4800	0.4800	0.4400
0.5950	0.8200	0.7600	0.7100	0.6400	0.5900
0.5950	0.5950	0.5700	0.5300	0.4300	0.4050
0.5900	0.5900	0.5800	0.5800	0.5300	0.4950
0.4300	0.3600	0.3600	0.3000	0.2700	0.2500
0.5950	0.5550	0.5450	0.5350	0.5200	0.5000
1.5000	1.5000	1.2900	1.0100	0.9050	0.8500
1.5000	1.4450	1.3450	1.2000	1.0400	0.9850
1.5000	1.5000	1.5000	1.4400	1.2000	1.1200
1.5000	1.4800	1.4000	1.2000	1.0300	0.9600
0.3600	0.3600	0.3600	0.3400	0.3300	0.3000
0.4998	0.4998	0.4998	0.4948	0.4860	0.4740
0.1300	0.1250	0.1250	0.1150	0.1000	0.0900
0.6800	0.6800	0.6800	0.6800	0.6300	0.6200
0.6300	0.6300	0.6200	0.5700	0.5150	0.4400
0.5200	0.5200	0.5200	0.5200	0.5000	0.4900
1.4500	1.4500	1.4000	1.2700	1.0500	0.9400
1.5000	1.5000	1.4500	1.2800	1.1600	1.0700
0.9900	0.9900	0.9900	0.9500	0.8600	0.8600
0.7500	0.7400	0.7300	0.7200	0.6600	0.6300
1.3200	1.2700	1.1700	0.9500	0.8500	0.7700
1.2600	1.2600	1.2600	1.2200	1.1100	1.0000
*N/A	1.5000	1.5000	1.4500	1.2500	1.0500
*N/A	0.9062	0.9062	0.9062	0.9000	0.9000
*N/A	*N/A	0.9000	0.9000	0.9000	0.9000
1.2950	1.2833	1.2650	1.2200	1.1600	1.1200
1.2950	1.2973	1.3038	1.3226	1.2818	1.2150
1.2950	1.2973	1.3038	1.3226	1.3393	1.3440
*N/A	*N/A	*N/A	1.5000	1.5000	1.5000
1.2500	1.2500	1.2000	1.1700	1.0400	1.0300

KATY INDEPENDENT SCHOOL DISTRICT
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS

Taxing Authority	2008	2009	2010	2011
<u>Overlapping Rates:</u>				
Fort Bend Co. MUD #199	*N/A	*N/A	*N/A	*N/A
Fort Bend Waller Co. MUD #2	*N/A	*N/A	*N/A	*N/A
Fort Bend Improvement District #24	*N/A	*N/A	*N/A	*N/A
Fry Road MUD	0.5000	0.4650	0.4650	0.5000
Grand Lakes MUD #1	0.7900	0.7900	0.6500	0.6300
Grand Lakes MUD #2	0.7000	0.7000	0.4650	0.4550
Grand Lakes MUD #4	0.8200	0.8200	0.7900	0.7900
Grand Lakes WC & ID	0.0950	0.0950	0.0875	0.0825
Green Trails MUD	0.2700	0.3000	0.3600	0.4400
Harris Co.	0.3924	0.3892	0.3922	0.3881
Harris Co. Dept. of Education	0.0059	0.0058	0.0061	0.0066
Harris Co. Flood Contr. Dist.	0.0311	0.0309	0.0292	0.0292
Harris Co. MUD #61	0.5900	0.5900	0.5900	0.5900
Harris Co. MUD #62	0.6100	0.6200	0.6500	0.6500
Harris Co. MUD #63	*N/A	0.8500	0.8500	0.8500
Harris Co. MUD #64	0.7000	0.7100	0.7100	0.7100
Harris Co. MUD #65	0.8260	0.8260	0.8260	0.8460
Harris Co. MUD #71	1.0900	1.0200	1.1000	1.1000
Harris Co. MUD #81	0.3700	0.3500	0.3500	0.3700
Harris Co. MUD #105	0.9300	0.9300	0.9300	0.9300
Harris Co. MUD #216	1.2500	1.2500	1.2200	1.1600
Harris Co. MUD #238	0.7300	0.7300	0.7200	0.7200
Harris Co. MUD #287	1.3500	1.3500	1.3500	1.3500
Harris Co. MUD #345	0.3700	0.3700	0.3700	0.3900
Harris Co. MUD #346	0.4900	0.4700	0.4400	0.4050
Harris Co. MUD #432	*N/A	*N/A	*N/A	1.5000
Harris Co. MUD #449	*N/A	*N/A	*N/A	*N/A
Harris Co. MUD #457	*N/A	*N/A	*N/A	*N/A
Harris Co. MUD #536	*N/A	*N/A	*N/A	*N/A
Harris Co. UD #6	0.2400	0.2400	0.2400	0.2400
Harris-Fort Bend Cos. MUD #1	0.8800	0.8000	0.7700	0.7500
Harris-Fort Bend Cos. MUD #3	*N/A	1.2500	1.2500	1.2500
Harris-Fort Bend Cos. MUD #5	0.8200	0.7500	0.7500	0.7300
Harris-Waller Cos. MUD #2	*N/A	*N/A	*N/A	*N/A
Harris-Waller Cos. MUD #3	*N/A	*N/A	*N/A	*N/A
Houston, City of	0.6438	0.6388	0.6388	0.6388
Interstate MUD	0.5500	0.4400	0.4350	0.4350
Jackrabbit Road PUD	0.3450	0.3450	0.3450	0.3450
Katy, City of	0.6054	0.5937	0.5937	0.5937
Katy Management District	0.9600	0.9600	0.9600	0.9500
Longhorn Town UD	0.7000	0.7000	0.6700	0.6500

Exhibit VI
Page 2 of 3

2012	2013	2014	2015	2016	2017
\$ 0.6000	\$ 0.6000	\$ 0.6000	\$ 0.6000	\$ 0.6000	\$ 0.6000
*N/A	*N/A	*N/A	0.8000	0.8000	0.8000
*N/A	*N/A	*N/A	1.4500	1.4500	*N/A
0.5000	0.5000	0.5000	0.4850	0.4700	0.4550
0.5400	0.5400	0.5400	0.5400	0.5150	0.4950
0.4450	0.4375	0.3695	0.3500	0.3200	0.3075
0.7700	0.7600	0.7300	0.6800	0.6000	0.5725
0.0825	0.0825	0.0785	0.0730	0.0665	0.0650
0.4000	0.2600	0.2100	0.2000	0.1900	0.2100
0.3912	0.4002	0.4146	0.4173	0.4192	0.4166
0.0066	0.0066	0.0064	0.0060	0.0054	0.0052
0.0281	0.0281	0.0283	0.0274	0.0273	0.0283
0.5900	0.5900	0.5900	0.5700	0.5000	0.4900
0.6500	0.6500	0.6500	0.6200	0.5900	0.5750
0.8500	0.7000	0.5900	0.5200	0.5000	0.4100
0.7100	0.7100	0.7100	0.6900	0.6900	0.6300
0.8960	0.9770	0.9700	0.9300	0.8400	0.7300
1.1000	1.1000	1.1000	1.0600	0.9700	0.8900
0.3700	0.3700	0.3700	0.3700	0.3300	0.3300
0.9300	0.9300	0.9300	0.9000	0.8500	0.8300
1.1000	1.0700	0.9900	0.9500	0.7000	0.5600
0.7150	0.6950	0.6850	0.6350	0.6200	0.5400
1.3500	1.3500	1.3500	1.3500	1.3500	1.2700
0.4200	0.4200	0.3800	0.3475	0.3100	0.2800
0.2800	0.2000	0.1000	0.1000	0.1000	0.1000
1.5000	1.5000	1.5000	1.5000	1.4500	1.4000
*N/A	*N/A	1.5000	1.5000	1.5000	1.4400
*N/A	*N/A	*N/A	*N/A	*N/A	1.5000
*N/A	*N/A	*N/A	*N/A	*N/A	1.5000
0.2400	0.2400	0.2400	0.2350	0.2300	0.2200
0.7300	0.7000	0.6850	0.6850	0.6550	0.6100
1.2400	1.2400	1.1900	1.0700	0.9700	0.9200
0.7100	0.7100	0.7000	0.6500	0.5900	0.5400
*N/A	*N/A	*N/A	0.9500	0.9500	0.9500
*N/A	*N/A	*N/A	0.9300	0.9300	0.9300
0.6388	0.6388	0.6388	0.6311	0.6011	0.5864
0.4250	0.4200	0.4100	0.4050	0.4000	0.3950
0.3450	0.2500	0.2500	0.3000	0.3000	0.3000
0.5937	0.5867	0.5667	0.5467	0.5267	0.5067
0.9500	0.8800	0.8200	0.8200	0.8200	0.8000
0.6500	0.6300	0.6100	0.5500	0.5000	0.4600

KATY INDEPENDENT SCHOOL DISTRICT
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS

Taxing Authority	2008	2009	2010	2011
<u>Overlapping Rates:</u>				
Mason Creek UD	\$ 0.3240	\$ 0.3240	\$ 0.3240	\$ 0.3460
Mayde Creek MUD	0.7550	0.7550	0.8370	0.8960
Memorial MUD	0.5800	0.5200	0.5400	0.5550
Morton Road MUD	0.7900	0.7900	0.7900	0.8200
Northwest Harris Co. MUD #12	0.9600	0.9600	0.9600	1.0100
Nottingham Country MUD	0.4300	0.4100	0.3950	0.3950
Port of Houston Authority	0.0144	0.0177	0.0164	0.0205
Ricewood MUD	0.5600	0.5600	0.5600	0.5800
Rolling Creek UD	*N/A	*N/A	0.9900	0.9800
Waller County	0.6288	0.6425	0.6246	0.6484
Waller County RID #1	*N/A	1.2500	1.2500	1.2500
Waller-Harris ESD 2000	0.0906	0.0930	0.0970	0.0944
West Harris Co. MUD #2	0.4200	0.4200	0.4700	0.4600
West Harris Co. MUD #5	1.2000	1.2000	1.2000	1.2000
West Harris Co. MUD #7	0.9700	0.9300	0.9200	0.9000
West Harris Co. MUD #17	0.8200	0.9300	0.9700	1.0100
Westlake MUD #1	0.6000	0.6000	0.6000	0.6000
West Memorial MUD	0.3200	0.3200	0.3800	0.4500
Weston MUD	0.6200	0.6200	0.6200	0.6200
Westpark MUD	0.6500	0.6500	0.4800	0.6500
Willow Creek Farms MUD	1.2500	1.2500	1.2500	1.2500
Willow Fork DD	0.2000	0.1900	0.1900	0.1900
Willow Point MUD	*N/A	*N/A	*N/A	*N/A
Woodcreek Reserve MUD	0.6000	0.5100	0.5500	0.6000

UD - Utility District

MUD - Municipal Utility District

PUD - Public Utility District

LID - Land Improvement District

RID - Road Improvement District

DD - Development District

ESD - Emergency Services District

WC & ID - Water Control & Improvement District

*N/A Political entity not in existence or taxes not yet levied.

Source: County Appraisal Districts

Exhibit VI
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2012	2013	2014	2015	2016	2017
\$ 0.3460	\$ 0.3460	\$ 0.0346	\$ 0.3345	\$ 0.3230	\$ 0.3230
0.8960	0.9150	0.9450	0.9300	0.9300	0.9300
0.5500	0.5400	0.5400	0.5100	0.4800	0.4400
0.8400	0.8400	0.8200	0.7500	0.6900	0.6600
1.0600	1.0600	1.0600	1.0400	0.9800	0.9300
0.3950	0.3950	0.3950	0.3750	0.3450	0.3400
0.0186	0.0195	0.0172	0.0153	0.0134	0.0133
0.5800	0.5800	0.5800	0.5300	0.4750	0.4200
0.9700	0.9700	0.9600	0.8800	0.8500	0.7800
0.6598	0.6611	0.6511	0.6508	0.6204	0.6004
1.2500	1.2500	1.2500	1.2500	1.2500	1.2500
0.0944	0.0995	0.0995	0.0995	0.0995	0.0995
0.5000	0.5000	0.5000	0.5000	0.4800	0.4800
1.2000	1.2000	1.2000	1.1600	1.0900	1.0500
0.9000	0.9000	0.9000	0.8500	0.8400	0.7700
1.2500	1.3100	1.3100	1.2400	1.1900	1.0700
0.6400	0.6325	0.6325	0.5925	0.5625	0.5400
0.4500	0.4500	0.4500	0.4500	0.4300	0.3900
0.6100	0.6100	0.6100	0.5500	0.4800	0.4600
0.7500	0.6700	0.6700	0.6500	0.6500	0.5800
1.2500	1.2500	1.2500	1.2500	1.1500	1.0950
0.1900	0.1900	0.1900	0.1900	0.1850	0.1850
*N/A	*N/A	1.5000	1.5000	1.5000	1.5000
0.6000	0.6000	0.6000	0.5600	0.5600	0.5600

**KATY INDEPENDENT SCHOOL DISTRICT
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Exhibit VII

Taxpayer	2017			2008		
	Assessed Value (1)	Rank	Percentage of Total Assessed Value (2)	Assessed Value (1)	Rank	Percentage of Total Assessed Value (3)
BP Amoco	\$ 520,615,952	1	1.43%	\$ 287,012,785	1	1.77%
Shell Oil Co.	513,471,453	2	1.41	100,600,787	6	0.62
Westlake Three/Four Owner Corp.	277,706,319	3	0.76	160,747,886	3	0.99
Conoco Phillips Co.	176,430,878	4	0.49	109,448,071	5	0.68
Schlumberger Technology Corp.	170,616,506	5	0.47			
Academy Ltd.	165,739,239	6	0.46	128,970,786	4	0.80
Centerpoint Energy	153,843,975	7	0.42	79,598,611	7	0.49
Bravelake Property Owner Corp.	125,573,115	8	0.35			
Katy Mills LP	123,078,450	9	0.34	175,597,152	2	1.09
I10 EC Corridor LP	101,531,305	10	0.28			
CMD Properties, Inc.				64,750,000	8	0.40
Sumitomo Corp of America				62,993,971	9	0.39
Wal-Mart				59,986,722	10	0.37
TOTALS	<u><u>\$ 2,328,607,192</u></u>		<u><u>6.41%</u></u>	<u><u>\$ 1,229,706,771</u></u>		<u><u>7.60%</u></u>

(1) Assessed (taxable) value equals appraised value after exemptions.

(2) Total assessed value equals: \$ 36,351,443,912

(3) Total assessed value equals: \$ 16,171,736,868

Source: County Appraisal Districts

**KATY INDEPENDENT SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Exhibit VIII

Fiscal Year Ended 8/31:	Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (1)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 241,809,631	\$ 237,881,768	98.38%	\$ 3,605,704	\$ 241,487,472	99.87%
2009	283,263,535	276,744,032	97.70	6,125,890	282,869,922	99.86
2010	296,177,515	290,752,880	98.17	5,057,334	295,810,214	99.88
2011	300,398,676	296,166,452	98.59	3,887,143	300,053,595	99.89
2012	314,490,037	310,257,285	98.65	3,928,151	314,185,436	99.90
2013	334,121,880	331,214,907	99.13	2,661,064	333,875,971	99.93
2014	365,687,039	364,521,121	99.68	924,027	365,445,148	99.93
2015	428,814,987	428,272,107	99.87	(346,213)	427,925,894	99.79
2016	490,208,492	487,326,155	99.41	(1,932,468)	485,393,687	99.02
2017	540,445,558	536,816,559	99.33		536,816,559	99.33

(1) Negative collections represent refunds made to taxpayers.

Source: District Records

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DEBT CAPACITY INFORMATION

These schedules contain information to assist users in understanding and assessing the District's debt burden and its ability to issue additional debt in the future.

KATY INDEPENDENT SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Exhibit IX

Fiscal Year Ended 8/31:	Governmental Activities				Total Primary Government	Ratio of Debt to Assessed Value (1)	Debt per ADA (2)
	General Obligation Bonds	Accretion on Capital Appreciation Bonds	Bond Issuance Premiums	Capital Leases			
2008	\$ 955,748,205	\$ 34,876,364	\$ 13,620,291	\$ 21,945,000	\$ 1,026,189,860	6.35%	\$ 20,051
2009	949,753,065	27,568,558	13,284,002	21,215,000	1,011,820,625	5.42	18,862
2010	914,060,048	26,425,732	11,928,483	20,450,000	972,864,263	4.98	17,527
2011	1,077,256,097	9,711,419	14,690,362	19,645,000	1,121,302,878	5.66	19,440
2012	1,165,099,961	9,409,109	34,552,367	17,360,000	1,226,421,437	5.92	20,699
2013	1,232,844,961	9,827,986	47,850,529	16,245,000	1,306,768,476	5.92	21,274
2014	1,192,692,517	8,337,728	45,512,893	15,095,000	1,261,638,138	5.20	19,697
2015	1,271,035,662	7,243,610	100,590,333	13,910,000	1,392,779,605	4.87	20,753
2016	1,449,414,330	5,602,776	128,684,350	12,690,000	1,596,391,456	4.85	22,901
2017	1,621,576,790	2,835,055	175,631,661	11,435,000	1,811,478,506	4.98	25,155

(1) See Exhibit V for assessed value data.

(2) See Exhibit XV for student Average Daily Attendance (ADA) data.

Source: District Records

KATY INDEPENDENT SCHOOL DISTRICT
RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Exhibit X

Fiscal Year Ended 8/31:	Governmental Activities				Primary Government Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (1)	Net Bonded Debt per ADA (2)
	General Obligation Bonds	Accretion on Capital Appreciation Bonds	Bond Issuance Premiums	Less Reserve for Retirement of Bonded Debt			
2008	\$ 955,748,205	\$ 34,876,364	\$ 13,620,291	\$ 31,341,477	\$ 972,903,383	6.02%	\$ 19,010
2009	949,753,065	27,568,558	13,284,002	35,715,443	954,890,182	5.11	17,801
2010	914,060,048	26,425,732	11,928,483	43,788,671	908,625,592	4.66	16,369
2011	1,077,256,097	9,711,419	14,690,362	39,672,424	1,061,985,454	5.36	18,412
2012	1,165,099,961	9,409,109	34,552,367	43,645,850	1,165,415,587	5.62	19,669
2013	1,232,844,961	9,827,986	47,850,529	49,056,113	1,241,467,363	5.62	20,210
2014	1,192,692,517	8,337,728	45,512,893	52,050,071	1,194,493,067	4.92	18,649
2015	1,271,035,662	7,243,610	100,590,333	49,777,788	1,329,091,817	4.65	19,804
2016	1,449,414,330	5,602,776	128,684,350	51,026,434	1,532,675,022	4.66	21,987
2017	1,621,576,790	2,835,055	175,631,661	53,113,798	1,746,929,708	4.81	24,259

(1) See Exhibit V for assessed value data.

(2) See Exhibit XV for student Average Daily Attendance data.

Source: District Records

KATY INDEPENDENT SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AUGUST 31, 2017

Taxing Authority	Gross Debt Outstanding		Percent Overlapping (1)	Amount Overlapping Gross Debt
	Amount	As Of		
<u>Direct:</u>				
Katy Independent School District	\$ 1,811,478,506	8/31/2017	100.00%	\$ 1,811,478,506
<u>Overlapping:</u>				
Addicks UD	13,680,000	8/31/2017	100.00	13,680,000
Baker Road MUD	2,290,000	8/31/2017	100.00	2,290,000
Castlewood MUD	9,845,000	8/31/2017	100.00	9,845,000
Cimarron MUD	29,135,000	8/31/2017	100.00	29,135,000
Cinco MUD #1	5,851,250	8/31/2017	100.00	5,851,250
Cinco MUD #2	9,975,893	8/31/2017	100.00	9,975,893
Cinco MUD #3	5,964,108	8/31/2017	100.00	5,964,108
Cinco MUD #5	7,380,220	8/31/2017	100.00	7,380,220
Cinco MUD #6	7,089,323	8/31/2017	100.00	7,089,323
Cinco MUD #7	11,674,408	8/31/2017	100.00	11,674,408
Cinco MUD #8	12,960,698	8/31/2017	100.00	12,960,698
Cinco MUD #9	6,345,833	8/31/2017	100.00	6,345,833
Cinco MUD #10	10,278,925	8/31/2017	100.00	10,278,925
Cinco MUD #12	6,278,108	8/31/2017	100.00	6,278,108
Cinco MUD #14	20,671,238	8/31/2017	100.00	20,671,238
Cinco Southwest MUD #1	1,155,995	8/31/2017	100.00	1,155,995
Cinco Southwest MUD #2	74,486,355	8/31/2017	100.00	74,486,355
Cinco Southwest MUD #3	66,095,663	8/31/2017	100.00	66,095,663
Cinco Southwest MUD #4	73,242,890	8/31/2017	100.00	73,242,890
Cornerstone MUD	2,125,000	8/31/2017	100.00	2,125,000
Fort Bend Co.	566,233,978	8/31/2017	20.23	114,549,134
Fort Bend Co. LID #12	12,505,000	8/31/2017	4.67	583,984
Fort Bend Co. MUD #34	17,700,000	8/31/2017	100.00	17,700,000
Fort Bend Co. MUD #35	35,460,000	8/31/2017	100.00	35,460,000
Fort Bend Co. MUD #57	52,380,000	8/31/2017	100.00	52,380,000
Fort Bend Co. MUD #58	126,725,000	8/31/2017	100.00	126,725,000
Fort Bend Co. MUD #124	9,910,000	8/31/2017	100.00	9,910,000
Fort Bend Co. MUD #130	10,670,000	8/31/2017	100.00	10,670,000
Fort Bend Co. MUD #142	75,695,000	8/31/2017	42.45	32,132,528
Fort Bend Co. MUD #151	77,190,000	8/31/2017	79.64	61,474,116
Fort Bend Co. MUD #156	18,295,000	8/31/2017	100.00	18,295,000
Fort Bend Co. MUD #161	12,485,000	8/31/2017	100.00	12,485,000
Fort Bend Co. MUD #163	5,500,000	8/31/2017	100.00	5,500,000
Fort Bend Co. MUD #171	48,702,077	8/31/2017	100.00	48,702,077
Fort Bend Co. MUD #172	73,006,819	8/31/2017	100.00	73,006,819
Fort Bend Co. MUD #173	12,547,911	8/31/2017	100.00	12,547,911
Fort Bend Co. MUD #182	21,695,000	8/31/2017	1.91	414,375
Fort Bend Co. MUD #185	30,935,000	8/31/2017	100.00	30,935,000
Fort Bend Co. MUD #199	1,905,000	8/31/2017	100.00	1,905,000
Fort Bend Waller Co. MUD #2	10,120,000	8/31/2017	100.00	10,120,000
Fry Road MUD	825,000	8/31/2017	100.00	825,000
Grand Lakes MUD #1	10,190,000	8/31/2017	100.00	10,190,000
Grand Lakes MUD #2	6,365,000	8/31/2017	100.00	6,365,000
Grand Lakes MUD #4	13,880,000	8/31/2017	100.00	13,880,000
Grand Lakes WC & ID	3,630,000	8/31/2017	100.00	3,630,000
Green Trails MUD	1,715,000	8/31/2017	100.00	1,715,000
Harris Co.	2,295,044,505	8/31/2017	4.44	101,899,976
Harris Co. Dept. of Education	6,780,000	8/31/2017	4.44	301,032
Harris Co. Flood Contr. Dist.	83,075,000	8/31/2017	4.44	3,688,530
Harris Co. Hosp District	61,595,000	8/31/2017	4.44	2,734,818
Harris Co. MUD #61	11,045,000	8/31/2017	100.00	11,045,000

Exhibit XI

Taxing Authority	Gross Debt Outstanding		Percent Overlapping (1)	Amount Overlapping Gross Debt
	Amount	As Of		
Overlapping:				
Harris Co. MUD #62	\$ 5,160,000	8/31/2017	100.00%	\$ 5,160,000
Harris Co. MUD #63	11,375,000	8/31/2017	100.00	11,375,000
Harris Co. MUD #64	14,880,000	8/31/2017	100.00	14,880,000
Harris Co. MUD #65	20,260,000	8/31/2017	100.00	20,260,000
Harris Co. MUD #71	50,180,000	8/31/2017	100.00	50,180,000
Harris Co. MUD #81	9,130,000	8/31/2017	100.00	9,130,000
Harris Co. MUD #105	45,745,000	8/31/2017	0.79	361,386
Harris Co. MUD #216	6,595,000	8/31/2017	100.00	6,595,000
Harris Co. MUD #238	17,520,000	8/31/2017	100.00	17,520,000
Harris Co. MUD #287	28,100,000	8/31/2017	100.00	28,100,000
Harris Co. MUD #432	15,600,000	8/31/2017	100.00	15,600,000
Harris Co. MUD #449	18,515,000	8/31/2017	100.00	18,515,000
Harris Co. UD #6	2,560,000	8/31/2017	100.00	2,560,000
Harris-Fort Bend Cos. MUD #1	12,245,000	8/31/2017	100.00	12,245,000
Harris-Fort Bend Cos. MUD #3	42,420,000	8/31/2017	100.00	42,420,000
Harris-Fort Bend Cos. MUD #5	20,005,000	8/31/2017	100.00	20,005,000
Harris-Waller Counties MUD #2	7,555,000	8/31/2017	100.00	7,555,000
Harris-Waller Counties MUD #3	9,385,000	8/31/2017	100.00	9,385,000
Houston, City of	2,731,150,000	8/31/2017	1.47	40,147,905
Interstate MUD	10,875,000	8/31/2017	100.00	10,875,000
Katy Management District	6,625,000	8/31/2017	100.00	6,625,000
Katy, City of	17,115,000	8/31/2017	100.00	17,115,000
Longhorn Town UD	2,160,000	8/31/2017	100.00	2,160,000
Mason Creek UD	1,795,000	8/31/2017	100.00	1,795,000
Mayde Creek MUD	10,028,430	8/31/2017	100.00	10,028,430
Memorial MUD	8,370,000	8/31/2017	100.00	8,370,000
Morton Road MUD	5,495,000	8/31/2017	100.00	5,495,000
Northwest Harris Co. MUD #12	6,375,000	8/31/2017	1.23	78,413
Nottingham Country MUD	5,950,000	8/31/2017	100.00	5,950,000
Port of Houston Authority	657,994,397	8/31/2017	4.44	29,214,951
Ricewood MUD	6,915,000	8/31/2017	100.00	6,915,000
Rolling Creek UD	12,400,000	8/31/2017	17.55	2,176,200
Waller County	3,623,000	8/31/2017	17.58	636,923
Waller Co. Road Imp District #1	3,125,000	8/31/2017	100.00	3,125,000
West Harris Co. MUD #2	8,850,000	8/31/2017	100.00	8,850,000
West Harris Co. MUD #5	16,915,000	8/31/2017	100.00	16,915,000
West Harris Co. MUD #7	22,165,000	8/31/2017	100.00	22,165,000
West Harris Co. MUD #17	7,370,000	8/31/2017	100.00	7,370,000
Westlake MUD #1	3,675,000	8/31/2017	100.00	3,675,000
West Memorial MUD	7,560,000	8/31/2017	100.00	7,560,000
West Park MUD	28,505,000	8/31/2017	100.00	28,505,000
Weston MUD	23,840,000	8/31/2017	100.00	23,840,000
Willow Creek Farms MUD	23,715,000	8/31/2017	99.25	23,537,138
Willow Fork DD	45,265,000	8/31/2017	100.00	45,265,000
Willow Point MUD	8,590,000	8/31/2017	100.00	8,590,000
Woodcreek Reserve MUD	19,045,000	8/31/2017	100.00	19,045,000
Subtotal, Overlapping Debt				1,866,167,550
TOTAL DIRECT AND OVERLAPPING DEBT				\$ 3,677,646,056

UD - Utility District

MUD - Municipal Utility District

PUD - Public Utility District

LID - Land Improvement District

DD - Development District

WC & ID - Water Control & Improvement District

(1) The percentage of overlapping debt is estimated using taxable assessed property values. Percentages were estimated by determining the portion of the overlapping taxing authority's taxable assessed value that is within the District's boundaries and dividing it by the overlapping taxing authority's total taxable assessed value.

Source: Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas

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DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules contain information to assist users in understanding the socioeconomic environment in which the District operates and to provide information that facilitates comparisons of financial statement information over time and with other school districts.

**KATY INDEPENDENT SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Exhibit XII

Fiscal Year Ended 08/31:	Residential Units (1)	Total Assessed Value of Residential Units (1)	Average Assessed Value Per Residential Unit	Average Daily Attendance (2)	Population (3)	Unemployment Rate (4)
2008	64,307	\$ 11,083,214,223	\$ 172,348	51,179	236,763	2.86%
2009	67,095	11,964,914,716	178,328	53,644	251,758	2.95
2010	71,236	12,981,238,080	182,229	55,508	256,979	2.83
2011	73,679	13,660,293,039	185,403	57,679	266,359	4.80
2012	74,967	14,326,714,983	191,107	59,250	269,769	4.90
2013	76,598	15,145,015,789	197,721	61,427	279,585	3.30
2014	81,052	16,522,082,163	203,845	64,052	302,460	4.90
2015	84,748	19,131,360,204	225,744	67,112	316,913	4.40
2016	88,340	23,019,705,718	260,581	69,709	329,175	4.30
2017	91,262	25,041,894,422	274,396	72,013	340,574	4.60

(1) Source: County Appraisal Districts - Includes Single Family Residential Units

(2) Source: District Records

(3) Source: Municipal Advisory Council of Texas

(4) Source: Katy Area Economic Development Council and Katy Area Chamber of Commerce

Due to the District's boundaries falling within three separate counties, total personal income data for geographic area is not available for the ten year period presented.

KATY INDEPENDENT SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Exhibit XIII

Employer	2017			2008		
	Employees	Rank	Percentage of Total Employment (1)	Employees	Rank	Percentage of Total Employment (2)
Katy ISD	9,572	1	5.55%	6,758	2	6.19%
Shell Exploration & Production	6,000	2	3.48	2,000	5	1.83
BP North America	5,000	3	2.90	7,000	1	6.42
Wood Group/ Mustang Engineering	5,000	4	2.90	3,000	4	2.75
Academy Sports and Outdoors	2,900	5	1.68	1,813	7	1.66
Houston Methodist West	1,750	6	1.01			
ConocoPhillips	1,400	7	0.81	4,500	3	4.11
Walmart	1,400	8	0.81	845	10	0.77
Texas Children's West Campus	1,000	9	0.58			
Memorial Hermann Katy Hospital	1,000	10	0.58			
Katy Mills LP				2,000	6	1.83
HEB				1,100	8	1.01
ExxonMobil Corporation				1,000	9	0.92
TOTALS	35,022		20.31%	30,016		27.50%

(1) Total employment for 2017: 16: 172,383

(2) Total employment for 2008: 10: 109,098

Source: Katy Area Economic Development Council through Info USA and direct interviews.

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OPERATING INFORMATION

These schedules contain information intended to provide contextual information about the District's operations and resources to assist readers in using financial statement information to understand and assess the District's economic condition.

KATY INDEPENDENT SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY POSITION
LAST TEN FISCAL YEARS

POSITION:	2008	2009	2010	2011
Instruction	4,355	4,657	4,927	4,909
Instructional Resources and Media Services	96	105	108	107
Curriculum and Instructional Staff Development	62	60	65	73
Instructional Leadership	60	59	57	58
School Leadership	428	457	465	469
Guidance, Counseling, and Evaluation Services	234	258	262	273
Health Services	70	80	83	92
Student Transportation	321	321	319	300
Food Services	324	337	362	355
Cocurricular/Extracurricular Activities	7	8	9	82
General Administration	87	91	98	105
Facilities Maintenance and Operations	540	612	644	630
Security and Monitoring Services	81	83	84	84
Data Processing Services	76	85	80	100
Community Services	11	12	13	13
Facilities Acquisition and Construction	6	6	11	6
Total Employees	6,758	7,231	7,587	7,656

Source: District Records

Exhibit XIV

2012	2013	2014	2015	2016	2017
4,732	5,004	5,264	5,587	5,960	6,229
101	107	105	112	113	119
51	64	74	92	95	100
55	56	59	67	69	70
455	484	514	533	552	575
256	283	302	336	359	371
85	96	100	103	105	112
305	297	314	320	334	344
348	380	394	418	436	449
80	80	90	91	94	102
102	91	92	99	106	108
556	601	628	654	705	734
85	90	107	118	125	127
85	87	98	104	113	113
12	14	13	11	13	12
6	6	7	6	7	7
<u>7,314</u>	<u>7,740</u>	<u>8,161</u>	<u>8,651</u>	<u>9,186</u>	<u>9,572</u>

KATY INDEPENDENT SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year Ended 8/31:	Average Daily Attendance	Operating Expenditures (1)	Cost Per ADA	Percentage Change
2008	51,179	\$ 420,202,565	\$ 8,210	7.19%
2009	53,644	444,724,134	8,290	0.97
2010	55,508	476,076,599	8,577	3.46
2011	57,679	492,798,842	8,544	(0.38)
2012	59,250	468,707,490	7,911	(7.41)
2013	61,427	501,533,523	8,165	3.21
2014	64,052	567,342,557	8,858	8.49
2015	67,112	631,898,203	9,416	6.30
2016	69,709	670,205,927	9,614	2.11
2017	72,013	704,731,635	9,786	1.79

(1) Operating expenditures are total expenditures less debt service and capital outlay (to the extent capitalized for the government-wide statement of net assets) and expenditures for capitalized assets included within the functional expenditures categories.

Source: Academic Excellence Indicator System of Texas (AEIS), Texas Academic Performance Reports (TAPR) and District records

Exhibit XV

<u>Government Wide Expenses</u>	<u>Cost Per ADA</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Student to Teacher Ratio</u>	<u>Percentage of Students in Free/Reduced Lunch Program</u>
\$ 494,172,616	\$ 9,656	6.46%	3,670	13.95	25.00%
525,252,099	9,791	1.41	3,914	13.71	27.90
571,604,661	10,298	5.17	4,120	13.47	29.10
573,716,141	9,947	(3.41)	4,125	13.98	30.20
565,873,877	9,551	(3.98)	3,860	15.35	31.30
604,302,988	9,838	3.01	4,068	15.10	30.10
673,076,641	10,508	6.82	4,304	14.88	29.00
732,849,025	10,920	3.92	4,537	14.79	28.60
809,342,745	11,610	6.32	4,803	14.51	28.30
867,060,640	12,040	3.71	4,996	14.41	28.80

KATY INDEPENDENT SCHOOL DISTRICT
TEACHER BASE SALARIES
LAST TEN FISCAL YEARS

Exhibit XVI

Fiscal Year Ended 08/31:	Minimum Salary (1)	Maximum Salary (1)	KISD Average Salary (2)	Region IV Average Salary (2)	Statewide Average Salary (2)
2008	\$ 42,130	\$ 72,517	\$ 48,385	\$ 48,053	\$ 46,179
2009	43,300	71,624	49,263	49,186	47,159
2010	44,000	76,205	50,374	50,129	48,263
2011	45,000	77,073	50,799	50,616	48,638
2012	45,000	77,073	51,145	50,383	48,375
2013	45,500	77,822	51,797	50,968	48,821
2014	47,000	78,901	52,881	52,222	49,692
2015	49,000	80,474	55,182	54,157	50,715
2016	50,100	80,792	55,955	55,580	51,891
2017	50,500	80,861	56,390	55,992	52,525

(1) Source: District records

(2) Source: Academic Excellence Indicator System of Texas (AEIS) from 2008-2012
Texas Academic Performance Reports (TAPR) from 2013-2017

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KATY INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

Building:	2008	2009	2010	2011
HIGH SCHOOLS				
Cinco Ranch (1999)				
Square Footage	581,934	581,934	581,934	581,934
Capacity	3,000	3,000	3,000	3,000
Enrollment	2,748	2,765	2,819	2,905
Katy (1947)				
Square Footage	589,196	589,196	589,196	589,196
Capacity	3,000	3,000	3,000	3,000
Enrollment	2,521	2,569	2,574	2,632
Mayde Creek (1984)				
Square Footage	581,821	603,141	603,141	603,141
Capacity	3,000	3,000	3,000	3,000
Enrollment	2,518	2,528	2,627	2,569
Morton Ranch (2004)				
Square Footage	482,996	583,628	583,628	583,628
Capacity	2,400	3,000	3,000	3,000
Enrollment	2,753	2,817	2,864	2,919
Raines (2008)				
Square Footage		21,916	21,916	21,916
Capacity		331	331	331
Enrollment		160	185	214
Seven Lakes (2005)				
Square Footage	599,005	599,005	599,005	599,005
Capacity	3,000	3,000	3,000	3,000
Enrollment	2,346	2,787	3,128	3,374
Taylor (1979)				
Square Footage	542,192	542,192	542,192	542,192
Capacity	3,000	3,000	3,000	3,000
Enrollment	2,627	2,544	2,465	2,629
Tompkins (2013)				
Square Footage				
Capacity				
Enrollment				
JUNIOR HIGH SCHOOLS				
Beck (1996)				
Square Footage	137,569	137,569	137,569	137,569
Capacity	1,232	1,232	1,232	1,232
Enrollment	1,160	1,179	1,153	1,151
Beckendorff (2004)				
Square Footage	184,398	184,398	184,398	184,398
Capacity	1,403	1,403	1,403	1,403
Enrollment	1,765	1,382	1,514	1,531

2012	2013	2014	2015	2016	2017
581,934	581,934	581,934	581,934	581,934	581,934
3,000	3,000	3,000	3,000	3,000	3,000
2,970	3,030	3,196	3,168	3,143	3,234
589,196	589,196	589,196	589,196	589,196	589,196
3,000	3,000	3,000	3,000	3,000	3,000
2,697	2,750	2,953	3,033	3,200	3,483
603,141	603,141	603,141	603,141	603,141	603,141
3,000	3,000	3,000	3,000	3,000	3,000
2,560	2,635	2,713	2,685	2,737	2,771
583,628	583,628	583,628	583,628	583,628	583,628
3,000	3,000	3,000	3,000	3,000	3,000
3,043	3,193	3,307	3,331	3,402	3,539
21,916	21,916	21,916	21,916	21,916	21,916
331	331	331	331	331	331
203	236	235	163	200	190
599,005	599,005	599,005	599,005	599,005	599,005
3,000	3,000	3,000	3,000	3,000	3,000
3,635	3,888	3,585	3,438	3,225	3,394
542,192	542,192	542,192	542,192	542,192	542,192
3,000	3,000	3,000	3,000	3,000	3,000
2,689	2,744	2,918	2,903	2,909	2,936
		610,134	610,134	610,134	610,134
		3,000	3,000	3,000	3,000
		834	1,641	2,478	2,963
137,569	137,569	137,569	137,569	137,569	137,569
1,232	1,232	1,232	1,232	1,232	1,232
1,149	1,154	1,100	1,078	1,040	999
184,398	184,398	184,398	184,398	184,398	184,398
1,403	1,403	1,403	1,403	1,403	1,403
1,632	1,635	1,675	1,698	1,770	1,754

KATY INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

Building:	2008	2009	2010	2011
JUNIOR HIGH SCHOOLS (cont.)				
Cardiff (2008)				
Square Footage		188,602	188,602	188,602
Capacity		1,403	1,403	1,403
Enrollment		1,015	1,076	1,063
Cinco Ranch (2001)				
Square Footage	154,637	154,637	154,637	154,637
Capacity	1,400	1,400	1,400	1,400
Enrollment	1,248	1,082	1,089	1,112
Katy (1995)				
Square Footage	137,569	137,569	137,569	137,569
Capacity	1,231	1,231	1,231	1,231
Enrollment	1,224	1,243	1,218	1,231
Mayde Creek (1980)				
Square Footage	169,172	169,172	169,172	169,172
Capacity	1,414	1,414	1,414	1,414
Enrollment	1,386	1,078	1,118	1,164
McDonald (1991)				
Square Footage	137,569	137,569	137,569	137,569
Capacity	1,220	1,220	1,220	1,220
Enrollment	1,275	871	906	958
McMeans (2000)				
Square Footage	154,637	154,637	154,637	154,637
Capacity	1,400	1,400	1,400	1,400
Enrollment	1,218	1,212	1,220	1,168
Memorial Parkway (1982)				
Square Footage	148,627	148,627	148,627	148,627
Capacity	1,133	1,133	1,133	1,133
Enrollment	963	975	965	936
Morton Ranch (2003)				
Square Footage	180,290	180,290	180,290	180,290
Capacity	1,403	1,403	1,403	1,403
Enrollment	1,316	1,296	1,245	1,254
Seven Lakes (2012)				
Square Footage				
Capacity				
Enrollment				
Tays (2016)				
Square Footage				
Capacity				
Enrollment				
West Memorial (1976)				
Square Footage	163,906	163,906	163,906	163,906
Capacity	998	998	998	998
Enrollment	794	777	800	788

2012	2013	2014	2015	2016	2017
188,602	188,602	188,602	188,602	188,602	188,602
1,403	1,403	1,403	1,403	1,403	1,403
1,042	1,008	1,027	955	965	912
154,637	154,637	154,637	154,637	154,637	154,637
1,400	1,400	1,400	1,400	1,400	1,400
1,168	1,200	1,209	1,259	1,260	1,222
137,569	137,569	137,569	137,569	137,569	137,569
1,231	1,231	1,231	1,231	1,231	1,231
1,315	1,333	1,354	1,332	1,341	1,353
169,172	172,386	172,386	172,386	172,386	172,386
1,414	1,414	1,414	1,414	1,414	1,414
1,158	1,095	1,141	1,146	1,121	1,135
137,569	137,569	137,569	137,569	137,569	137,569
1,220	1,220	1,220	1,220	1,220	1,220
943	916	973	1,053	1,076	1,144
154,637	154,637	154,637	154,637	154,637	154,637
1,400	1,400	1,400	1,400	1,400	1,400
1,177	1,150	1,085	1,085	1,163	1,140
148,627	148,627	148,627	148,627	148,627	148,627
1,133	1,133	1,133	1,133	1,133	1,133
925	900	894	876	853	827
180,290	180,290	180,290	180,290	180,290	180,290
1,403	1,403	1,403	1,403	1,403	1,403
1,215	1,285	1,268	1,202	1,177	1,201
	187,748	187,748	187,748	187,748	187,748
	1,400	1,400	1,400	1,400	1,400
	1,208	1,550	1,748	2,006	1,771
					185,944
					1,400
					1,377
163,906	169,920	169,920	169,920	169,920	169,920
998	998	998	998	998	998
780	760	718	748	763	802

KATY INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

Building:	2008	2009	2010	2011
JUNIOR HIGH SCHOOLS (cont.)				
WoodCreek (2008)				
Square Footage		188,602	188,602	188,602
Capacity		1,403	1,403	1,403
Enrollment		987	1,303	1,604
ELEMENTARY SCHOOLS				
Alexander (1998)				
Square Footage	106,134	106,134	106,134	106,134
Capacity	935	935	935	935
Enrollment	1,184	1,227	1,202	1,169
Bear Creek (1978)				
Square Footage	101,269	101,269	101,269	101,269
Capacity	799	799	799	799
Enrollment	784	784	753	793
Bethke (2016)				
Square Footage				
Capacity				
Enrollment				
Cimarron (1980)				
Square Footage	93,823	93,823	93,823	93,823
Capacity	861	861	861	861
Enrollment	747	740	733	693
Creech (2000)				
Square Footage	111,734	111,734	111,734	111,734
Capacity	935	935	935	935
Enrollment	942	911	892	930
Davidson (2014)				
Square Footage				
Capacity				
Enrollment				
Exley (2004)				
Square Footage	121,638	121,638	121,638	121,638
Capacity	1,030	1,030	1,030	1,030
Enrollment	1,055	1,115	1,111	1,080
Fielder (1993)				
Square Footage	106,117	106,117	106,117	106,117
Capacity	907	907	907	907
Enrollment	940	1,001	1,000	1,034
Franz (2004)				
Square Footage	121,638	121,638	121,638	121,638
Capacity	1,030	1,030	1,030	1,030
Enrollment	1,159	937	936	961
Golbow (1989)				
Square Footage	95,709	95,709	95,709	95,709
Capacity	867	867	867	867
Enrollment	828	847	769	790

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
188,602	188,602	188,602	188,602	188,602	188,602
1,403	1,403	1,403	1,403	1,403	1,403
1,957	1,357	1,585	1,946	2,156	1,346
106,134	106,134	106,134	106,134	106,134	106,134
935	935	935	935	935	935
1,110	1,132	1,077	1,061	1,102	1,024
101,269	101,269	101,269	101,269	101,269	101,269
799	799	799	799	799	799
774	776	762	747	754	713
					144,303
					1,030
					667
93,823	98,823	98,823	98,823	98,823	98,823
861	861	861	861	861	861
686	670	646	697	679	679
111,734	111,734	111,734	111,734	111,734	111,734
935	935	935	935	935	935
857	833	827	843	874	888
			124,938	124,938	124,938
			1,030	1,030	1,030
			1,168	1,434	1,100
121,638	121,638	121,638	121,638	121,638	121,638
1,030	1,030	1,030	1,030	1,030	1,030
989	989	977	1,020	1,000	956
106,117	106,117	106,117	106,117	106,117	106,117
907	907	907	907	907	907
1,090	1,081	1,066	1,145	1,243	1,027
121,638	121,638	121,638	121,638	121,638	121,638
1,030	1,030	1,030	1,030	1,030	1,030
901	978	956	978	1,061	1,018
95,709	95,709	95,709	95,709	95,709	95,709
867	867	867	867	867	867
775	770	807	811	806	768

KATY INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

Building:	2008	2009	2010	2011
ELEMENTARY SCHOOLS (cont.)				
Griffin (2006)				
Square Footage	121,638	121,638	121,638	121,638
Capacity	1,030	1,030	1,030	1,030
Enrollment	1,387	1,014	856	1,191
Hayes (1995)				
Square Footage	106,117	106,117	106,117	106,117
Capacity	907	907	907	907
Enrollment	823	837	803	749
Holland (2008)				
Square Footage		123,843	123,843	123,843
Capacity		1,030	1,030	1,030
Enrollment		881	981	1,021
Hutsell (1978)				
Square Footage	115,086	115,086	115,086	115,086
Capacity	983	983	983	983
Enrollment	811	775	759	781
Jenks (2016)				
Square Footage				
Capacity				
Enrollment				
Katy (1965)				
Square Footage	86,825	86,825	86,825	86,825
Capacity	643	643	643	643
Enrollment	638	601	576	563
Kilpatrick (2003)				
Square Footage	121,638	121,638	121,638	121,638
Capacity	1,030	1,030	1,030	1,030
Enrollment	1,078	1,146	1,240	1,301
King (2001)				
Square Footage	121,164	121,164	121,164	121,164
Capacity	1,030	1,030	1,030	1,030
Enrollment	980	866	885	943
Mayde Creek (1983)				
Square Footage	95,709	112,913	112,913	112,913
Capacity	868	968	968	968
Enrollment	769	784	865	843
McRoberts (1997)				
Square Footage	106,134	106,134	106,134	106,134
Capacity	935	935	935	935
Enrollment	951	975	844	887
Memorial Parkway (1978)				
Square Footage	103,658	103,658	103,658	103,658
Capacity	742	742	742	742
Enrollment	756	749	751	773

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
121,638	121,638	121,638	121,638	121,638	121,638
1,030	1,030	1,030	1,030	1,030	1,030
1,339	923	933	958	950	1,039
106,117	106,117	106,117	106,117	106,117	106,117
907	907	907	907	907	907
708	717	682	717	697	663
123,843	123,843	123,843	123,843	123,843	123,843
1,030	1,030	1,030	1,030	1,030	1,030
1,051	1,039	989	982	1,035	1,056
115,086	115,086	115,086	115,086	115,086	115,086
983	983	983	983	983	983
790	814	825	832	793	743
					156,608
					1,318
					1,256
86,825	86,825	86,825	86,825	86,825	86,825
643	643	643	643	643	643
571	556	541	603	633	694
121,638	121,638	121,638	121,638	121,638	121,638
1,030	1,030	1,030	1,030	1,030	1,030
1,334	1,087	1,091	1,131	1,166	1,152
121,164	121,164	121,164	121,164	121,164	121,164
1,030	1,030	1,030	1,030	1,030	1,030
1,087	1,162	1,192	1,301	1,411	990
112,913	112,913	112,913	112,913	112,913	112,913
968	968	968	968	968	968
820	749	765	779	869	859
106,134	106,134	106,134	106,134	106,134	106,134
935	935	935	935	935	935
859	871	802	840	810	747
103,658	103,658	103,658	103,658	103,658	103,658
742	742	742	742	742	742
804	839	860	864	815	796

KATY INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

Building:	2008	2009	2010	2011
ELEMENTARY SCHOOLS (cont.)				
Morton Ranch (2008)				
Square Footage		123,843	123,843	123,843
Capacity		1,030	1,030	1,030
Enrollment		528	614	669
Nottingham Country (1981)				
Square Footage	101,427	101,427	101,427	101,427
Capacity	1,053	1,053	1,053	1,053
Enrollment	734	667	681	645
Pattison (1989)				
Square Footage	112,156	112,156	112,156	112,156
Capacity	1,052	1,052	1,052	1,052
Enrollment	822	813	826	871
Randolph (2014)				
Square Footage				
Capacity				
Enrollment				
Rhoads (2004)				
Square Footage	121,638	121,638	121,638	121,638
Capacity	1,030	1,030	1,030	1,030
Enrollment	873	933	1,194	1,147
Rylander (2004)				
Square Footage	121,638	121,638	121,638	121,638
Capacity	1,030	1,030	1,030	1,030
Enrollment	1,139	1,182	1,224	1,230
Schmalz (2001)				
Square Footage	121,164	121,164	121,164	121,164
Capacity	1,030	1,030	1,030	1,030
Enrollment	1,194	1,221	1,068	1,146
Shafer (2012)				
Square Footage				
Capacity				
Enrollment				
Stanley (2009)				
Square Footage			126,897	126,897
Capacity			1,030	1,030
Enrollment			897	1,191
Stephens (2007)				
Square Footage	123,249	123,249	123,249	123,249
Capacity	1,030	1,030	1,030	1,030
Enrollment	872	817	827	801
Sundown (1982)				
Square Footage	95,608	112,913	112,913	112,913
Capacity	868	968	968	968
Enrollment	783	904	886	876

2012	2013	2014	2015	2016	2017
123,843	123,843	123,843	123,843	123,843	123,843
1,030	1,030	1,030	1,030	1,030	1,030
711	763	805	924	1,022	954
101,427	101,427	101,427	101,427	101,427	101,427
1,053	1,053	1,053	1,053	1,053	1,053
628	621	588	613	650	702
112,156	112,156	112,156	112,156	112,156	112,156
1,052	1,052	1,052	1,052	1,052	1,052
831	821	801	854	972	1,045
			124,938	124,938	124,938
			1,030	1,030	1,030
			853	1,030	1,151
121,638	121,638	121,638	121,638	121,638	121,638
1,030	1,030	1,030	1,030	1,030	1,030
1,117	1,130	1,109	1,135	1,122	1,072
121,638	121,638	121,638	121,638	121,638	121,638
1,030	1,030	1,030	1,030	1,030	1,030
1,273	1,391	1,339	1,356	1,323	1,138
121,164	121,164	121,164	121,164	121,164	121,164
1,030	1,030	1,030	1,030	1,030	1,030
1,173	1,111	1,149	1,175	1,168	1,176
	123,966	123,966	123,966	123,966	123,966
	1,030	1,030	1,030	1,030	1,030
	865	1,267	1,113	1,148	1,187
126,897	126,897	126,897	126,897	126,897	126,897
1,030	1,030	1,030	1,030	1,030	1,030
1,539	1,240	1,316	1,127	1,098	1,063
123,249	123,249	123,249	123,249	123,249	123,249
1,030	1,030	1,030	1,030	1,030	1,030
770	770	756	763	765	718
112,913	112,913	112,913	112,913	112,913	112,913
968	968	968	968	968	968
891	833	853	879	851	788

KATY INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

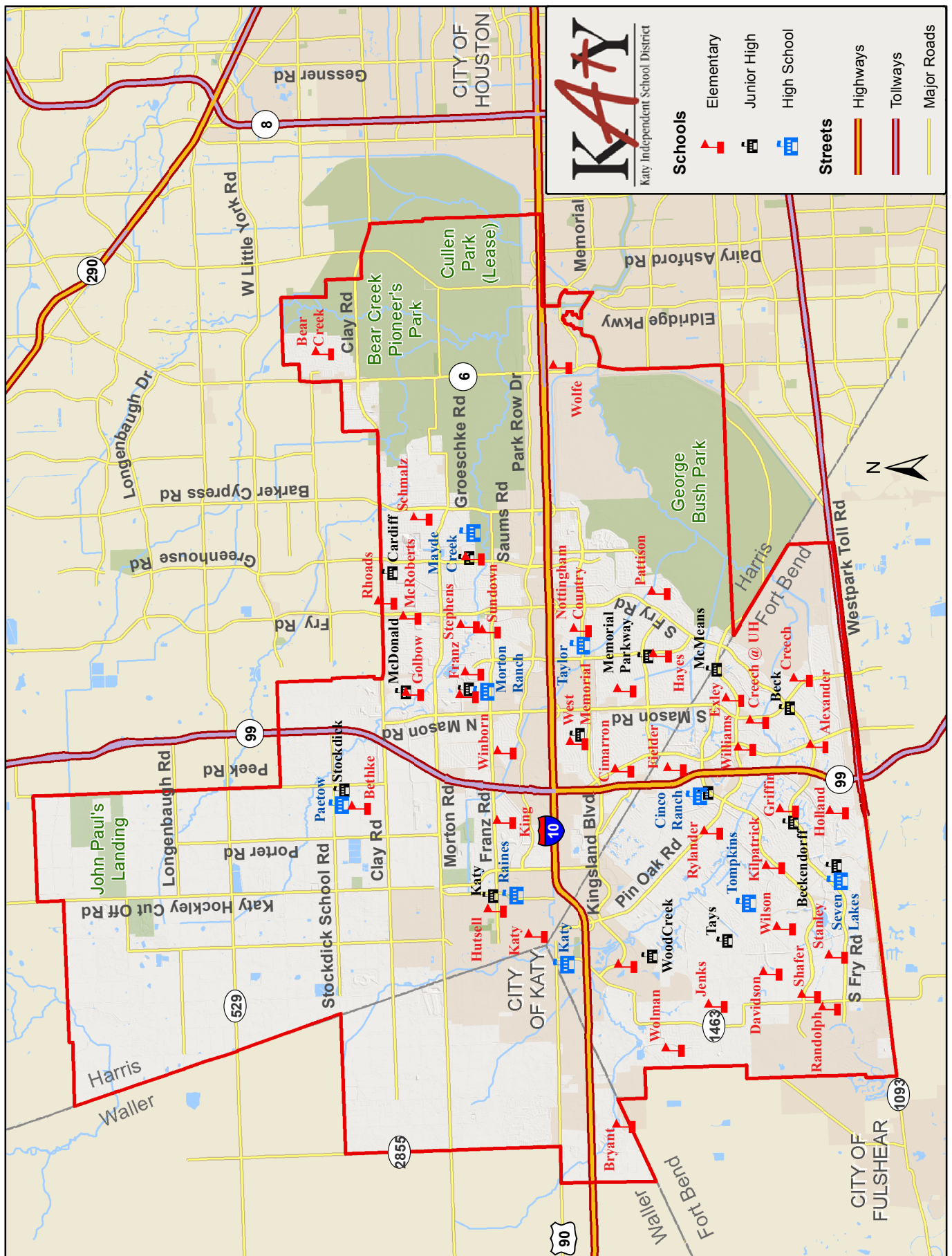
Building:	2008	2009	2010	2011
ELEMENTARY SCHOOLS (cont.)				
West Memorial (1974)				
Square Footage	89,742	89,742	89,742	89,742
Capacity	683	683	683	683
Enrollment	667	705	757	758
Williams (2000)				
Square Footage	111,734	111,734	111,734	111,734
Capacity	935	935	935	935
Enrollment	978	954	912	832
Wilson (2012)				
Square Footage				
Capacity				
Enrollment				
Winborn (1981)				
Square Footage	94,596	94,596	94,596	94,596
Capacity	848	848	848	848
Enrollment	890	843	818	831
Wolfe (1968, 2012)				
Square Footage	73,219	73,219	73,219	73,219
Capacity	405	405	405	405
Enrollment	407	436	402	410
Wolman (2012)				
Square Footage				
Capacity				
Enrollment				
WoodCreek (2007)				
Square Footage	123,249	123,249	123,249	123,249
Capacity	1,030	1,030	1,030	1,030
Enrollment	741	1,053	1,082	1,373
OTHER INSTRUCTIONAL FACILITIES				
Miller Career & Technology Center (1982)				
Square Footage	23,147	132,951	132,951	132,951
Capacity	160	907	907	907
Enrollment (1)				
Opportunity Awareness Center (1981)				
Square Footage	30,712	87,015	87,015	87,015
Capacity	150	677	677	677
Enrollment (1)				
Portable Buildings (2)				
Number Utilized	219	219	227	241
Classrooms Provided	349	360	396	404

Source: District Records

(1) Enrollment numbers included in home campus totals

(2) Used at schools where enrollment exceeded building capacity

2012	2013	2014	2015	2016	2017
89,742	89,742	89,742	89,742	89,742	89,742
683	683	683	683	683	683
778	754	756	821	891	795
111,734	111,734	111,734	111,734	111,734	111,734
935	935	935	935	935	935
801	778	723	709	728	672
	123,966	123,966	123,966	123,966	123,966
	1,030	1,030	1,030	1,030	1,030
	892	958	1,040	1,073	1,121
94,596	94,596	94,596	94,596	94,596	94,596
848	848	848	848	848	848
795	793	742	777	814	763
73,219	98,761	98,761	98,761	98,761	98,761
405	500	500	500	500	500
399	440	446	460	437	418
	123,966	123,966	123,966	123,966	123,966
	1,030	1,030	1,030	1,030	1,030
	757	1,075	1,239	1,411	1,198
123,249	123,249	123,249	123,249	123,249	123,249
1,030	1,030	1,030	1,030	1,030	1,030
1,601	1,255	1,412	1,014	1,156	1,139
132,951	132,951	132,951	132,951	132,951	136,239
907	907	907	907	907	1,230
87,015	87,015	87,015	87,015	87,015	87,015
677	677	677	677	677	677
270	269	274	315	354	355
459	453	420	504	584	636





Katy Independent School District

6301 South Stadium Lane

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