

# Comprehensive Annual Financial Report

Fiscal Year Ending September 30, 2013



## Mayor and City Council

Pat McGrail, Mayor

Debbie Bryan, City Council - Place 1

Gary Reaves, City Council - Place 2, Mayor Pro Tem

Tom Cawthra, City Council - Place 3

Bill Dodge, City Council - Place 4

John Hoffmann, City Council - Place 5

Doug Miller, City Council - Place 6

## Administrative Officials

Steve Polasek, City Manager

Johnny Phifer, Director of Finance



***Keller is located approximately 15 miles from Fort Worth and 30 miles from Dallas. Located in the heart of the Dallas Fort Worth Metroplex, Keller is 9 miles from the Dallas/Fort Worth International Airport and 5 miles from Fort Worth Alliance Airport. Keller city limits encompasses approximately 19 square miles, and is traversed by several major traffic corridors including U.S. Highway 377 and Texas Farm-to-Market Road 1709. In addition, Interstate Highway 35W, Interstate Highway 820, State Highway 170, and State Highway 114 are also major highway corridors within easy access to Keller citizens.***



# **CITY OF KELLER, TEXAS**

**Comprehensive Annual  
Financial Report**

**For Fiscal Year Ended  
September 30, 2013**

**CITY OF KELLER, TEXAS**

*COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2013*

Prepared by the  
CITY OF KELLER  
FINANCE DEPARTMENT

CITY COUNCIL

Pat McGrail, Mayor

Gary Reaves, Mayor Pro-Tem

Debbie Bryan  
Tom Cawthra  
Bill Dodge  
John Hoffmann  
Doug Miller

CITY MANAGER

Steve Polasek

DIRECTOR OF FINANCE

Johnny L. Phifer, CGFO

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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# INTRODUCTORY SECTION



February 21, 2014

Citizens of Keller, Honorable Mayor Pat McGrail,  
Members of the City Council and City Manager  
City of Keller, Texas:

The Comprehensive Annual Financial Report for the City of Keller, Texas (the City) for the fiscal year that ended September 30, 2013, is hereby submitted. This report was prepared through the cooperative effort of the City's Finance Department and independent auditors. The purpose of the report is to provide the City Council, management, staff, citizens, bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City.

Responsibility for the accuracy and reliability of the presented data in this report, as well as completeness and fairness of this report, including all disclosures, rests with City management. The City has established and maintains a system of internal accounting controls designed in part to provide a reasonable assurance that assets are safeguarded against loss, theft, or unauthorized use and that financial records can be relied upon to produce financial statements in accordance with generally accepted accounting principles (GAAP). The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed the benefits likely to be derived.

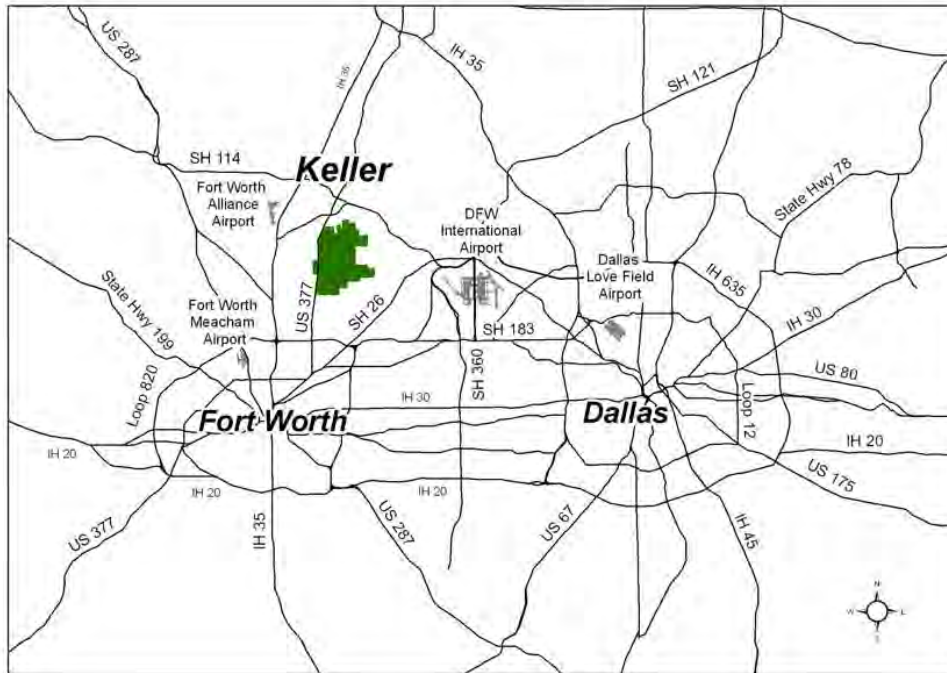
We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The comprehensive annual financial report (CAFR) is organized in three sections: *Introductory, Financial and Statistical*. Included in the *Financial* section is the management's discussion and analysis (MD&A), which provides users a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## **City Profile**

The City was incorporated on November 16, 1955, under the general laws of the State of Texas, and the current home-rule charter was approved by the voters in 1982 and most recently amended in 2010. The City operates under the Council-Manager form of government. The Keller City Council is composed of a Mayor and six Council members in places designated as 1 through 6, all elected at-large by registered voters within the city limits of Keller. The Mayor and all Council members are elected for staggered three-year terms. The Mayor and City Council members, places 5 and 6, were elected for the initial three-year term in 2011 (terms expire May 2014). City Council members, places 1 and 2, were elected in 2012 (terms expire May 2015), and Council places 3 and 4 were elected in 2013 (terms expire May 2016). Under the provisions of the City Charter, and subject only to the limitations imposed by the Texas Constitution, State law and the City Charter, the City Council enacts local legislation, adopts the annual operating budget and sets policy. The City Manager, appointed by the City Council, is responsible to the Council for proper administration of the City's daily affairs and appointment of heads of the various departments.

Keller has been named to *CNN/Money Magazine's* biennial listing of "Top 100 Places to Live — America's Best Small Towns" three times since 2007, including taking seventh place in 2009. And recent awards have included a spot in *D Magazine's* "Top 20 Dallas-Fort Worth Metroplex Suburbs," mentions in *Fort Worth, Texas Magazine's* "Best Places to Live" lists, recognition as an "Emerging Art Town" by *Southwest Art Magazine*, certification as a Scenic City by the Scenic Texas organization, and third place among the "Top 10 Most Notable High-Growth Areas in the Country," according to the Gadberry Group. Some of the items that contributed to these rankings include our extremely low crime rate, an excellent park and trail system, diverse and affordable housing opportunities, and an overall high quality of life. This ranking is a reflection of the dynamic community that Keller is becoming and its premier location in the heart of the DFW Metroplex. Keller is approximately midway between the Dallas/Fort Worth International and Alliance airports, both major employers for our community. The city is traversed by several major traffic corridors, including US Highway 377 (US 377) and Farm-to-Market Road 1709 (FM 1709). The city's quality school system, high residential growth rate, business-friendly atmosphere, low taxes, premier park system and low crime rate make Keller an inviting destination for new commercial development projects.



The City is located in Northeast Tarrant County, Texas, approximately 10 miles north of Fort Worth on US 377, and 25 miles northwest of downtown Dallas. It is part of the 12-county "Metroplex" of North Central Texas, which includes the cities of Fort Worth and Dallas as well as surrounding communities, with an estimated population exceeding 6.71 million in January 2013. The city limits of Keller currently encompass approximately 19 square miles.

The City provides a full range of municipal services, including general government, public safety (police and fire), streets, parks and recreation, community development, planning and zoning, code enforcement, public library, and business-type activities such as water, sewer and drainage utilities. Sanitation collection services are provided through a private contractor. Residential customers contract through the City, with collection fees added to their municipal water, sewer and drainage utility bills.

### Local Economy

Keller, part of the Dallas/Fort Worth Metroplex, maintains a very strong economy and is ranked as one of the fastest growing cities in the Metroplex. The City is located midway between Dallas/Fort Worth International Airport and Alliance Airport. A favorable personal and corporate tax climate, excellent schools, favorable right to work laws and a strong continuing commitment to business make the City and State of Texas prime areas in which businesses locate.

In order to keep pace with the rapid residential growth and expanding commercial areas, infrastructure improvements have continued to be a high priority. A 1.4-mile section of Rufe Snow Drive, a primary north/south arterial roadway extending from IH-820 in North Richland Hills northward to the center of Keller at Keller Parkway (F.M. 1709), has been expanded to a four-lane divided road. This expansion of Rufe Snow Drive between Rapp Road and Bear Creek Parkway was completed in September 2012. Similarly, North Tarrant Parkway, a primary east/west arterial roadway, was expanded to a six-lane divided arterial. Construction on North Tarrant Parkway was also completed in September 2012. Both new roadways have landscaped medians, turn lanes, traffic signals and sidewalks. Two additional north-south arteries are either under construction, or have been recently completed. First, Randol Mill Avenue (F.M. 1938) is proposed to become a four-lane divided roadway. The northern half of this project (Phase I) is complete, and utility relocations on the second phase are ongoing with road construction expected to begin as early as November 2014. The improvements to FM 1938 will increase access along the City's eastern boundary to SH 114. US 377 beginning at Keller Hicks Road and extending north to State Highway 170 was completed in 2009 and now provides a new four-lane divided highway along Keller's western boundary, thus completing a major north-south arterial roadway from IH-820 to SH 170. In addition, the expanded US 377 will provide improved access to several miles of prime commercial frontage totaling approximately 170 acres.

According to the Texas Workforce Commission, the City's civilian labor force was 21,957 in December 2013, compared to a total civilian labor force for Tarrant County of 982,304. Keller's unemployment rate in December 2013 was 4.4%, compared to the Tarrant County rate of 5.3%, a statewide rate of 5.6% and a nationwide rate of 6.5%. The unemployment rates for Keller and Tarrant County are not seasonally adjusted.

The City continues to experience an increase in population. The official Census population for 2010 was 39,627. The January 2013 population estimate was 41,090, representing an increase of 13,745 (50.3%) since the 2000 Census. The following table presents Keller's official Census population since 1970, as well as the current year estimated population.

	<b>Population</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
1970 Census	1,474	NA	NA
1980 Census	4,156	2,682	182.0%
1990 Census	13,683	9,527	229.2%
2000 Census	27,345	13,662	99.8%
2010 Census	39,627	12,282	44.9%
2013 Estimate	41,090	1,463	3.7%

Since 1970, the total population increase exceeds 38,000. This increasing population trend is anticipated to persist for several years, although at a slower pace. Tarrant County has experienced similar growth during the last 40 years, increasing from 715,587 in 1970 to 1,809,034 in 2010, an increase of more than 167%. According to the North Central Texas Council of Governments' population projections, the population of Tarrant County in 2013 is anticipated to be 1,850,370, an increase of approximately 1% over 2012.

Another factor in measuring the local economy is its overall real market value. Since 2000, the market value of property within Keller has more than doubled. Most of the increase has been the result of new residential development. Market values provide a better indication of new development than do taxable values, since taxable values are derived after deducting the various allowable exemptions. Market values provide the total estimated actual (market) values of all properties within the City. For Keller, this growth trend moderated in recent years. The following table provides the total market values of the City of Keller since 2004.

<u>Fiscal Year Ended September 30</u>	<u>Total Market Value (000's)</u>	<u>Percent Change</u>
2004	\$ 2,763,866.5	8.8%
2005	2,939,038.3	6.3
2006	3,187,969.2	8.5
2007	3,496,065.1	9.7
2008	3,860,670.4	10.4
2009	4,184,988.6	8.4
2010	4,348,033.1	3.9
2011	4,312,624.5	(0.8)
2012	4,384,679.0	1.7
2013	4,497,066.1	2.6

The rate of increase in the City's total market value has slowed from a five-year average rate of increase of 18.9% from fiscal year 1998-1999 through fiscal year 2002-2003. For fiscal year 2013, the increase is 2.6 percent over fiscal year 2012. The recent reductions in the rate of increase in taxable values have impacted the City's general fund operations, since property tax revenues comprise approximately 47.8% of the total revenues for the General Fund. City management continuously monitors local economic trends in order to maintain adequate fund balance reserve levels and to meet policy targets.

The City is approximately 85% developed and continues to grow primarily as a residential community. Most residents are employed by major companies located within a 15-mile radius of the City. Several manufacturing firms are located in the Keller area, as well as a variety of commercial establishments, medical facilities, restaurants, retail shops and grocery stores. The City continues to encourage quality commercial growth, which will benefit the entire community. Approximately 1.37 million square feet of commercial space, valued at \$117 million, was permitted for construction between 2009 and 2013. In fiscal year 2012-13, Keller issued 255 residential building permits. Compared to the prior fiscal year, the 2012-13 average new home size was 4,230 square feet versus 4,317 square feet. The average new home construction value in fiscal year 2012-13 was \$267,684, compared to \$293,193 the previous year.

Keller continues to see commercial growth, particularly along major arterials FM 1709 and US 377. Old Town Keller is located on both the east and west side of US 377 and has experienced a resurgence in office, retail and particularly restaurant activity. New medical offices continue to be a large contributor to the City's commercial base. Construction of several medical facilities has been completed during fiscal year 2012-13, including the opening of Baylor Emergency Medical Center at Keller, a 37,579-square-foot emergency and specialty medical center, and Cook Children's, a 6,650-square foot pediatric-focused healthcare center. Ten of the 24 offices that opened or expanded in FY 2012-2013 were medical related.

The value of new construction is included in both market and net taxable values. The net taxable value of new construction for calendar year 2011 (fiscal year 2012) was \$78.3 million, compared to \$71.4 million for calendar year 2010 (fiscal year 2011).

The net assessed taxable value for calendar year 2012 (fiscal year 2013) increased slightly by 2.27%, compared to an increase of 1.58% in calendar year 2011 (fiscal year 2012). The City has been able to maintain stable property values over the past three years. As a result, property tax revenues were sufficient to produce the level of funding necessary to meet the significant 2012 and 2013 goals of the City Council; maintain the property tax rate at \$0.44219 per \$100 of taxable value; and adhere to the financial/budget targets to ensure the fiscal stability of the City's operations. Additionally, in fiscal year 2012-2013 the City Council was also able to appropriate \$911,770 from available fund balance for one-time, non-recurring expenditures.

The expansion of business, retail and commercial growth has also resulted in increases in sales tax collections. After experiencing year-to-year declines in calendar years 2009 and 2010, total sales tax collections in calendar year 2013 represent the largest calendar year amount in the City's history, with collections totaling more than \$9.18 million. The second largest collection of sales taxes occurred in calendar year 2012 at more than \$8.6 million. The growth in sales tax collections has continued into fiscal year 2013-14, with fiscal year-to-date total sales tax collections through February up 3.1% over the same period in fiscal year 2012-13.

### **Long-term Financial Planning**

The City maintains a five-year capital improvement program (CIP). The CIP has been used exclusively as a planning tool, and therefore does not commit the City to any project or project funding. The intent of the CIP is for City staff to identify and prioritize specific capital improvements needed during the subsequent five years. The CIP is not a capital budget, and as such, only recommends projects, project costs and the proposed means of financing improvements. Recommended improvements are not approved until official action has been taken by the City Council to authorize funding for the improvement.

The five-year capital improvements program (CIP) for fiscal years 2012-13 through 2016-17 was developed by City staff and reviewed and adopted by the City Council as a part of the fiscal year 2012-13 budget. The total five-year program for FY 2013 identified \$45.6 million of proposed improvements. Additionally, \$121.4 million of improvements were also identified in out-years (beyond five years). However, these improvements are currently unfunded.

When considering future financial impacts on operations resulting from issuing debt obligations for capital improvements, the Finance Department prepares an internal five-year financial forecast for the General and Debt Service Funds. The forecast is also used as an informational planning tool for the City Council.

### **Relevant Financial Policies**

The City has strong financial management policies that provide the basis for the City's financial operations.

The unassigned fund balance in the General Fund (115 days of General Fund expenditures, or 33%) currently exceeds the requirements of the City's Financial Management Policies adopted by the City Council for budgetary and planning purposes (i.e., 70 days of General Fund expenditures). In addition to providing financial stability and sustainability during difficult economic times, the City may use available fund balance reserves as a means to fund one-time, non-recurring projects or expenditures.

In December 2008, the City Council adopted a Financial Management Contingency Plan. The primary purpose of the Plan is to guide planning efforts for City management and is intended to assist in budget balancing strategies during periods of economic uncertainty. During fiscal year 2012-13, no specific provisions of the Contingency Plan were enacted.

In May 2012, the City's financial management policies were amended to increase the required fund balance reserve in the General Fund from 60 to 70 days of expenditures. In May 2013, the City Council adopted an official GASB 54 fund balance policy. The required fund balance reserve of 70 days of expenditures remained unchanged.

### **Major Initiatives**

Revenue growth slightly increased over the past year. However, many new capital outlay items as well as capital project improvements were delayed due to funding constraints.

During the year, \$911,770 was appropriated from fund balance for special one-time, non-recurring expenditures for the following purposes: 1) intersection improvements and installation of traffic signals at the intersection of Johnson Road and Rufe Snow Drive (\$350,000); 2) parking lot improvements in Old Town Keller (\$75,000); 3) economic development initiatives (\$50,000); 4) a one-time employee stipend including related benefits (\$286,770); and 5) Town Hall modifications (\$150,000).

In June 2012, the City issued certificates of obligation in the amount of \$6.4 million to fund improvements to the Keller Police Facility, including the construction of a 12,000-square-foot building that will serve as a new jail, which is capable of holding detainees for up to three days. The existing jail and court areas (approximately 9,000 square feet) will be renovated to accommodate a Regional Animal Adoption Center that will serve at least four surrounding communities. The certificates are backed by the Keller Crime Control Prevention ¼-cent (0.25%) sales tax. The total project cost is \$8.48 million, with the balance of funds (\$2.08 million) provided from the Keller Crime Control Prevention District's available fund balance. The anticipated completion is April 2014.

### **Accounting System and Budgetary Control**

The annual budget of the City serves as the foundation for its financial planning and control. The budget is proposed by the City Manager and adopted by the City Council in accordance with policies and procedures established by the City Charter, Council ordinances and policies. The budget is prepared and presented by fund (e.g., general fund), department (e.g., police) or function (e.g., debt service), and major cost category (e.g., personnel services). The department level within the individual fund is the legal level of control for budget expenditures. The budgetary process begins each year with the preparation of revenue estimates and budget instructions by the City's Finance Department staff, and expenditure estimates and requests by each City department. Estimates and requests are reviewed by the City Manager and evaluated within the total financial framework of the City. The City Manager makes final decisions regarding the budget recommendations that are submitted to the City Council. The City Charter requires that the City Manager's proposed budget be filed with the City Secretary no later than August 15. The City Manager's proposed budget is reviewed by the City Council and followed by a final public review process, including a required public hearing prior to budget adoption. The City Charter requires adoption of the City budget no later than the twenty-seventh (27) day of the last month of the fiscal year.

Budgetary reporting is provided at the department level within the individual fund. Transfers of budget appropriations within funds may occur with the approval of the City Manager provided there is no increase in overall expenditures. Transfers of budget appropriations between funds, as well as any increase in total appropriations, require a formal budget amendment adopted by the City Council. Unless otherwise noted, except for capital projects funds, all appropriations lapse at year-end and excess funds become available for re-appropriation in the subsequent year. At year-end, encumbrances are recorded as a reservation of fund balance, and then re-appropriated in the subsequent year.

Near the end of each fiscal year, as the budget for the ensuing fiscal year is being considered and adopted, the City Council traditionally adopts a current year revised budget by ordinance. Although not required by City Charter or policy, this revised budget presents a more accurate picture of the City's financial position at the end of the current year than does the original adopted budget. For the fiscal year that ended September 30, 2013, a revised budget was approved and adopted by the City Council on September 17, 2013. The revised budget amounts are used throughout this report, where applicable, in the budget to actual comparisons. The report provides comparative information on the original adopted and revised budget where applicable.

Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as required supplementary information. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the major and non-major governmental fund sections of this report. All applicable financial targets were met or exceeded. Additional information regarding the annual budget is provided in the MD&A. For fiscal year 2013-2014, the City adopted a tax rate of \$0.44219 per \$100 of taxable value, unchanged from the previous year.

### **Independent Audit**

Article VIII, Section 8.15 of the Charter of the City of Keller requires an annual audit of all accounts of the City by an independent certified public accountant, selected by the City Council. The independent auditor's report has been included in this report.

In addition, the City Council formed a Finance Committee as a sub-committee of the City Council. The committee is composed of two Council members, appointed by the City Council, the City Manager, the Deputy City Manager and the Finance Director. The committee functions as an audit committee and reviews all recommendations made by the independent auditors. The committee also serves as the City's investment committee, and reviews other periodic investment and financial reports.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended that September 30, 2012; a reproduction of the certificate accompanies this report.

The City has received a Certificate of Achievement for twenty-four (24) consecutive fiscal years (FY1989 through FY2012). In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), the contents of which must conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for the period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition to the Certificate of Achievement, the City also received GFOA's Distinguished Budget Presentation Award for its fiscal year 2012 annual budget document. In order to qualify for the award, the City's budget document was judged to be proficient in several categories, including policy documentation, financial planning and as an operations guide. The City has received the award for seventeen (17) consecutive fiscal years (FY1997 through FY2013). Recognition by GFOA as evidenced by these two awards is verification of the Finance department's dedication to producing documents that effectively communicate the City's financial condition.

In 2013, the City received the Texas State Comptroller's Leadership Gold Circle Award for financial transparency for the third consecutive year. This award is presented to cities in Texas that meet certain criteria for providing financial reporting information to its citizens. These financial reports include annual budgets, comprehensive annual financial reports, and online check registers and payroll information.

The City's bonds are rated by both Moody's and Standard and Poor's. Moody's bond rating is Aa3, while Standard and Poor's bond rating is AA. Both rating categories classify the City's debt obligations as high-quality investment grade. In June 2012 (the City's most recent rating analysis), these ratings were confirmed by the respective rating agencies.

The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Finance Department. Many individuals devoted extra hours and exhibited dedicated effort in ensuring the accuracy and timeliness of this report. Appreciation is expressed to City employees throughout the organization, especially those responsible for the maintenance of records upon which this report is based. Acknowledgment is also given to representatives of Pattillo, Brown & Hill, Certified Public Accountants, for their dedicated assistance in producing this report.

Finally, our appreciation is extended to the Mayor, City Council, and City Manager Steve Polasek for their interest and support in planning and conducting the financial operations of the City of Keller in a responsible and progressive manner.



Johnny Phifer  
Director of Finance



Brandi Stigler  
Chief Accountant





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

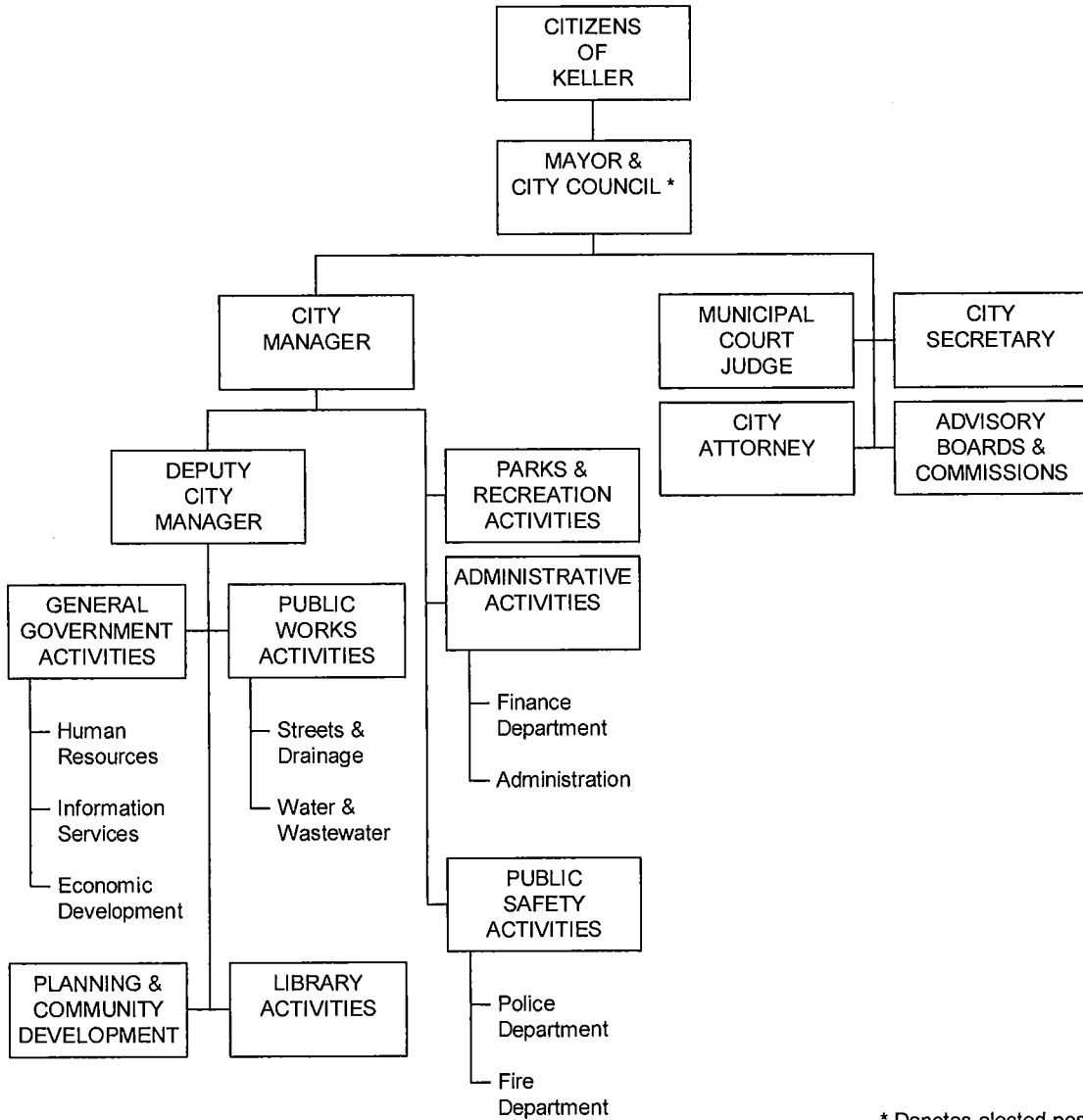
**City of Keller  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2012**

Executive Director/CEO

# CITY OF KELLER, TEXAS ORGANIZATION CHART



\* Denotes elected positions.

# CITY OF KELLER, TEXAS

## PRINCIPAL OFFICIALS

SEPTEMBER 30, 2013

<u>Name</u>	<u>Title</u>
<b><u>Elected Officials:</u></b>	
Pat McGrail	Mayor
Debbie Bryan	Council Member, Place 1
Gary Reaves	Council Member, Place 2 and Mayor Pro Tem
Tom Cawthra	Council Member, Place 3
Bill Dodge	Council Member, Place 4
John Hoffmann	Council Member, Place 5
Doug Miller	Council Member, Place 6
<b><u>Appointed Officials:</u></b>	
Steve Polasek	City Manager
Chris Fuller	Deputy City Manager
Tom Elgin	Director of Community Development
Greg Dickens	Director of Public Works
David Jones	Fire Chief
Mark Hafner	Director of Public Safety - Police Chief
Dona Roth Kinney	Director of Parks and Recreation
Keith Macedo	Director of Information Services
Carolyn J. Nivens	Director of Human Resources
Johnny L. Phifer	Director of Finance
Jana Prock	Library Director
Sheila Stephens	City Secretary
<b><u>Other Appointed Officials:</u></b>	
Boyle and Lowry, L.L.P.	City Attorney
First Southwest Company	Financial Advisors
Valley View Consulting, L.L.C.	Investment Advisors
McCall, Parkhurst & Horton, L.L.P.	Bond Counsel

# FINANCIAL SECTION



PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and  
Members of the City Council  
City of Keller, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Keller, Texas' basic financial statements as listed in the table of contents.

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

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

***Auditors' Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 15–26 and 66–68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Keller, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules 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 nonmajor fund financial statements and schedules 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report February 21, 2014, on our consideration of the City of Keller, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Keller, Texas' internal control over financial reporting and compliance.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
February 21, 2014

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the City of Keller, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Keller exceeded its liabilities at the close of the fiscal year ended September 30, 2013, by \$193,658,708 (net position). Of this amount, \$20,146,688 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$5,682,935, or 3.02% for the year ended September 30, 2013. The net position of governmental activities increased \$5,500,005, or approximately 5.09%. This increase in net position resulted in part from a decrease in outstanding long-term debt. The assets of business-type activities increased by \$182,930, or 0.23%. The increase was due in part to an increase in capital grants and contributions combined with a decrease in transfers out.
- As of September 30, 2013, the City's governmental funds reported combined ending fund balances of \$34,239,425. Approximately 27.34% of this total amount, \$9,362,608, is unassigned and available for use within the City's designation and policies. Restrictions for (1) general government, \$134,557; (2) debt service, \$690,229; (3) capital acquisition and construction, \$11,114,335; (4) recreation and leisure, \$94,931; and (5) public safety, \$6,067,480, total \$18,101,532, and represent 52.87% of the total fund balance.
- Total cost of all the City's programs was \$62,560,279 in 2013, compared to \$60,372,648 in 2012.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$9,362,608, or 32.60% of total expenditures. This represents a decrease of \$2,013,137, or 17.70% from the prior fiscal year due in part to determined efforts by the department to closely monitor expenditures throughout the year, combined with the transfer of some major capital improvement projects to fiscal year 2013-2014.
- The City's total debt outstanding (excluding bond premiums and discounts) decreased by \$7,174,651, or 6.84% during the current fiscal year, primarily the result of retirement of existing debt.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on individual parts of the City's government, reporting operations in more detail than the government-wide statements. In addition to these required elements, we have included other information such as the City's long-term debt schedules, and a statistical section, which primarily through the use of tables, presents comparative economic and financial data to provide users of this report a perspective of the City's financial performance over a number of years.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two 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 City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, 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 earned but unused vacation leave).

- **Governmental activities** – These are functions such as public safety, public works, planning and development, general government, and recreation and leisure, including the Keller Public Library, that are principally supported by taxes and intergovernmental revenue.
- **Business-type activities** – These functions are intended to recover all or a significant portion of their costs through user fees and charges. Business-type activities of the City include Water and Sewer, and Drainage Utility operations.

The government wide financial statements can be found on pages 29 – 31 of this report.

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Keller, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Keller can be divided into two categories: governmental funds and proprietary funds. The fund financial statements provide more detailed information about the City's most significant funds and will be more familiar to traditional users of government financial statements. The focus is now on major funds rather than fund types.

- **Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 15 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, General Obligation Debt Service, and Crime Control Prevention District Special Revenue Funds, all of which are considered to be major funds. Data from the other 12 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds** – There are two types of proprietary funds, Enterprise Funds and Internal Service Funds. The City maintains only one type of proprietary fund. Enterprise Funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for the Water and Sewer, Drainage Utilities, and Recreation/Aquatic Center Funds. The City has no Internal Service Funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Enterprise Fund financial statements provide separate information for the Water and Wastewater Operations, and Drainage Utility Funds, since both are considered major funds of the City.

The City's basic proprietary fund financial statements can be found on pages 38 – 41 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements on pages 42 – 63 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Keller's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 66 – 68. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Keller, assets exceeded liabilities by \$193,658,708 as of September 30, 2013.

The largest portion of the City's net position, \$143 million, or 73.66%, reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$31 million, or 15.94%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$20 million, 10.48%, may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities total assets increased by \$1,356,130, or 0.70% during fiscal year 2013. The increase in total assets of governmental activities resulted primarily from an increase in cash and investments, combined with a slight decrease in total capital assets. The decrease in net capital assets of \$153,886, (0.10%) is net of accumulated depreciation, a non-cash expense. During the year, total capital assets decreased primarily due to depreciation expense slightly exceeding the amount of capital asset additions. Total liabilities of governmental activities decreased \$4,143,875, or 4.86%. Non-current governmental activities' liabilities decreased by \$5,644,929, or 6.89%. The decrease in liabilities of governmental activities is primarily due to retirement (payment) of existing debt obligations.

Business-type activity total assets decreased by \$1,236,735, or 1.15%. Total current assets decreased \$58,346, or 0.19%, while total capital assets decreased \$1,178,389, 2.96%, respectively. Net position of business-type activities increased \$182,930, (0.23%). The decrease in current and other assets is primarily due to increases in cash and investments combined with decreases in inventories and due from other governments. Total capital assets decreased as a result of depreciation expense – a non-cash expense exceeding the amount of capital asset additions. The total liabilities for business-type activities decreased \$1,419,665, 5.21%, primarily due to a decrease in non-current liabilities (outstanding long-term debt).

The following table reflects the condensed Statement of Net Position:

### CITY OF KELLER'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 40,332,862	\$ 38,822,846	\$ 30,416,657	\$ 30,475,003	\$ 70,749,519	\$ 69,297,849
Capital assets	<u>154,350,869</u>	<u>154,504,755</u>	<u>75,424,917</u>	<u>76,603,306</u>	<u>229,775,786</u>	<u>231,108,061</u>
Total assets	<u>194,683,731</u>	<u>193,327,601</u>	<u>105,841,574</u>	<u>107,078,309</u>	<u>300,525,305</u>	<u>300,405,910</u>
Long-term liabilities	76,319,148	81,964,077	21,452,217	22,981,939	97,771,365	104,946,016
Other liabilities	<u>4,719,925</u>	<u>3,218,871</u>	<u>4,375,307</u>	<u>4,265,250</u>	<u>9,095,232</u>	<u>7,484,121</u>
Total liabilities	<u>81,039,073</u>	<u>85,182,948</u>	<u>25,827,524</u>	<u>27,247,189</u>	<u>106,866,597</u>	<u>112,430,137</u>
Net position:						
Net investment,						
in capital assets	81,997,316	77,053,091	60,654,886	60,610,385	142,652,202	137,663,476
Restricted	22,640,243	20,931,028	8,219,575	8,219,575	30,859,818	29,150,603
Unrestricted	<u>9,007,099</u>	<u>10,160,534</u>	<u>11,139,589</u>	<u>11,001,160</u>	<u>20,146,688</u>	<u>21,161,694</u>
Total net position	<u>\$ 113,644,658</u>	<u>\$ 108,144,653</u>	<u>\$ 80,014,050</u>	<u>\$ 79,831,120</u>	<u>\$ 193,658,708</u>	<u>\$ 187,975,773</u>

**Analysis of the City's Operations** – The following table provides a summary of the City's operations for year ended September 30, 2013. Overall the City had an increase in net position of \$5,682,935.

**CITY OF KELLER'S CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 4,689,309	\$ 3,824,395	\$ 25,145,993	\$ 24,849,191	\$ 29,835,302	\$ 28,673,586
Operating grants and contributions	2,751,993	2,301,766	-	-	2,751,993	2,301,766
Capital grants and contributions	1,117,756	3,969,333	1,010,366	294,957	2,128,122	4,264,290
General revenues:						
Ad valorem taxes	20,691,721	20,036,667	-	-	20,691,721	20,036,667
Sales taxes	9,184,887	8,615,790	-	-	9,184,887	8,615,790
Other taxes	2,942,997	2,892,548	-	-	2,942,997	2,892,548
Investment earnings	153,767	192,931	102,252	122,036	256,019	314,967
Miscellaneous	295,807	270,763	51,511	46,276	347,318	317,039
Gain (loss) on sale of capital assets	104,855	18,508	-	-	104,855	18,508
Total revenues	<u>41,933,092</u>	<u>42,122,701</u>	<u>26,310,122</u>	<u>25,312,460</u>	<u>68,243,214</u>	<u>67,435,161</u>
Expenses:						
General government	7,973,740	7,470,050	-	-	7,973,740	7,470,050
Public safety	19,415,960	18,753,263	-	-	19,415,960	18,753,263
Public works	2,981,588	2,823,250	-	-	2,981,588	2,823,250
Community development	1,425,851	1,283,179	-	-	1,425,851	1,283,179
Recreation and leisure	5,345,157	5,125,705	-	-	5,345,157	5,125,705
Interest on long-term debt	3,277,731	3,213,594	-	-	3,277,731	3,213,594
Water and sewer	-	-	17,055,816	16,757,059	17,055,816	16,757,059
Drainage utility	-	-	2,004,342	2,054,396	2,004,342	2,054,396
Recreation/aquatic center	-	-	3,080,094	2,892,151	3,080,094	2,892,151
Total expenses	<u>40,420,027</u>	<u>38,669,041</u>	<u>22,140,252</u>	<u>21,703,606</u>	<u>62,560,279</u>	<u>60,372,647</u>
Increases in net position before transfers	1,513,065	3,453,659	4,169,870	3,608,854	5,682,935	7,062,513
Transfers	<u>3,986,940</u>	<u>3,549,470</u>	<u>( 3,986,940)</u>	<u>( 3,549,470)</u>	<u>-</u>	<u>-</u>
Change in net position	5,500,005	7,003,129	182,930	59,384	5,682,935	7,062,513
Net position, beginning	<u>108,144,653</u>	<u>101,281,367</u>	<u>79,831,120</u>	<u>79,771,736</u>	<u>187,975,773</u>	<u>181,053,103</u>
Prior period adjustment	-	( 139,843)	-	-	-	( 139,843)
Net position, beginning as restated	<u>108,144,653</u>	<u>101,141,524</u>	<u>79,831,120</u>	<u>79,771,736</u>	<u>187,975,773</u>	<u>180,913,260</u>
Net position, ending	<u>\$ 113,644,658</u>	<u>\$ 108,144,653</u>	<u>\$ 80,014,050</u>	<u>\$ 79,831,120</u>	<u>\$ 193,658,708</u>	<u>\$ 187,975,773</u>

**Government Activities**

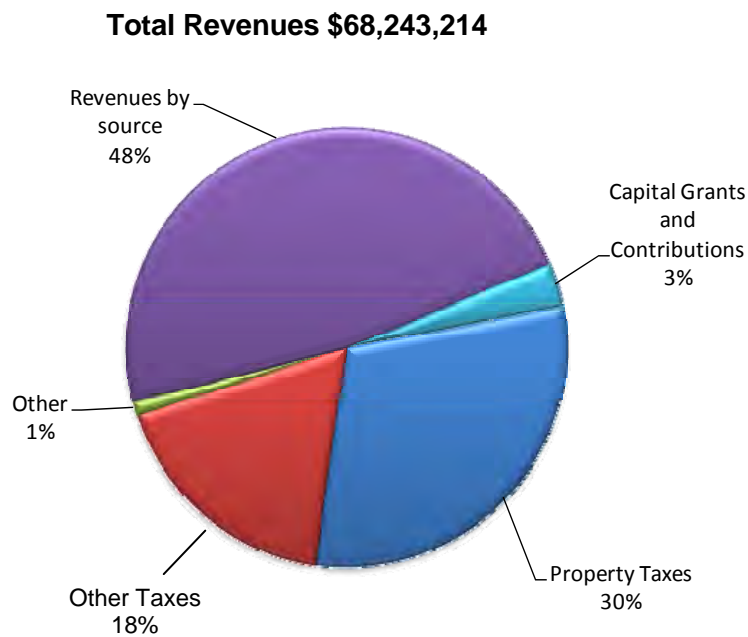
Government activities increased the City's net position by \$5,500,005, or 5.09% from the prior year. Total governmental revenues decreased \$189,609, 0.45%. Major increases in revenues were charges for services of \$864,914, ad valorem (property) taxes of \$655,054 and sales taxes of \$569,097. Both charges for services and ad valorem taxes increased primarily due to increases in development-related revenues and property tax revenues resulting from increased development activity occurring during the year (the City did not increase development fees or the property tax rate). Sales taxes increased due to continuing improvements and growth in the local economy. The major decreases in revenue occurred in capital grants and contributions (\$2,873,700). Capital grants and contributions decreased because of multi-jurisdictional funding participation in street infrastructure projects that was received during fiscal year 2011-2012.

Total governmental expenses increased by \$1,750,986, 4.50%. The largest change in expenses was an increase of \$662,697, or 3.53% in public safety expenses. This increase is due to in part to additional expenses related to the merger of Animal Services with neighboring cities to form a regional Animal Services operation, combined with other increases in general operating costs. Recreation and leisure expenses increased \$219,452, or 4.28%, primarily due to transfers of personnel services from other funds. Public works expenses increased \$158,338, or 3.9%.

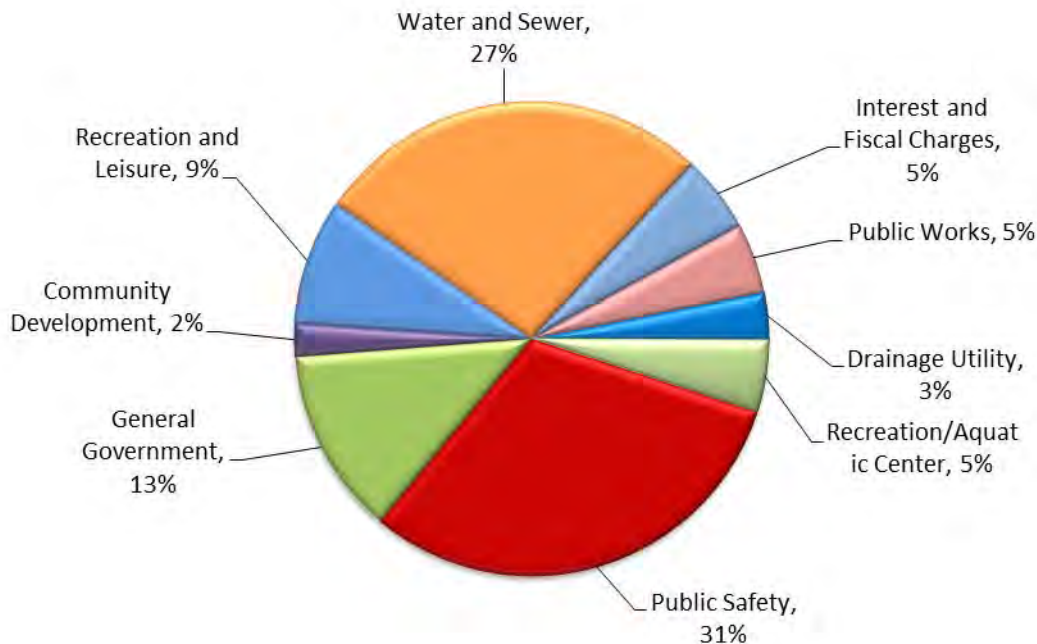
### Business-type Activities

Net position from business-type activities increased by \$182,930, or (5.09%). Total expenses increased by \$436,646, or (2.01%). Total revenues increased \$997,662, (3.94%). Capital grants and contributions from developers increased \$715,409, or 242.55% due to developer contributions related to new development concurring within the City. Charges for services increased \$296,802, or 1.9% primarily due to a slight increase in demand for water usage by city of Keller customers.

The following table provides a summary of the City's operations for the year ended September 30, 2013.



## Total Expenses \$62,560,279



### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Keller uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental Funds

The focus on the City of Keller's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$34,239,425, an increase of \$235,683, or 1% in comparison with the prior year. Approximately 52.87%, or \$18,101,532 of this total fund balance is restricted to indicate that it is not available for new spending because it has already been committed to: 1) general government, \$134,557; 2) debt service, \$690,229; 3) to pay for capital acquisition and construction, \$11,114,335; 4) recreation and leisure, \$94,931; and 5) for public safety, \$6,067,480. Approximately 27.34% of the total amount, \$9,362,608, constitutes unassigned fund balance, which is available for appropriation by the City Council. A portion of this unassigned fund balance, while not legally obligated, could be used for future one-time, non-recurring expenses, or capital projects.

In the General Fund, the City budgeted for a fund balance decrease in the current year of \$60,800. One of the City's financial policies requires that the City maintain an unassigned fund balance equal 70 days of operating expenditures. The actual unassigned fund balance exceeds this benchmark. Because overall actual revenues exceeded the final budget revenues, combined with actual expenditures less than final budget expenditures, the actual fund balance increased by \$2,693,788 from the final budget estimate. Total expenditures were under the final budget by \$2,299,753. This resulted in positive total actual expenditure variances from the final budget. The most significant variances were \$958,238 for capital outlay and \$575,471 for public safety. Capital outlay was below budgeted expenditures primarily because several public works projects were begun late in the fiscal year and as a result the actual capital expenditures will occur in fiscal year 2013-2014. Public safety expenditures were below budgeted expenditures due to determined efforts by the department to closely monitor expenditures throughout the year. The most significant positive revenue variance was permits, licenses and fees (\$460,880). The most significant negative revenue variance was donations (\$367,664). The amount of excess fund balance exceeding the fiscal year 2013 budget will be addressed during fiscal year 2014-2015 budget deliberations.

The Crime Control Prevention District Fund balance decreased by \$3,913,694 in 2013 primarily due to capital expenditures used for the expansion of the current police facility and new animal control shelter. Most of the remaining fund balance will be used for the facility expansion and improvements project.

The Debt Service fund balance increased by \$93,468 in 2013 primarily due to a planned (budgeted) increase in the fund balance. In fiscal year 2012-13, the City issued \$601,000 in tax-supported debt for vehicle and equipment replacements. The debt will mature in 2018. The increase in fund balance will be addressed in fiscal year 2014-2015 budget deliberations.

### **Enterprise Funds**

The City's Enterprise Fund statements provide the same type information found in the government-wide financial statements, but in more detail.

Total unrestricted net position of Enterprise Funds were \$11,139,589. Unrestricted net position of the respective major funds are: Water and Wastewater, \$8,109,539; and Drainage Utility, \$2,438,027. The Water and Wastewater operations had an increase in net position of \$486,173, or 0.75%, while the Drainage Utility had a decrease in net position of \$304,581, or 0.23%. The decrease in net position of the Drainage Utility resulted primarily from a decrease in total capital assets as a result of depreciation expense – a non-cash outlay. The increase in water and wastewater net position is due primarily to an increase in capital grants and contributions.

### **General Fund Budgetary Highlights**

In fiscal year 2013, the City Council approved revisions to the original budget appropriations. Although not required by official City policy or Charter, the annual budget is traditionally amended by the City Council toward the end of the fiscal year, in conjunction with the review and adoption of the subsequent year's budget. During the current year review process, all revenue sources and line-item expenditures are reviewed and adjusted to account for increases and/or decreases occurring during the year. As a result, a revised (final) budget, which reflects the recommended changes made to the original adopted budget, is usually adopted each September. The revised budget amounts are used throughout this report as the amended adopted (final) budget.

Significant budget changes were:

- The original General Fund adopted budget included a net decrease of \$465,691 in the unassigned fund balance, while the final budget reflected a decrease of \$60,800 in the unassigned fund balance, a difference of \$404,891. The net decrease in fund balance included \$1,668,770 and \$911,770 of one-time expenditures in the adopted and final budgets, respectively.
- Total final budgeted revenues (including transfers in) increased \$460,344 from the original budget. The primary increase occurred in intergovernmental revenues, \$291,309; permits, licenses and fees, \$56,800; and sales taxes, \$285,500.
- Total final budgeted expenditures (including transfers out) decreased by \$137,827 over the original budget.
- The most significant increase in budgeted expenditures from the original and final budgets were: \$316,540 for capital outlay expenditures; The most significant decreases were in public safety expenditures, \$302,010, and recreation and leisure expenditures, \$150,665.

Significant budget variances:

- Total actual revenues exceeded the final budgeted amounts by \$435,901, or 1.59%.
- The most significant favorable revenue variances were permits, licenses and fees (\$460,880), and miscellaneous (\$215,888). The most significant unfavorable variance was donations (\$367,664) because anticipated grant revenue to be used for park improvements were not received by year-end. However, the grant revenue is anticipated to be received in fiscal year 2013-2104.



- The most significant expenditure budget variances were \$958,238 for capital outlay and \$575,471 for the public safety activity. Capital outlay expenditures were below budgeted expenditures because several capital projects were either incomplete at the end of the year, or were transferred to fiscal year 2013-2014. Public safety expenditures were below budgeted expenditures due to determined efforts by the department to closely monitor expenditures throughout the year. There were no significant expenditures with negative variances.
- Determined efforts by department managers to closely monitor expenditures throughout the year resulted in positive total actual expenditure variance from the final budget. All departments completed the year with lower actual expenditures compared to the final budget, with total expenditures (including transfers out) approximately 92.6 percent of the final budget amount.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$229,775,786 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, improvements other than buildings, and construction in progress. The total decrease in the City's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$1,332,275, or 0.58% (a 0.10% decrease in capital assets for governmental activities and 1.54% decrease in capital assets for business-type activities, respectively).

Capital grants and contributions primarily from developers, for fiscal year 2013, were \$2,105,999, a decrease of \$2,158,291, or 50.61% from the prior year.

Major capital asset events during the current fiscal year included the following (in thousands):

- Street improvements, \$1,402
- Drainage improvements (city-wide), \$1,511
- Replacement of machinery and equipment (all departments), \$1,150
- Sprayground for The Keller Pointe, \$535
- Water system improvements (city-wide), \$440
- Sewer system improvements (city-wide), \$370

Ongoing projects in process include (in thousands):

- Robin Court, Belinda Drive and Creekvista Drive drainage improvements, \$117
- Police facility expansion, \$4,195
- Big Bear East Branch sewer improvements, \$436
- Katy Road sewer improvements, \$1,059
- Marshall Branch East Collector sewer improvements, \$295

The five-year capital improvements program (CIP) summary for fiscal years 2013-14 through 2017-18 was provided in the fiscal year 2012-13 budget document. The CIP identifies the estimated costs of proposed future capital projects, and the anticipated method of funding for each project.

**City of Keller's Capital Assets**  
(net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 30,579,143	\$ 30,019,972	\$ 1,440,545	\$ 1,407,493	\$ 32,019,688	\$ 31,427,465
Buildings	42,883,497	40,066,340	-	-	42,883,497	40,066,340
Equipment	5,720,544	5,149,552	560,421	528,576	6,280,965	5,678,128
Improvements	72,694,561	77,098,446	66,837,523	67,690,957	139,532,084	144,789,403
Capacity rights	-	-	2,755,034	2,912,079	2,755,034	2,912,079
Construction in progress	2,473,124	2,170,445	3,831,394	4,064,201	6,304,518	6,234,646
Total capital assets	\$ 154,350,869	\$ 154,504,755	\$ 75,424,917	\$ 76,603,306	\$ 229,775,786	\$ 231,108,061

Additional information regarding the City's capital assets can be found in Note IV on pages 53 – 54 of this report.

**Long-term Debt**

At September 30, 2013, the City of Keller had total bonded debt outstanding of \$95,098,698. Of this amount, \$72,773,698 represents bonds secured by the full faith and credit of the City, and \$22,325,000 represents bonds secured solely by self-supporting activities, i.e., the water and sewer revenues. Total outstanding debt of governmental activities decreased \$6,044,117 (7.67%), while total outstanding debt of business-type activities decreased \$139,037 (0.62%).

**City of Keller's Outstanding Debt**

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General obligations	\$ 22,415,000	\$ 24,580,000	\$ 10,560,000	\$ 10,560,000	\$ 32,975,000	\$ 35,140,000
Revenue bonds payable	-	140,000	-	-	-	140,000
Certificates of obligation	50,002,894	53,730,020	11,765,000	11,765,000	61,767,894	65,495,020
Contractual obligations	-	-	-	139,037	-	139,037
Capital leases	61,510	159,153	-	-	61,510	159,153
OPEB liability	294,294	208,642	-	-	294,294	208,642
	\$ 72,773,698	\$ 78,817,815	\$ 22,325,000	\$ 22,464,037	\$ 95,098,698	\$ 101,281,852

As of September 30, 2013, of the \$72,773,698 in outstanding debt of governmental activities backed by the full faith and credit of the City, approximately 41.00%, or \$29,836,894 is self-supported debt from the following sources:

Keller Tax Increment Reinvestment Zone No. 1, \$18,316,894; and  
Keller Development Corporation, \$11,520,000.

The City maintains favorable ratings from both Moody's and Standard & Poor's. Both rating categories classify the City's debt obligations as high-quality investment grade.

The City's General Obligation, Combination Tax and Revenue Certificates of Obligation ratings are as follows:

	Moody's Investors Service	Standard & Poor's
General obligation bonds (tax supported)	Aa2	AA
Certificates of obligation (tax supported)	Aa2	AA

In June 2012 (the city's most recent rating analysis), these ratings were confirmed by the respective rating agencies.

Additional information on the City of Keller's long-term debt can be found in Note IV on pages 56 – 59 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the fiscal year 2013-14 budget, general fund revenues (including transfers in) were budgeted to increase by \$1,002,256 (3.4%) from the revised (final) 2012-13 budget, with general property taxes comprising about 45.8% of General Fund budgeted revenues and transfers in. Certified taxable assessed valuations (after adjustments) increased 4.25% over the prior year, compared to an increase of 2.61% last year. A small increase of 2.5% was projected for sales tax receipts in fiscal year 2013-14 because sales tax receipts have been on an increasing trend since 2011. Development-related budgeted revenues for fiscal year 2013-14 decreased by \$46,860 or, 20% over fiscal year 2012-13. Although the rate of growth in development activity has remained steady, a conservative approach was used to project development-related revenues for fiscal year 2013-2014.

Although conservative revenue projections, combined with an effort to maintain ending fund balances as required by the city's financial policies, resulted in a decrease in the projected ending fund balance at September 30, 2014, the projected ending fund balance did exceed the target fund balance. Budgeted expenditures, excluding one-time, non-recurring expenditures from fund balance, increased \$694,223 from the financial 2012-2013 budget, or 2.3%. However, expenditures for the 2013-2014 adopted budget represents a decrease of \$843,074, or 2.7% from the 2012-2013 original adopted budget (including one-time expenditures from fund balance for both years). The adopted budget maintains the required ending fund balance at September 30, 2014 of 70 days of operating expenditures (actual 128 days). The City's property tax rate for fiscal year 2013-2014 remains unchanged at \$0.44219 per \$100 of property value. This was possible because the City's conservative budget planning projects an ending fund balance exceeding the target fund balance. Including the one-time, non-recurring expenditures discussed below, the projected unassigned fund balance for the General Fund exceeds the targeted fund balance by approximately 9 days of operations (approximately \$702,500).

Major items funded in the General Fund for fiscal year 2013-14 are:

- Traffic sensor upgrade, \$18,500;
- Replace steel roller (Street Department), \$60,000;
- Replace street maintenance equipment, \$14,000;
- Street reconstruction, \$758,000;
- Audio/visual improvements for Council Chamber and Pre-Council work session meeting room, \$60,000;
- Vehicle and equipment replacements:
  - Vehicles for Keller Fire Department, \$87,995<sup>(1)</sup>;
  - Replace fire engine, \$550,000<sup>(1)</sup>;
  - Vehicles for Parks and Recreation Department, \$57,000<sup>(1)</sup>;
  - Vehicles for Public Works Department, \$66,600<sup>(1)</sup>; and
  - Replace mowing equipment (\$63,150) and maintenance equipment (\$15,910) for Parks and Recreation
- Fleet replacement funding for future vehicle replacements, \$300,000<sup>(1)</sup>;
- Economic development initiatives, \$1,200,000<sup>(1)</sup>;
- Economic development incentives to developers resulting from approved development agreements (\$230,000)<sup>(1)</sup>; and
- City-wide radio/communications systems upgrade, \$1,644,535 (mandated).

(1) One-time, non-recurring expenditures from available fund balance.

Significant items in other funds include:

Water and Wastewater Fund:

- Valve maintenance vehicle with telescoping electric-powered valve exerciser, \$125,200;
- Water distribution and wastewater infrastructure improvements, \$391,825;
- Utility Service vehicle funded by Equipment Replacement fund, \$52,090; and
- Improvements to Municipal Service Center, including parking lot improvements, \$43,000.

Drainage Fund:

- Drainage improvements for Indian Meadow Addition area, \$610,000

Keller Development Corporation ½-cent sales tax:

- Park projects matching funds program, \$3,100,000; and
- Pathways to Play project improvements, \$65,000.

Keller Crime Control Prevention District ¼-cent sales tax:

- Facility improvements, \$262,000;
- Furniture, fixtures, and equipment replacement, \$30,500; and
- Vehicle replacements, \$152,840.

The City is able to maintain its financial position because of having a stable tax and retail base, as well as a competitive tax rate. The City's property tax rate for fiscal year 2013-2014 ranks as the third lowest among neighboring Tarrant County area cities.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Keller Finance Department, P. O. Box 770, Keller, Texas 76244-0770, call (817) 743-4025, or email at [finance@CityofKeller.com](mailto:finance@CityofKeller.com).

**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF KELLER, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2013**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 634,561	\$ 339,679	\$ 974,240
Investments	35,179,919	14,005,372	49,185,291
Receivables	3,306,422	3,256,400	6,562,822
Due from other governmental agencies	229,765	-	229,765
Inventories	48,485	217,929	266,414
Prepaid items	24,237	213,121	237,358
Deferred charges	909,473	284,057	1,193,530
Restricted assets:			
Investments	-	12,100,099	12,100,099
Capital assets:			
Land	30,579,143	1,440,545	32,019,688
Construction in progress	2,473,124	3,831,394	6,304,518
Buildings and improvements	42,883,497	-	42,883,497
Improvements	72,694,561	-	72,694,561
Water and sewer system	-	66,837,523	66,837,523
Machinery and equipment	5,720,544	560,421	6,280,965
Capacity rights	-	2,755,034	2,755,034
Total capital assets	<u>154,350,869</u>	<u>75,424,917</u>	<u>229,775,786</u>
 Total assets	 <u>194,683,731</u>	 <u>105,841,574</u>	 <u>300,525,305</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	3,464,631	2,574,883	6,039,514
Unearned revenues	890,910	797,397	1,688,307
Accrued interest	352,845	89,489	442,334
Customer deposits	11,539	913,538	925,077
Noncurrent liabilities:			
Due within one year	7,351,600	1,458,519	8,810,119
Due in more than one year	<u>68,967,548</u>	<u>19,993,698</u>	<u>88,961,246</u>
Total liabilities	<u>81,039,073</u>	<u>25,827,524</u>	<u>106,866,597</u>
<b>NET POSITION</b>			
Net investment in capital assets	81,997,316	60,654,886	142,652,202
Restricted for:			
Subsequent year appropriations	4,533,192	-	4,533,192
General government	134,557	-	134,557
Capital projects	11,114,335	8,219,575	19,333,910
Debt service	695,748	-	695,748
Recreation and leisure	94,931	-	94,931
Public safety	6,067,480	-	6,067,480
Unrestricted	<u>9,007,099</u>	<u>11,139,589</u>	<u>20,146,688</u>
 Total net position	 <u>\$ 113,644,658</u>	 <u>\$ 80,014,050</u>	 <u>\$ 193,658,708</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF KELLER, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities:				
General government	\$ 7,973,740	\$ 351,899	\$ -	\$ -
Public safety	19,415,960	1,972,544	2,622,218	147,447
Public works	2,981,588	56,267	-	948,186
Community development	1,425,851	1,680,478	-	-
Recreation and leisure	5,345,157	628,121	129,775	22,123
Interest and fiscal charges	3,277,731	-	-	-
Total governmental activities	<u>40,420,027</u>	<u>4,689,309</u>	<u>2,751,993</u>	<u>1,117,756</u>
Business-type activities:				
Water and wastewater utility	17,055,816	20,518,382	-	698,186
Drainage utility	2,004,342	1,540,590	-	312,180
Recreation/Aquatic Center	3,080,094	3,087,021	-	-
Total business-type activities	<u>22,140,252</u>	<u>25,145,993</u>	<u>-</u>	<u>1,010,366</u>
Total primary government	<u>\$ 62,560,279</u>	<u>\$ 29,835,302</u>	<u>\$ 2,751,993</u>	<u>\$ 2,128,122</u>

**General revenues:**

Taxes:

Property taxes

Sales taxes

Franchise taxes

Alcoholic beverage taxes

Investment earnings

Miscellaneous

Gain (loss) on sale of asset

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

**The accompanying notes are an integral part of these financial statements.**



Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$( 7,621,841)	\$ -	\$( 7,621,841)
( 14,673,751)	-	( 14,673,751)
( 1,977,135)	-	( 1,977,135)
254,627	-	254,627
( 4,565,138)	-	( 4,565,138)
( 3,277,731)	-	( 3,277,731)
<u>( 31,860,969)</u>	<u>-</u>	<u>( 31,860,969)</u>
-	4,160,752	4,160,752
-	( 151,572)	( 151,572)
-	6,927	6,927
<u>-</u>	<u>4,016,107</u>	<u>4,016,107</u>
<u>( 31,860,969)</u>	<u>4,016,107</u>	<u>( 27,844,862)</u>
20,691,721	-	20,691,721
9,184,887	-	9,184,887
2,850,968	-	2,850,968
92,029	-	92,029
153,767	102,252	256,019
295,807	51,511	347,318
104,855	-	104,855
<u>3,986,940</u>	<u>( 3,986,940)</u>	<u>-</u>
<u>37,360,974</u>	<u>( 3,833,177)</u>	<u>33,527,797</u>
5,500,005	182,930	5,682,935
<u>108,144,653</u>	<u>79,831,120</u>	<u>187,975,773</u>
<u>\$ 113,644,658</u>	<u>\$ 80,014,050</u>	<u>\$ 193,658,708</u>

**CITY OF KELLER, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2013**

	<u>General Fund</u>	<u>Crime Control Prevention District</u>	<u>G.O. Debt Service</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 236,947	\$ -	\$ 24,555
Investments	15,582,237	7,372,855	499,730
Receivables, net of allowances for uncollectibles			
Taxes	1,790,935	177,416	107,635
Accounts	443,367	-	-
Interest	3,901	231	121
Other	12,048	-	-
Due from other funds	85,781	-	-
Due from other governments	77,217	-	-
Inventory	48,485	-	-
Prepaid items	24,112	-	-
	<u>\$ 18,305,030</u>	<u>\$ 7,550,502</u>	<u>\$ 632,041</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 964,368	\$ 1,357,346	\$ -
Accrued liabilities	959,652	-	-
Due to other funds	-	62,031	-
Deferred revenue	1,287,825	161,856	101,272
Customer deposits	11,539	-	-
Total liabilities	<u>3,223,384</u>	<u>1,581,233</u>	<u>101,272</u>
Fund balances:			
Non-spendable:			
Inventory	48,485	-	-
Prepays	24,112	-	-
Restricted for:			
General government	-	-	-
Debt service	-	-	530,769
Capital acquisition and construction	-	-	-
Recreation and leisure	-	-	-
Public safety	-	5,969,269	-
Assigned for:			
Subsequent year appropriations	4,533,192	-	-
Recreation	98,202	-	-
Public information and broadcasting	271,247	-	-
Information services	653,242	-	-
Community Clean-Up	90,558	-	-
Unassigned	9,362,608	-	-
Total fund balances	<u>15,081,646</u>	<u>5,969,269</u>	<u>530,769</u>
	<u>\$ 18,305,030</u>	<u>\$ 7,550,502</u>	<u>\$ 632,041</u>

**The accompanying notes are an integral part of these financial statements.**

Other Governmental Funds	Total Governmental Funds
\$ 373,059	\$ 634,561
11,725,097	35,179,919
676,522	2,752,508
20,147	463,514
2,986	7,239
71,113	83,161
-	85,781
152,548	229,765
-	48,485
125	24,237
<u>\$ 13,021,597</u>	<u>\$ 39,509,170</u>
\$ 161,565	\$ 2,483,279
21,700	981,352
23,750	85,781
156,841	1,707,794
-	11,539
<u>363,856</u>	<u>5,269,745</u>
-	48,485
125	24,237
134,557	134,557
159,460	690,229
11,114,335	11,114,335
94,931	94,931
98,211	6,067,480
-	4,533,192
1,056,122	1,154,324
-	271,247
-	653,242
-	90,558
-	9,362,608
<u>12,657,741</u>	<u>34,239,425</u>
<u>\$ 13,021,597</u>	<u>\$ 39,509,170</u>

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## CITY OF KELLER, TEXAS

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

Total fund balance, governmental funds	\$ 34,239,425
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	154,350,869
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	816,884
Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>( 75,762,520)</u>
Net position of governmental activities in the Statement of Net Position	\$ <u>113,644,658</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF KELLER, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	General Fund	Crime Control Prevention District	G.O. Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property	\$ 13,349,218	\$ -	\$ 4,788,259	\$ 2,581,452	\$ 20,718,929
Sales	4,639,063	1,066,527	-	3,479,297	9,184,887
Franchise	2,850,968	-	-	-	2,850,968
Mixed beverage	92,029	-	-	-	92,029
Permits, licenses and fees	1,828,780	-	-	385,419	2,214,199
Intergovernmental	2,509,067	-	-	406,864	2,915,931
Charges for services	1,398,297	-	-	11,027	1,409,324
Fines and forfeitures	814,696	-	-	86,451	901,147
Special assessments and impact fees	-	-	-	906,533	906,533
Donations	53,876	-	-	48,741	102,617
Investment earnings	73,394	17,881	6,125	56,367	153,767
Miscellaneous	327,588	-	-	23,020	350,608
Total revenues	<u>27,936,976</u>	<u>1,084,408</u>	<u>4,794,384</u>	<u>7,985,171</u>	<u>41,800,939</u>
<b>EXPENDITURES</b>					
Current:					
General government	5,903,842	-	-	173,748	6,077,590
Public safety	14,409,664	142,298	-	76,803	14,628,765
Public works	2,182,433	-	-	90,135	2,272,568
Community development	1,086,784	-	-	-	1,086,784
Recreation and leisure	3,968,037	-	-	106,045	4,074,082
Capital outlay	1,169,112	4,329,629	-	2,720,645	8,219,386
Debt service:					
Principal	-	275,000	3,217,643	3,238,126	6,730,769
Interest and other charges	-	251,175	1,512,311	1,436,990	3,200,476
Total expenditures	<u>28,719,872</u>	<u>4,998,102</u>	<u>4,729,954</u>	<u>7,842,492</u>	<u>46,290,420</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 782,896)</u>	<u>( 3,913,694)</u>	<u>64,430</u>	<u>142,679</u>	<u>( 4,489,481)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	22,434	-	-	88,290	110,724
Bonds issued	-	-	-	601,000	601,000
Transfers in	3,487,875	-	672,388	763,810	4,924,073
Transfers out	<u>( 33,625)</u>	<u>-</u>	<u>( 643,350)</u>	<u>( 233,658)</u>	<u>( 910,633)</u>
Total other financing sources and uses	<u>3,476,684</u>	<u>-</u>	<u>29,038</u>	<u>1,219,442</u>	<u>4,725,164</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,693,788	( 3,913,694)	93,468	1,362,121	235,683
<b>FUND BALANCES, BEGINNING</b>	<u>12,387,858</u>	<u>9,882,963</u>	<u>437,301</u>	<u>11,295,620</u>	<u>34,003,742</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 15,081,646</u>	<u>\$ 5,969,269</u>	<u>\$ 530,769</u>	<u>\$ 12,657,741</u>	<u>\$ 34,239,425</u>

The accompanying notes are an integral part of these financial statements.

## CITY OF KELLER, TEXAS

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net change in fund balances - total governmental funds:	\$ 235,683
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	( 153,886)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	( 195,861)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	6,129,769
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	<u>( 515,700)</u>
Change in net position of governmental activities	<u>\$ 5,500,005</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF KELLER, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2013**

	Water and Wastewater Utilities	Drainage Utility	Recreation/ Aquatic Center	Total Enterprise Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 247,214	\$ 54,034	\$ 38,431	\$ 339,679
Investments	10,163,686	2,438,198	1,403,488	14,005,372
Receivables, net of allowances for uncollectibles				
Accounts	3,159,070	72,054	17,236	3,248,360
Interest	5,353	595	362	6,310
Other	1,730	-	-	1,730
Deferred charges	284,057	-	-	284,057
Inventory	217,929	-	-	217,929
Prepaid items	209,052	46	4,023	213,121
Restricted assets:				
Investments	12,100,099	-	-	12,100,099
Total current assets	<u>26,388,190</u>	<u>2,564,927</u>	<u>1,463,540</u>	<u>30,416,657</u>
Non-current assets:				
Capital assets:				
Land	1,379,273	61,272	-	1,440,545
Water and sewer system	89,598,078	26,069,991	-	115,668,069
Machinery and equipment	1,729,689	507,391	-	2,237,080
Capacity rights	6,281,781	-	-	6,281,781
Construction in progress	3,711,428	119,966	-	3,831,394
Less accumulated depreciation	( 39,019,485)	( 15,014,467)	-	( 54,033,952)
Total non-current assets	<u>63,680,764</u>	<u>11,744,153</u>	<u>-</u>	<u>75,424,917</u>
Total assets	<u>90,068,954</u>	<u>14,309,080</u>	<u>1,463,540</u>	<u>105,841,574</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,220,282	19,279	102,547	2,342,108
Accrued liabilities	152,751	23,384	56,640	232,775
Accrued interest payable	89,489	-	-	89,489
Deferred revenue	89,930	-	707,467	797,397
Customer deposits	908,675	-	4,863	913,538
Compensated absences	26,242	5,475	-	31,717
Certificates of obligation	833,000	-	-	833,000
General obligation bonds	542,415	-	-	542,415
Capital leases	-	51,387	-	51,387
Total current liabilities	<u>4,862,784</u>	<u>99,525</u>	<u>871,517</u>	<u>5,833,826</u>
Non-current liabilities:				
Compensated absences	131,212	27,375	-	158,587
Certificates of obligation	4,624,000	-	-	4,624,000
General obligation bonds	15,211,111	-	-	15,211,111
Total non-current liabilities	<u>19,966,323</u>	<u>27,375</u>	<u>-</u>	<u>19,993,698</u>
Total liabilities	<u>24,829,107</u>	<u>126,900</u>	<u>871,517</u>	<u>25,827,524</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	48,910,733	11,744,153	-	60,654,886
Restricted for capital projects	8,219,575	-	-	8,219,575
Unrestricted	8,109,539	2,438,027	592,023	11,139,589
Total net position	<u>\$ 65,239,847</u>	<u>\$ 14,182,180</u>	<u>\$ 592,023</u>	<u>\$ 80,014,050</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF KELLER, TEXAS**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Water and Wastewater Utilities	Drainage Utility	Recreation/ Aquatic Center	Total Enterprise Funds
<b>OPERATING REVENUES</b>				
Water revenue	\$ 14,528,008	\$ -	\$ -	\$ 14,528,008
Sewer revenue	5,712,526	-	-	5,712,526
Drainage revenue	-	1,540,590	-	1,540,590
Recreation / Aquatic Center revenue	-	-	3,085,015	3,085,015
Tap and connection fees	117,955	-	-	117,955
Intergovernmental	159,893	-	-	159,893
Donations	-	-	1,298	1,298
Miscellaneous revenues	39,751	-	11,760	51,511
Total operating revenues	<u>20,558,133</u>	<u>1,540,590</u>	<u>3,098,073</u>	<u>25,196,796</u>
<b>OPERATING EXPENSES</b>				
Personnel services	2,839,219	548,502	1,449,723	4,837,444
Supplies and maintenance	865,766	71,948	356,264	1,293,978
Services and other	946,492	91,200	1,274,107	2,311,799
Wholesale water purchases	6,479,095	-	-	6,479,095
Wastewater services contracted	2,203,656	-	-	2,203,656
Depreciation and amortization	2,993,190	1,287,158	-	4,280,348
Total operating expenses	<u>16,327,418</u>	<u>1,998,808</u>	<u>3,080,094</u>	<u>21,406,320</u>
<b>OPERATING INCOME (LOSS)</b>	<u>4,230,715</u>	<u>( 458,218)</u>	<u>17,979</u>	<u>3,790,476</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenues	87,119	9,472	5,661	102,252
Gain (loss) on disposal of assets	18,986	-	708	19,694
Interest expense	<u>( 774,448)</u>	<u>( 5,534)</u>	<u>-</u>	<u>( 779,982)</u>
Total non-operating revenues (expenses)	<u>( 668,343)</u>	<u>3,938</u>	<u>6,369</u>	<u>( 658,036)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	3,562,372	( 454,280)	24,348	3,132,440
Capital contributions	698,186	365,744	-	1,063,930
Transfers in	65,000	-	-	65,000
Transfers out	<u>( 3,839,385)</u>	<u>( 216,045)</u>	<u>( 23,010)</u>	<u>( 4,078,440)</u>
<b>CHANGE IN NET POSITION</b>	486,173	( 304,581)	1,338	182,930
<b>TOTAL NET POSITION, BEGINNING</b>	<u>64,753,674</u>	<u>14,486,761</u>	<u>590,685</u>	<u>79,831,120</u>
<b>TOTAL NET POSITION, ENDING</b>	<u>\$ 65,239,847</u>	<u>\$ 14,182,180</u>	<u>\$ 592,023</u>	<u>\$ 80,014,050</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF KELLER, TEXAS**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Water and Wastewater Utilities</u>	<u>Drainage Utility</u>	<u>Recreation / Aquatic Center</u>	<u>Total Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 20,437,547	\$ 1,535,355	\$ 3,084,678	\$ 25,057,580
Cash payments for goods and services	( 10,384,471)	( 154,055)	( 1,442,394)	( 11,980,920)
Cash payments to employees/retirees	( 2,791,095)	( 541,242)	( 1,647,811)	( 4,980,148)
Net cash provided by operating activities	<u>7,261,981</u>	<u>840,058</u>	<u>( 5,527)</u>	<u>8,096,512</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash paid to other funds	3,399,173	107,506	-	3,506,679
Transfers from other funds	65,000	-	-	65,000
Transfers to other funds	( 3,839,385)	( 216,045)	( 23,010)	( 4,078,440)
Net cash used by noncapital financing activities	<u>( 375,212)</u>	<u>( 108,539)</u>	<u>( 23,010)</u>	<u>( 506,761)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on debt	( 2,274,780)	( 48,695)	-	( 2,323,475)
Interest and fiscal charges on debt	( 23,284)	( 5,534)	-	( 28,818)
Acquisition and construction of capital assets	( 1,901,615)	( 116,832)	-	( 2,018,447)
Proceeds from sale of capital assets	18,986	-	708	19,694
Net cash provided (used) by capital and related financing activities	<u>( 4,180,693)</u>	<u>( 171,061)</u>	<u>708</u>	<u>( 4,351,046)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment securities	( 2,563,827)	( 669,760)	-	( 3,233,587)
Proceeds from sale and maturities of securities	-	-	43,379	43,379
Interest on investments	104,965	11,425	7,155	123,545
Net cash used by investing activities	<u>( 2,458,862)</u>	<u>( 658,335)</u>	<u>50,534</u>	<u>( 3,066,663)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	247,214	( 97,877)	22,705	172,042
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>-</u>	<u>151,911</u>	<u>15,726</u>	<u>167,637</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 247,214</u>	<u>\$ 54,034</u>	<u>\$ 38,431</u>	<u>\$ 339,679</u>

**CITY OF KELLER, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**(Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Water and Wastewater Utilities	Drainage Utility	Recreation / Aquatic Center	Total Enterprise Funds
<b>RECONCILIATION OF OPERATING INCOME TO</b>				
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 4,230,715	\$( 458,218)	\$ 17,979	\$ 3,790,476
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,993,190	1,287,158	-	4,280,348
Change in assets and liabilities:				
Decrease (increase) in assets:				
Customer receivables	( 199,990)	( 5,235)	( 3,206)	( 208,431)
Due from other governments	44,962	-	-	44,962
Prepaid items	( 21,363)	125	( 3,543)	( 24,781)
Inventory	61,292	-	-	61,292
Increase (decrease) in liabilities:				
Accounts payable	70,609	8,968	( 13,897)	65,680
Accrued liabilities	25,608	3,378	7,329	36,315
Unearned revenue	7,093	-	( 10,749)	( 3,656)
Customer deposits	34,442	-	560	35,002
Compensated absences	15,423	3,882	-	19,305
Total adjustments	3,031,266	1,298,276	( 23,506)	4,306,036
Net cash provided by operating activities	\$ 7,261,981	\$ 840,058	\$( 5,527)	\$ 8,096,512
<b>NONCASH INVESTING, CAPITAL AND</b>				
<b>FINANCING ACTIVITIES</b>				
Contributions of capital assets	\$ 698,186	\$ 365,744	\$ -	\$ 1,063,930

The accompanying notes are an integral part of these financial statements.

# CITY OF KELLER, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The City of Keller, Texas, was incorporated in 1955. The City operates under the Council-Manager form of government as adopted by a home rule charter approved in 1982. The City provides a full range of municipal services including general government, planning and community development, public safety (police, fire, animal control, and emergency medical services), public works, recreation and leisure. In addition, the City provides water and sewer service, and storm water drainage as proprietary functions of the City.

The accounting policies of the City of Keller, Texas, conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board, which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's financial statements.

Because the City is a home rule municipality, it is governed by an elected mayor and six-member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

#### **Blended Component Units**

**Keller Development Corporation (KDC)** – The City created the Keller Development Corporation for the purpose of implementing its Parks Master Plan and appointed a seven-member Board of Directors, four of whom are required to be members of the City Council. The remaining three members are residents of the City. All Board members are appointed by the City Council. KDC is authorized to sell bonds or other forms of indebtedness. In the event of dissolution of KDC, the assets of KDC will be distributed to the City.

Since the KDC Board of Directors act primarily in an advisory role to the Keller City Council, who exercise the ultimate financial control over the recommendations of the KDC Board, the financial information of KDC is blended as a governmental fund into the primary government.

**Keller Tax Increment Finance Reinvestment Zone #1 (TIF)** – The City created the Keller Tax Increment Finance Reinvestment Zone #1 to encourage the accelerated development of the Keller Town Center area in the City. The 12-member Board of Directors is comprised of five members of the Keller City Council, the Mayor of Keller, three members representing the Keller Independent School District, and one member appointed from the governing bodies of the three respective Tarrant County entities. The TIF was established through the corporate efforts of the City of Keller, the Keller Independent School District, Tarrant County, the Tarrant County College District and the Tarrant County Hospital District. These entities comprise all of the overlapping taxing entities within the City. Debt obligations issued and backed by the TIF are to be repaid from property tax levies, based on the incremental increase in the real property values from the base year (1998).

Since the TIF Board of Directors acts primarily in an advisory role to the Keller City Council, who exercise the ultimate financial control over the recommendations of the TIF Board, the financial information of the TIF is blended as a governmental fund into the primary government.

**Keller Crime Control Prevention District (KCCPD)** – In accordance with Section 363 of the Texas Local Government Code, the City Council appointed a temporary KCCPD Board, who then developed and proposed a two-year financial plan to the residents of the City for a public vote. In November 2001, the residents of the City, by referendum, approved an additional three-eighths of one percent (0.375%) sales and use tax to be used for public safety crime control and prevention programs, including public safety equipment, and improvements to public safety facilities. Following voter approval of KCCPD, a Board of Directors was officially appointed by the City Council, and the two-year budget was then adopted by the Board and City Council. By statute, the life of KCCPD cannot exceed five years without re-authorization by another referendum. The additional sales tax became effective in April 2002. The tax was authorized for an initial period of five years. In May 2006, voters re-authorized the tax for an additional period of 15 years. In November 2007, voters authorized a reduction in the rate from three-eighths of one percent (0.375%) to one-quarter of one percent (0.25%).

Since the KCCPD Board acts primarily in an advisory role to the Keller City Council, who exercises the ultimate financial control over the recommendations of the KCCPD Board, the financial information for KCCPD is blended as a governmental fund into the primary government.

Separate financial statements for the component units are not prepared.

## **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and service charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual Enterprise Funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Crime Control Prevention District Special Revenue Fund** is used to account for collection of sales and use taxes, in accordance with Section 363 of the Texas Local Government Code, to be used for public safety crime control and prevention programs.

The **General Obligation Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary funds:

The **Water and Wastewater Operations and Drainage Utility Funds** operate the water distribution system, the wastewater collection system and storm water control.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer and Drainage Utility Enterprise Funds are charges to customers for sales and services. These funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **D. Assets, Liabilities and Net Position or Equity**

##### ***1. Deposits and Investments***

The City's cash and cash equivalents are considered to be cash on hand and demand deposits.

The City's investment policy is more restrictive than required by state statutes. The investment policy authorizes the City to invest in (1) obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, excluding mortgage-backed securities; (4) obligations of agencies, counties, cities, and other political subdivisions of the State of Texas rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (5) A certificate of deposit (CD) or other form of deposit issued by a depository institution that has its main office or a branch office in the State and is: (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; or (B) secured in compliance with the City's investment policy; or (C) issued in accordance with Section 2256.010 (b) and placed through a selected depository institution or broker with its main office or branch office in Texas; or, (6) eligible local government investment pools which invest in instruments and follow practices allowed by current law as defined in Section 2256.016 of the Texas Public Funds Investment Act; (7) regulated no-load money market mutual funds that are (A) registered with and regulated by the Securities and Exchange Commission; (B) having a dollar-weighted average portfolio of ninety (90) days or less; (C) the investment objectives include the maintenance of a stable net position value of one dollar (\$1.00) per share; and (D) the fund is continuously rated no lower than "AAA" or its equivalent rating by at least one nationally recognized rating service; and (8) repurchase agreements and fully flexible repurchase agreements ("flex repos"), to the extent authorized under the Act (Texas Government Code 2256.001). The use of flex repos is limited to the investment of bond proceeds and the maturity date of any such agreement shall not exceed the expected proceeds draw schedule.

##### ***2. Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the City based on the January 1 property values as assessed by the Tarrant County Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31, the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

**3. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

**4. Restricted Assets**

Restricted assets include certain cash proceeds of Enterprise Fund debt issues because their use is limited by applicable bond covenants. Accumulated impact fees are restricted for debt service or construction of water or wastewater systems. Assets are also restricted for payments of principal and interest due on certain water and wastewater debt.

**5. Capital Assets**

Capital assets, which include land, buildings, improvements other than buildings, machinery and equipment, and infrastructure assets (e.g., streets, sidewalks, bridges, underground structures and piping, roads, bridges, sidewalks, and similar items), and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Generally, capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial, individual cost of \$10,000 – \$20,000 for subclasses of real property and \$5,000 – \$10,000 for subclasses of personal property. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and building improvements	20 - 40
Improvements other than buildings	20 - 40
Water and sewer system infrastructure	20 - 40
Storm drainage system infrastructure	20 - 40
Capacity rights	40
Heavy equipment	10 - 15
Fire trucks and ambulances	15 - 20
Furniture and fixtures	5 - 10
Machinery and equipment	5 - 10
Police pursuit vehicles	3
Other vehicles	3 - 6



## 6. **Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Vacation benefits are accrued at 6.67, 10.00, or 13.34 hours per month for employees with less than 5, 10, or more than 10 years of service, respectively. Regular full-time employees having 5 years of service or less may accrue up to 160 hours; 6 - 10 years of service, 240 hours; 11 - 20 years of service; 320 hours; and over 20 years of service, 400 hours, respectively. Directors shall accrue at the same rate as all regular fulltime employees but may accrue up to a maximum of 400 hours. Sick leave is accrued at 8 hours per month without limitation. Upon termination or retirement, any accumulated sick leave expires. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are matured, for example, unused reimbursable leave payable as a result of employee resignations and retirements.

## 7. **Long-term Obligations**

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

In the fund financial statements, governmental fund types 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.

## 8. **Fund Balance Classification**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

**Nonspendable:** Includes amounts that are (a) not in a spendable form or (b) are required to be maintained intact. Examples include inventory and prepaid expenses.

**Spendable Fund Balance:**

- **Restricted:** Includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors, or contributions; or amounts constrained due to regulations of other governments. Examples include unspent grant awards funds and unspent bond proceeds at year-end.
- **Committed:** Includes amounts that are limited to specific purposes that are *self-imposed* by the City through formal action of the City Council, the highest level of decision-making authority. An example of a committed fund balance would include designating a specific amount of fund balance to be set aside for future capital improvements.

- **Assigned:** This classification includes amounts that are constrained by the Council's intended use for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign funds for specific purposes. However, assignment of fund balance is not required to be approved by City Council. Intent can be expressed by the City Council, or by an official to which the City Council delegates the authority (e.g., City Manager). In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. Examples of assigned fund balance include fund balances the City Council intends to earmark for future expenditures such as public education and government (PEG) programs, recreation programs, or city-wide information services support.
- **Unassigned:** The residual classification of amounts in the General Fund which includes all amounts not classified in other fund balance categories. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### Explanation of Certain Differences Between the Government Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, "Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bond payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position." The details of this \$(75,762,520) difference are as follows:

General obligation bonds	\$( 22,415,000)
Certificates of obligation	( 50,002,894)
Revenue bonds	-
Premiums on bonds	( 2,384,865)
Deferred loss on refunding	1,837,713
Accrued interest payable	( 352,845)
Capitalized lease obligations	( 61,510)
Compensated absences	( 1,727,804)
Deferred charge for bond issuance costs	909,473
OPEB liability	( 294,294)
TMRS net pension obligation	<u>( 1,270,494)</u>
 Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	 <u>\$( 75,762,520)</u>

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities**

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(153,886) difference are as follows:

Capital outlay	\$ 8,508,983
Depreciation expense	( 8,662,869)
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$( <u>153,886</u> )

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$(195,861) difference are as follows:

Property taxes	\$( 27,208)
Ambulance fees	54,184
Assessments	18,723
Court fines	( 18,401)
Other	( <u>223,159</u> )
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$( <u>195,861</u> )

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(515,700) difference are as follows:

Compensated absences	\$( 342,086)
Interest payable	59,017
Amortization of deferred charge on refunding	( 286,946)
Amortization of issuance costs	( 89,877)
Amortization of bond discounts/premiums	240,551
Other post employment benefits	( 85,652)
TMRS net pension obligation	( <u>10,707</u> )
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$( <u>515,700</u> )

### III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary Information

The City Charter of the City of Keller establishes the fiscal year as October 1 through September 30. The Charter requires the City Manager to submit a proposed budget and accompanying budget message to the City Council each year. The proposed budget is presented to the City Council by the City Manager and Department Directors at a series of budget work sessions. Copies of the proposed budget are made available to the public and the press and the public hearing schedule is confirmed. Before the public hearings are held, notices of the public hearings on the proposed budget are posted and published in the newspaper. Following a public hearing at a regular City Council meeting, the Council may adopt the proposed budget, with or without an amendment. The budget ordinance is to be adopted no later than the 27<sup>th</sup> day of September and requires an affirmation vote of a majority of the Council. The City maintains budgetary control by adopting an annual operating budget for the General Fund, Debt Service Funds, Special Revenue Funds (excepting the Public Safety Fund and Contributions/Donations Fund), and certain Capital Projects Funds (Park Development, Street/Sidewalk Improvements, and Equipment Replacement Funds). Revisions that increase the total expenditures of any fund must be approved by Council.

### IV. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

As of September 30, 2013, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Ratings (Standard &amp; Poor's)</u>
Certificates of Deposit	\$ 36,145,078	322	
TexPool	6,398,181	60	AAAm
LOGIC	1,432,606	57	AAAm
Money Market Mutual Funds	16,723,407	1	AAAm

Investments in the local government investment pools, TexPool and LOGIC, and the money market mutual funds are stated at fair value which is the same as the value of the pool and fund shares.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, excluding mortgage-backed securities [investment policy updated 10/15/13]; (4) obligations of agencies, counties, cities, and other political subdivisions of the State of Texas rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (5) A certificate of deposit (CD) or other form of deposit issued by a depository institution that has its main office or a branch office in the State and is: (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; or (B) secured in compliance with the City's investment policy; or (C) issued in accordance with Section 2256.010 (b) and placed through a selected depository institution or broker with its main office or branch office in Texas; or, (6) eligible local government investment pools which invest in instruments and follow practices allowed by current law as defined in Section 2256.016 of the Texas Public Funds Investment Act; (7) regulated no-load money market mutual funds that are (A) registered with and regulated by the Securities and Exchange Commission; (B) having a dollar-weighted average portfolio of ninety (90) days or less; (C) the investment objectives include the maintenance of a stable net position value of one dollar (\$1.00) per share; and (D) the fund is continuously rated no lower than "AAA" or its equivalent rating by at least one nationally recognized rating service; and (8) repurchase agreements and fully flexible repurchase agreements ("flex repos"), to the extent authorized under the Act (Texas Government Code 2256.001). The Act also requires the City to have independent auditors perform test

procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

The City is a member of two local government investment pools – TexPool and LOGIC. TexPool is an external investment pool operated by the Texas Comptroller of Public Accounts and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act provide for creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory board members review the investment policy and management fee structure. TexPool uses amortized cost to report net position and share prices since that amount approximates fair value.

Local Government Investment Cooperative (LOGIC) is also an external investment pool governed by the Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act. It operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, to the extent such rule is applicable to its operations. Accordingly, LOGIC uses the amortized cost method permitted by SEC Rule 2a-7 to report net position and share prices since that amount approximates fair value. The investment activities of LOGIC are administered by third party advisors. There is no regulatory oversight by the State of Texas over LOGIC.

***Custodial Credit Risk*** – In the case of deposits, this is the risk, that in the event of a bank failure, the City's deposits may not be returned to it. State and City statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2013, \$47,511,298 of the City's \$48,511,298 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$1,000,000, was covered by FDIC insurance.

Under a contractual agreement with Trinity River Authority, depository accounts are maintained by TRA for interest sinking, debt and construction reserves totaling \$33,369 which are separately insured or secured by collateral pledged by TRA's depository. The City's liability for its share of TRA contract revenue bonds is reduced by this amount.

***Credit Risk*** – It is the City's policy to limit its investments to investment types with an investment quality rating not less than AAA or its equivalent by a nationally recognized statistical rating organization. The City's investment pools are rated AAAm by Standard & Poor's Investors Service.

***Concentration of Credit Risk*** – With the exception of U. S. Government Securities (100%), the City may invest up to 80% of its portfolio in the following instruments: U.S. Government Agency and Government-sponsored Enterprise Obligations; authorized local agreement investment pools; and fully collateralized depository institution deposits. Investments in money market mutual funds are limited to 40% of the City's total portfolio.

***Interest Rate Risk*** – In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of its portfolio to less than three years.

**B. Receivables**

Receivables as of year-end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental				Proprietary			Total
	General	Crime Control Prevention District	G.O. Debt Service	Other Governmental	Water and Wastewater Operations	Drainage Utility	Recreational Aquatic Center	
Receivables:								
Property taxes	\$ 274,785	\$ -	\$ 117,642	\$ 61,314	\$ -	\$ -	\$ -	\$ 178,956
Sales taxes	850,283	177,416	-	615,208	-	-	-	1,642,907
Franchise taxes	689,603	-	-	-	-	-	-	689,603
Ambulance	1,043,991	-	-	-	-	-	-	1,043,991
Municipal court fines	154,791	-	-	5,726	-	-	-	160,517
Customer accounts	88,276	-	-	19,575	3,272,002	93,508	17,236	3,490,597
Intergovernmental	77,217	-	-	152,548	-	-	-	229,765
Interest	3,901	231	121	2,986	5,353	595	362	13,549
Other	12,048	-	-	76,095	1,730	-	-	89,873
Gross receivables	3,194,895	177,647	117,763	933,452	3,279,085	94,103	17,598	7,796,945
Less: allowance for uncollectibles	867,427	-	10,007	10,136	112,932	21,454	-	1,021,956
Net total receivables	\$ 2,327,468	\$ 177,647	\$ 107,756	\$ 923,316	\$ 3,166,153	\$ 72,649	\$ 17,598	\$ 6,774,989

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition 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 revenue and unearned revenue reported in the governmental funds were as follows:

Crime Control Prevention District Special Revenue Fund:		
Sales tax refund	-	161,856
General obligation debt service fund:		
Delinquent property taxes receivable	101,272	-
Total general obligation debt service fund	101,272	161,856
Other governmental funds:		
Delinquent TIF taxes	61,314	-
Assessments receivable	71,153	-
Due from other governments	-	24,374
Total other governmental funds	132,467	24,374
Total governmental funds	\$ 872,911	\$ 186,230

## C. Capital Assets

Capital assets activity for the year ended September 30, 2013, are as follows:

### Primary Government

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 30,019,972	\$ 544,463	\$ -	\$ 14,708	\$ 30,579,143
Construction in progress	<u>2,170,445</u>	<u>4,272,342</u>	<u>-</u>	<u>( 3,969,663)</u>	<u>2,473,124</u>
Total assets not being depreciated	<u>32,190,417</u>	<u>4,816,805</u>	<u>-</u>	<u>( 3,954,955)</u>	<u>33,052,267</u>
Capital assets, being depreciated:					
Buildings	56,170,500	384,396	( 586,066)	4,194,958	60,163,788
Improvements	176,555,483	1,694,248	-	( 225,295)	178,024,436
Machinery and equipment	<u>14,975,712</u>	<u>1,645,903</u>	<u>( 533,809)</u>	<u>( 41,208)</u>	<u>16,046,598</u>
Total capital assets being depreciated	<u>247,701,695</u>	<u>3,724,547</u>	<u>( 1,119,875)</u>	<u>3,928,455</u>	<u>254,234,822</u>
Less accumulated depreciation:					
Buildings	( 16,104,160)	( 1,762,197)	586,066	-	( 17,280,291)
Improvements	( 99,457,037)	( 5,866,041)	-	( 6,797)	( 105,329,875)
Machinery and equipment	<u>( 9,826,160)</u>	<u>( 1,034,631)</u>	<u>527,940</u>	<u>6,797</u>	<u>( 10,326,054)</u>
Total accumulated depreciation	<u>( 125,387,357)</u>	<u>( 8,662,869)</u>	<u>1,114,006</u>	<u>-</u>	<u>( 132,936,220)</u>
Total capital assets being depreciated, net	<u>122,314,338</u>	<u>( 4,938,322)</u>	<u>( 5,869)</u>	<u>3,928,455</u>	<u>121,298,602</u>
Governmental activities capital assets, net	<u>\$ 154,504,755</u>	<u>\$( 121,517)</u>	<u>\$( 5,869)</u>	<u>\$( 26,500)</u>	<u>\$ 154,350,869</u>
	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,407,493	\$ 33,052	\$ -	\$ -	\$ 1,440,545
Construction in progress	<u>4,064,201</u>	<u>1,718,135</u>	<u>-</u>	<u>( 1,950,942)</u>	<u>3,831,394</u>
Total assets not being depreciated	<u>5,471,694</u>	<u>1,751,187</u>	<u>-</u>	<u>( 1,950,942)</u>	<u>5,271,939</u>
Capital assets, being depreciated:					
Improvements other than buildings	112,554,882	1,162,245	-	1,950,942	115,668,069
Machinery and equipment	2,232,816	160,143	( 182,379)	26,500	2,237,080
Capacity rights	<u>6,281,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,281,781</u>
Total capital assets being depreciated	<u>121,069,479</u>	<u>1,322,388</u>	<u>( 182,379)</u>	<u>1,977,442</u>	<u>124,186,930</u>
Less accumulated depreciation:					
Improvements other than buildings	( 44,863,925)	( 3,954,510)	-	( 12,111)	( 48,830,546)
Machinery and equipment	( 1,704,240)	( 166,909)	182,379	12,111	( 1,676,659)
Capacity rights	<u>( 3,369,702)</u>	<u>( 157,045)</u>	<u>-</u>	<u>-</u>	<u>( 3,526,747)</u>
Total accumulated depreciation	<u>( 49,937,867)</u>	<u>( 4,278,464)</u>	<u>182,379</u>	<u>-</u>	<u>( 54,033,952)</u>
Total capital assets being depreciated, net	<u>71,131,612</u>	<u>( 2,956,076)</u>	<u>-</u>	<u>1,977,442</u>	<u>70,152,978</u>
Business-type activities capital assets, net	<u>\$ 76,603,306</u>	<u>\$( 1,204,889)</u>	<u>\$ -</u>	<u>\$ 26,500</u>	<u>\$ 75,424,917</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,870,994
Public safety	4,503,483
Public works	699,613
Community development	334,568
Recreation and leisure	<u>1,254,211</u>
Total depreciation expense - governmental activities	<u>\$ 8,662,869</u>
Business-type activities:	
Water and wastewater utilities	\$ 2,991,306
Drainage utilities	<u>1,287,158</u>
Total depreciation expense - business-type activities	<u>\$ 4,278,464</u>

### Construction Commitments

The City has active construction projects as of September 30, 2013. The projects include land acquisition, street construction, park improvements, water system improvements, and sewer system improvements.

Land acquisition, building construction, street and park improvements are being financed by bond proceeds, park development fees, combination tax and revenue certificates of obligation (general purposes) and self-supporting combination tax and revenue certificates of obligation (KDC and KCCPD). The commitments for water system improvements and sewer system improvements are being financed by self-supporting bonds, combination tax and revenue certificates of obligation, and water and sewer impact fees.

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Robin Court Drainage Improvements	\$ -	\$ 89,420
Safe Routes to School Infrastructure Project	97,320	444,499
Katy Road Sanitary Sewer Improvements	1,109,768	621,853
Creekvista Drive Culvert Rehabilitation	65,883	8,300
FM 1709 Pavement Widening	-	198,864
Signalization Improvements	-	333,786
North Tarrant Parkway-Interlocal Agreement (City of North Richland Hills)	86,529	4,554
Expansion/Renovation of the Jail/Animal Shelter	<u>3,853,521</u>	<u>2,718,628</u>
Total	<u>\$ 5,213,021</u>	<u>\$ 4,419,904</u>



**D. Interfund Transfers**

The following schedule briefly summarizes the City's transfer activity:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
General	Water and wastewater utilities	\$ 3,291,600
	Drainage utility	134,765
	Nonmajor governmental	38,500
	Nonmajor proprietary	23,010
General obligation debt service	Water and wastewater utilities	443,605
	General	33,625
	Nonmajor governmental	195,158
	General obligation debt service	643,350
Water and wastewater utilities	Water and wastewater utilities	104,180
	Drainage utility	16,280
	Drainage utility	<u>65,000</u>
		<u>\$ 4,989,073</u>

Transfers are used to: 1) transfer revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them; 2) fund the City's match portion for grants; 3) to reimburse and/or compensate other funds for certain operational activities performed on that fund's behalf (i.e., general and administrative services); and 4) for payments in lieu of taxes.

## E. Long-term Debt

The City of Keller issues general obligation bonds, certificates of obligation bonds, contractual obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

General debt currently outstanding is as follows:

### Governmental Activities Debt:

Purpose	Original Principal	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/13
General obligation bonds:					
City:					
Refunding	\$ 11,125,000	2004	2017	3.00% - 4.00%	\$ 1,730,000
Refunding	9,980,000	2005	2014	3.00% - 4.00%	6,625,000
Improvements	4,000,000	2009	2029	4.00% - 4.65%	3,545,000
Refunding	2,000,000	2010	2020	2.00% - 3.50%	850,000
Refunding	5,620,000	2010	2022	2.00% - 4.00%	4,985,000
Refunding	625,000	2012	2023	0.55%-2.85%	580,000
Refunding	4,155,000	2012	2024	2.00%-5.00%	<u>4,100,000</u>
					<u>22,415,000</u>
Certificates of obligation:					
City:					
Improvements	1,690,000	2003	2023	2.50% - 4.25%	200,000
Improvements	6,540,000	2004	2024	4.00% - 5.00%	325,000
Improvements	8,310,000	2009	2029	3.00% - 4.70%	7,250,000
Improvements	6,710,000	2010	2030	2.00% - 4.00%	6,065,000
Improvements	6,000,000	2012	2027	2.00%-5.00%	5,725,000
Improvements	601,000	2013	2018	.56%-1.63%	601,000
Keller TIRZ (TIF)					
Refunding	17,400,000	2005	2018	3.50% - 5.00%	12,135,000
Refunding	6,299,997	2010	2028	1.00% - 4.125%	6,181,894
Keller Development Corp.					
Improvements	18,120,000	2003	2023	2.50% - 4.25%	2,975,000
Refunding	8,710,000	2012	2023	0.55%-2.85%	<u>8,545,000</u>
					<u>50,002,894</u>
Less: bond issue (discount)/premium					2,384,865
Less: deferred loss on refunding					<u>( 1,837,713)</u>
Total governmental activities debt					<u>\$ 72,965,046</u>

**Business-type Activities Debt:**

Purpose	Original Principal	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/13
General obligation bonds:					
City:					
Refunding	\$ 440,000	2004	2017	3.00% - 4.00%	\$ 20,000
Refunding	3,390,000	2004	2020	3.00% - 4.20%	2,285,000
Refunding	1,290,000	2010	2020	2.00% - 3.50%	575,000
Refunding	7,310,000	2012	2024	2.00% - 5.00%	6,820,000
					<u>9,700,000</u>
Certificates of obligation:					
City:					
Improvements	11,310,000	2004	2024	4.00% - 5.00%	535,000
Improvements	4,255,000	2006	2026	4.25% - 5.37%	3,205,000
Improvements	1,600,000	2010	2030	2.00% - 4.25%	1,445,000
Improvements	5,835,000	2012	2032	0.05% - 2.20%	5,585,000
Improvements	272,000	2013	2018	.56%-1.63%	272,000
					<u>11,042,000</u>
Less: TRA accrued interest and cash reserves					<u>6,051</u>
					<u>6,051</u>
Less: bond issue (discount)/premium					885,923
Less: deferred loss on refunding					<u>(417,397)</u>
					<u>468,526</u>
Total business-type activities debt					<u>21,216,577</u>

**Annual debt service requirements to maturity for general debt:**

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 7,094,894	\$ 2,860,524	\$ 1,638,000	\$ 681,450
2015	7,234,000	2,469,059	1,489,000	622,558
2016	7,500,000	2,207,134	1,539,000	604,275
2017	7,306,000	1,925,167	1,590,000	558,476
2018	7,408,000	1,637,818	1,646,000	484,832
2019-2023	21,905,000	5,016,725	7,435,000	1,634,614
2024-2028	12,095,000	1,688,106	3,770,000	463,916
2029-2033	<u>1,875,000</u>	<u>62,345</u>	<u>1,635,000</u>	<u>89,626</u>
Total	<u>\$ 72,417,894</u>	<u>\$ 17,866,878</u>	<u>\$ 20,742,000</u>	<u>\$ 5,139,747</u>

## Capital Lease Obligation

The City acquired fire apparatus with a cost of \$825,000 and an excavator with a cost of \$244,100 subject to a capital lease obligation. The scheduled remaining payments are shown below:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2014	\$ <u>64,372</u>	\$ <u>54,227</u>
	64,372	54,227
Less interest portion	<u>( 2,862)</u>	<u>( 2,840)</u>
Obligations under capital leases	<u>\$ 61,510</u>	<u>\$ 51,387</u>

## Changes in Long-term Liabilities

During the year ended September 30, 2013, the following changes occurred in general government long-term debt:

<u>Description</u>	<u>Balance 09/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/13</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 24,580,000	\$ -	\$( 2,165,000)	\$ 22,415,000	\$ 2,445,000
Certificates of obligation	53,730,020	601,000	( 4,328,126)	50,002,894	4,649,893
Revenue bonds	140,000	-	( 140,000)	-	-
Deferred loss on refunding	( 2,124,659)	-	286,946	( 1,837,713)	-
Bond premiums/discounts	<u>2,625,416</u>	<u>-</u>	<u>( 240,551)</u>	<u>2,384,865</u>	<u>-</u>
Total bonds payable	78,950,777	601,000	( 6,586,731)	72,965,046	7,094,893
Capital lease obligation	159,153	-	( 97,643)	61,510	61,510
Compensated absences	1,385,718	1,586,577	( 1,244,491)	1,727,804	241,155
OPEB liability	208,642	85,652	-	294,294	-
TMRS net pension obligation	<u>1,259,787</u>	<u>2,609,946</u>	<u>( 2,599,239)</u>	<u>1,270,494</u>	<u>-</u>
	<u>\$ 81,964,077</u>	<u>\$ 4,883,175</u>	<u>\$( 10,528,104)</u>	<u>\$ 76,319,148</u>	<u>\$ 7,397,558</u>

<u>Description</u>	<u>Balance 09/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/13</u>	<u>Due Within One Year</u>
Business-type activities:					
General obligation bonds	\$ 10,560,000	\$ -	\$( 860,000)	\$ 9,700,000	\$ 555,000
Certificates of obligation	11,765,000	272,000	( 995,000)	11,042,000	1,083,000
Deferred loss on refunding	( 678,925)	-	261,528	( 417,397)	-
Bond premiums/discounts	<u>977,132</u>	<u>-</u>	<u>( 91,209)</u>	<u>885,923</u>	<u>-</u>
Total bonds payable	22,623,207	272,000	( 1,684,681)	21,210,526	1,638,000
Capital lease obligation	100,083	-	( 48,696)	51,387	51,387
Contractual obligations	87,651	-	( 87,651)	-	-
Compensated absences	<u>170,999</u>	<u>173,501</u>	<u>( 154,196)</u>	<u>190,304</u>	<u>38,061</u>
	<u>\$ 22,981,940</u>	<u>\$ 445,501</u>	<u>\$( 1,975,224)</u>	<u>\$ 21,452,217</u>	<u>\$ 1,727,448</u>

For governmental activities, TMRS net pension obligation, OPEB liability, and compensated absences are, and were in prior years, generally liquidated by the General Fund.

## **Conduit Debt Obligations**

Certain revenue bonds have been issued in the past to provide financial assistance to nonprofit and public entities for the acquisition and construction of educational and student housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the entities served by the bonds. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2013, there was one series of revenue bonds outstanding. The aggregate principal amount payable for the issues was \$29,510,000.

## **V. OTHER INFORMATION**

### **A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. The City participates in the Texas Municipal League Intergovernmental Risk Pool (Pool) which provides protection for risks of loss. Premiums are paid to the Pool which retains the risk of loss beyond the City's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's basic financial statements. For the last five years, there have been no significant reductions of insurance coverage or insurance settlements in excess of insurance coverage.

### **B. Contingent Liabilities and Commitments**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City contracts for garbage disposal with a third party. Under the terms of the agreement, the City bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

### **C. Employee Retirement Systems and Pension Plans**

The City participates in the Texas Municipal Retirement System.

#### **Plan Description**

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, Texas 78714-

9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

Plan provisions for the City were as follows:

	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	50% of CPI repeating	50% of CPI repeating

### Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 2,599,239
Interest on Net Pension Obligation	88,185
Adjustment to the ARC	<u>( 77,478)</u>
Annual Pension Cost	2,609,946
Contributions Made	<u>( 2,599,239)</u>
Increase (Decrease) in Net Pension Obligation	10,707
Net Pension Obligation/(Asset), beginning of year	<u>1,259,787</u>
Net Pension Obligation/(Asset), ending of year	<u>\$ 1,270,494</u>

### Three-Year Trend Information

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/11	\$ 2,869,831	\$ 2,507,519	87.38%	\$ 1,146,802
09/30/12	2,712,806	2,599,821	95.84%	1,259,787
09/30/13	2,609,946	2,599,239	99.59%	1,270,494

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Actuarial Valuation Date	12/31/10	12/31/11	12/31/12
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Remaining amortization period	27.3 years - closed	26.1 years - closed	25.3 years - closed
Asset valuation method	10- year smoothed market	10- year smoothed market	10- year smoothed market
Actuarial Assumptions:			
Investment rate of return	7.0%	7.0%	7.0%
Projected salary increases	varies by age and service	varies by age and service	varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	1.5%	1.5%	1.5%

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2010	\$ 40,413,402	\$ 58,504,638	69.1%	\$ 18,091,236	\$ 17,408,027	103.9%
12/31/2011	46,070,166	60,983,157	75.5%	14,912,991	17,459,003	85.4%
12/31/2012	52,165,449	65,373,944	79.8%	13,208,495	17,261,056	76.5%

#### D. Other Postemployment Benefits

##### Annual OPEB Cost and Net OPEB Obligation

The City's single-employer annual other postemployment benefit (OPEB) cost (expense) plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost for the current year and the related information is listed below:

Annual Required Contribution (ARC)	\$ 83,879
Interest on Net Pension Obligation	14,605
Adjustment to the ARC	<u>( 12,832)</u>
Annual Pension Cost	85,652
Contributions Made	<u>-</u>
Increase (Decrease) in Net Pension Obligation	85,652
Net Pension Obligation/(Asset), beginning of year	<u>208,642</u>
Net Pension Obligation/(Asset), ending of year	<u>\$ 294,294</u>

The City does not issue separate financial statements for the plan and the City has not established a trust to fund the plan.

In addition to the employer contribution, the retirees paid \$53,405 in the form of premiums which funded current medical claims.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the prior three years (4.5% discount rate, and level percent of pay amortization) is shown in the chart below:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
09/30/11	\$ 56,480	\$ 17,121	32.7%	\$ 129,211
09/30/12	84,878	5,447	6.9%	208,642
09/30/13	85,652	-	0%	294,294

### **Funding Status and Funding Progress**

As of December 31, 2010, the actuarial accrued liability for benefits was \$482,084 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$17,883,806 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.7%.

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

### **Actuarial Methods and Assumptions**

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 1, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of investment expenses) and an annual health care costs trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2013, was 26 years. Inflation rates were assumed to be 6%.

## **E. Supplemental Death Benefits Plan (SDBF)**

### **Supplemental Death Benefits Fund**

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.



The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended September 30, 2013, 2012, and 2011, were \$21,947, \$22,997, and \$26,251, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates

Accounting Year Ending	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed	Net Pension Obligation
09/30/11	.16%	.16%	100%	\$ -
09/30/12	.12%	.12%	100%	-
09/30/13	.13%	.13%	100%	-

**F. Debt Issue**

On September 5, 2013 the City issued \$873,000 Public Property Contractual Obligations, Series 2013. The bonds pay interest on February 15<sup>th</sup> and August 15<sup>th</sup> at rates of 0.56%-1.63%. The Certificates mature in 2018. Of this amount, \$601,000, or 68.84% is supported by property taxes and \$272,000 is supported by water and sewer charges.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Property	\$ 13,378,300	\$ 13,339,375	\$ 13,349,218	\$ 9,843
Sales	4,314,500	4,600,000	4,639,063	39,063
Franchise	3,007,630	2,812,840	2,850,968	38,128
Mixed beverage	58,450	70,280	92,029	21,749
Permits, licenses and fees	1,311,100	1,367,900	1,828,780	460,880
Intergovernmental	2,566,686	2,467,090	2,509,067	41,977
Charges for services	1,372,050	1,423,900	1,398,297	( 25,603)
Fines and forfeitures	824,500	791,500	814,696	23,196
Donations	27,415	421,540	53,876	( 367,664)
Investment earnings	87,500	94,950	73,394	( 21,556)
Miscellaneous	92,600	111,700	327,588	215,888
Total revenues	<u>27,040,731</u>	<u>27,501,075</u>	<u>27,936,976</u>	<u>435,901</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,247,772	6,177,900	5,903,842	274,058
Public safety	15,287,145	14,985,135	14,409,664	575,471
Public works	2,203,060	2,299,625	2,182,433	117,192
Community development	1,179,905	1,151,520	1,086,784	64,736
Recreation and leisure	4,428,760	4,278,095	3,968,037	310,058
Capital outlay	1,810,810	2,127,350	1,169,112	958,238
Total expenditures	<u>31,157,452</u>	<u>31,019,625</u>	<u>28,719,872</u>	<u>2,299,753</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 4,116,721)</u>	<u>( 3,518,550)</u>	<u>( 782,896)</u>	<u>2,735,654</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	132,500	3,500	22,434	18,934
Transfers in	3,561,155	3,487,875	3,487,875	-
Transfers out	( 33,625)	( 33,625)	( 33,625)	-
Total other financing sources and uses	<u>3,660,030</u>	<u>3,457,750</u>	<u>3,476,684</u>	<u>18,934</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 456,691)	( 60,800)	2,693,788	2,754,588
<b>FUND BALANCE, BEGINNING</b>	<u>12,387,858</u>	<u>12,387,858</u>	<u>12,387,858</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 11,931,167</u>	<u>\$ 12,327,058</u>	<u>\$ 15,081,646</u>	<u>\$ 2,754,588</u>

**CITY OF KELLER, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

**CRIME CONTROL PREVENTION DISTRICT FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes:				
Sales	\$ 950,000	\$ 1,030,000	\$ 1,066,527	\$ 36,527
Investment earnings	7,500	7,500	17,881	10,381
Total revenues	957,500	1,037,500	1,084,408	46,908
<b>EXPENDITURES</b>				
Current:				
Public safety	155,590	155,590	142,298	13,292
Capital outlay	4,441,525	7,549,695	4,329,629	3,220,066
Debt service:				
Principal	275,000	275,000	275,000	-
Interest and other charges	251,175	251,175	251,175	-
Total expenditures	5,123,290	8,231,460	4,998,102	3,233,358
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 4,165,790)	( 7,193,960)	( 3,913,694)	3,280,266
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	12,500	12,500	-	( 12,500)
Total other financing sources and uses	12,500	12,500	-	( 12,500)
<b>NET CHANGE IN FUND BALANCE</b>	( 4,153,290)	( 7,181,460)	( 3,913,694)	3,267,766
<b>FUND BALANCE, BEGINNING</b>	9,882,963	9,882,963	9,882,963	-
<b>FUND BALANCE, ENDING</b>	\$ 5,729,673	\$ 2,701,503	\$ 5,969,269	\$ 3,267,766

# CITY OF KELLER, TEXAS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2013

### **BUDGETARY INFORMATION**

Annual appropriated budgets are legally adopted for the General Fund, Debt Service Funds, Special Revenue Funds (excepting the Public Safety Fund), and certain Capital Projects Funds (Park Development, Street/Sidewalk Improvements, and Equipment Replacement Funds) on a basis consistent with generally accepted accounting principles. An annual non-appropriated budget is adopted for the City's Water and Wastewater Utilities and Drainage Utility Enterprise Funds on a non-GAAP basis for managerial control. Project length budgets are adopted for certain Capital Projects Funds (Capital Projects, Roadway Impact fee, and Parks Capital Improvements Funds), and Public Safety Fund and amended on an annual basis to reflect the uncompleted portion of the projects. These funds adopt their budget based on individual projects that cross fund years. An annual comparison does not fairly represent the budgetary results for multiple year projects.

The original budget is adopted by the City Council prior to the beginning of the fiscal year. Transfers are made during the year, provided transfers do not result in an increase in total expenditures. Any budget amendments that would result in an increase in total expenditures requires a formal budget amendment approved by the City Council. Unused budget appropriations lapse at year-end unless carried forward to the next year by Council action. The final budget is legally adopted by the Council prior to September 30 of each year.

The City Manager has the authority to transfer available appropriation balances from one expenditure category to another within a fund. Although costs are internally monitored by specific expenditure line-items, the legal level of control (level at which expenditures may not exceed budget) is the department level. The reported budgetary data includes transfers and amendments authorized during the year.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

**Special Revenue Funds** are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Library Fund** – This fund accounts for public donations and revenues designated for Library improvements.

**Municipal Court Fund** – This fund accounts for technology and building security fees collected from Municipal Court citations. Expenditures from these fees are specifically designated by state law.

**Public Safety Fund** – This fund accounts for revenues derived from forfeiture and seizure of assets resulting from illegal narcotic activity. Expenditures are restricted for the Police Department to be used in illegal narcotic enforcement.

**Contributions/Donations Fund** – This fund is to account for contributions, donations, and other resources that are dedicated for specific uses or purposes.

**Keller Development Corporation Fund** – This fund is used to account for collection of sales and use taxes for the payment of bonds or other forms of indebtedness to finance the cost of Keller parks.



## **DEBT SERVICE FUND**

**Debt Service Funds** are used to account for the accumulation of resources for, and payment of, general obligation principal and interest, except for those certificates of obligation serviced by the Enterprise Fund.

**TIF #1 Interest and Sinking Fund** – This fund is to account for accumulation of incremental property taxes from within the zone for payment of TIF debt.

## **CAPITAL PROJECTS FUND**

The **Capital Projects Funds** account for all resources used for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

**Capital Projects Fund** – This fund is used to account for acquisition or construction of capital assets.

**Roadway Impact Fees Fund** – This fund is used to account for revenues that are restricted for roadway improvements. Authorized expenditures include improvements and engineering.

**Park Development Fund** – This fund is used to account for resources received primarily from park development fees and expenditures to specific park improvements.

**Street/Sidewalk Improvements Fund** – This fund is used to account for revenues that are restricted for street and sidewalk improvements. Authorized expenditures include improvements and related engineering.

**Equipment Replacement Fund** – This fund is used to account for capital equipment acquisitions that are financed by either intergovernmental transfers, short-term debt (debt maturing in five years or less), or a combination of both.

**Parks Capital Projects Fund** – This fund is to account for acquisition or construction of capital assets.

**CITY OF KELLER, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2013**

	Special Revenue Funds				
	Library	Municipal Court	Public Safety	Contributions/ Donations	Keller Development Corporation
<b>ASSETS</b>					
Cash and cash equivalents	\$ 46,605	\$ 28,577	\$ 29,695	\$ 27,872	\$ 23,728
Investments	48,789	134,159	101,171	607	639,331
Receivables, net of allowances for uncollectibles					
Taxes	-	-	-	-	410,134
Accounts	-	572	-	-	-
Interest	23	124	28	7	176
Other	-	-	-	-	-
Due from other governments	-	3,662	300	-	-
Prepaid items	-	-	108	-	17
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 95,417</u>	<u>\$ 167,094</u>	<u>\$ 131,302</u>	<u>\$ 28,486</u>	<u>\$ 1,073,386</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 486	\$ 60,368	\$ 1,468	\$ 83	\$ 3,261
Accrued liabilities	-	-	7,714	-	13,986
Due to other funds	-	-	-	-	-
Deferred revenue	-	572	23,801	-	-
Total liabilities	<u>486</u>	<u>60,940</u>	<u>32,983</u>	<u>83</u>	<u>17,247</u>
Fund balances:					
Non-spendable	-	-	108	-	17
Restricted	94,931	106,154	98,211	28,403	1,056,122
Total fund balances	<u>94,931</u>	<u>106,154</u>	<u>98,319</u>	<u>28,403</u>	<u>1,056,139</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 95,417</u>	<u>\$ 167,094</u>	<u>\$ 131,302</u>	<u>\$ 28,486</u>	<u>\$ 1,073,386</u>

Debt Service Fund TIF #1	Capital Project Funds						Total Nonmajor Governmental Funds
	Interest and Sinking	Capital Projects	Roadway Impact Fee	Park Development Fee	Street/ Sidewalk Improvements	Equipment Replacement	
\$ 49,543	\$ -	\$ 60,639	\$ 35,178	\$ 25,787	\$ 43,027	\$ 2,408	\$ 373,059
109,873	3,679,216	3,975,485	502,717	2,029,251	474,044	30,454	11,725,097
61,314	-	-	-	205,074	-	-	676,522
-	-	-	-	-	19,575	-	20,147
44	901	978	124	489	84	8	2,986
-	-	71,097	-	16	-	-	71,113
-	15,134	-	-	133,452	-	-	152,548
-	-	-	-	-	-	-	125
<u>\$ 220,774</u>	<u>\$ 3,695,251</u>	<u>\$ 4,108,199</u>	<u>\$ 538,019</u>	<u>\$ 2,394,069</u>	<u>\$ 536,730</u>	<u>\$ 32,870</u>	<u>\$ 13,021,597</u>
\$ -	\$ 80,985	\$ 2,630	\$ -	\$ 12,284	\$ -	\$ -	161,565
-	-	-	-	-	-	-	21,700
-	23,750	-	-	-	-	-	23,750
61,314	-	71,097	-	57	-	-	156,841
<u>61,314</u>	<u>104,735</u>	<u>73,727</u>	<u>-</u>	<u>12,341</u>	<u>-</u>	<u>-</u>	<u>363,856</u>
-	-	-	-	-	-	-	125
159,460	3,590,516	4,034,472	538,019	2,381,728	536,730	32,870	12,657,616
<u>159,460</u>	<u>3,590,516</u>	<u>4,034,472</u>	<u>538,019</u>	<u>2,381,728</u>	<u>536,730</u>	<u>32,870</u>	<u>12,657,741</u>
<u>\$ 220,774</u>	<u>\$ 3,695,251</u>	<u>\$ 4,108,199</u>	<u>\$ 538,019</u>	<u>\$ 2,394,069</u>	<u>\$ 536,730</u>	<u>\$ 32,870</u>	<u>\$ 13,021,597</u>

**CITY OF KELLER, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Special Revenue Funds				
	Library	Municipal Court	Public Safety	Contributions/ Donations	Keller Development Corporation
<b>REVENUES</b>					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-	2,319,531
Permits, licenses and fees	-	-	-	-	-
Intergovernmental	-	-	193,160	-	-
Charges for services	3,488	-	6,250	1,289	-
Fines and forfeitures	-	86,451	-	-	-
Special assessments and impact fees	-	-	-	-	-
Donations	26,826	-	21,915	-	-
Investment earnings	375	2,061	316	116	2,260
Miscellaneous	-	-	11,020	-	12,000
Total revenues	<u>30,689</u>	<u>88,512</u>	<u>232,661</u>	<u>1,405</u>	<u>2,333,791</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	173,748	-	-	-
Public safety	-	-	76,803	-	-
Public works	-	-	-	-	-
Recreation and leisure	14,236	-	-	-	91,809
Capital outlay	-	-	126,233	-	381,110
Debt service:					
Principal	-	-	-	-	1,095,000
Interest and other charges	-	-	-	-	383,962
Total expenditures	<u>14,236</u>	<u>173,748</u>	<u>203,036</u>	<u>-</u>	<u>1,951,881</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>16,453</u>	<u>( 85,236)</u>	<u>29,625</u>	<u>1,405</u>	<u>381,910</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	-	-	-	-	-
Bonds issued	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	( 162,175)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 162,175)</u>
<b>NET CHANGE IN FUND BALANCES</b>	16,453	( 85,236)	29,625	1,405	219,735
<b>FUND BALANCES, BEGINNING</b>	<u>78,478</u>	<u>191,390</u>	<u>68,694</u>	<u>26,998</u>	<u>836,404</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 94,931</u>	<u>\$ 106,154</u>	<u>\$ 98,319</u>	<u>\$ 28,403</u>	<u>\$ 1,056,139</u>

Debt Service Fund		Capital Project Funds					Total Nonmajor Governmental Funds
TIF #1 Interest and Sinking	Capital Projects	Roadway Impact Fee	Park Development Fee	Street/ Sidewalk Improvements	Equipment Replacement	Parks Capital Improvements	
\$ 2,581,452	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,581,452
-	-	-	-	1,159,766	-	-	3,479,297
-	-	-	385,419	-	-	-	385,419
-	166,172	-	-	47,532	-	-	406,864
-	-	-	-	-	-	-	11,027
-	-	-	-	-	-	-	86,451
-	-	881,481	-	25,052	-	-	906,533
-	-	-	-	-	-	-	48,741
6,620	15,892	18,432	1,283	7,110	1,763	139	56,367
-	-	-	-	-	-	-	23,020
<u>2,588,072</u>	<u>182,064</u>	<u>899,913</u>	<u>386,702</u>	<u>1,239,460</u>	<u>1,763</u>	<u>139</u>	<u>7,985,171</u>
-	-	-	-	-	-	-	173,748
-	-	-	-	-	-	-	76,803
-	-	-	-	90,135	-	-	90,135
-	-	-	-	-	-	-	106,045
-	626,363	197,270	-	447,451	942,218	-	2,720,645
2,143,126	-	-	-	-	-	-	3,238,126
<u>1,037,028</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>-</u>	<u>1,436,990</u>
<u>3,180,154</u>	<u>626,363</u>	<u>197,270</u>	<u>-</u>	<u>537,586</u>	<u>958,218</u>	<u>-</u>	<u>7,842,492</u>
( 592,082)	( 444,299)	702,643	386,702	701,874	( 956,455)	139	142,679
-	-	-	-	-	88,290	-	88,290
-	-	-	-	-	601,000	-	601,000
643,350	-	-	-	-	120,460	-	763,810
-	( 64,491)	-	-	-	-	( 6,992)	( 233,658)
<u>643,350</u>	<u>( 64,491)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>809,750</u>	<u>( 6,992)</u>	<u>1,219,442</u>
51,268	( 508,790)	702,643	386,702	701,874	( 146,705)	( 6,853)	1,362,121
<u>108,192</u>	<u>4,099,306</u>	<u>3,331,829</u>	<u>151,317</u>	<u>1,679,854</u>	<u>683,435</u>	<u>39,723</u>	<u>11,295,620</u>
\$ <u>159,460</u>	\$ <u>3,590,516</u>	\$ <u>4,034,472</u>	\$ <u>538,019</u>	\$ <u>2,381,728</u>	\$ <u>536,730</u>	\$ <u>32,870</u>	\$ <u>12,657,741</u>

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**BUDGETARY  
COMPARISON SCHEDULES**

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**CITY OF KELLER, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

**GENERAL OBLIGATION DEBT SERVICE FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes:				
Property	\$ 4,792,500	\$ 4,798,680	\$ 4,788,259	\$( 10,421)
Investment earnings	9,500	10,500	6,125	( 4,375)
Total revenues	4,802,000	4,809,180	4,794,384	( 14,796)
<b>EXPENDITURES</b>				
Debt service:				
Principal	3,217,645	3,217,645	3,217,643	2
Interest and other charges	1,551,435	1,513,640	1,512,311	1,329
Total expenditures	4,769,080	4,731,285	4,729,954	1,331
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	32,920	77,895	64,430	( 13,465)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	600,905	672,385	672,388	3
Transfers out	( 643,350)	( 643,350)	( 643,350)	-
Total other financing sources and uses	( 42,445)	29,035	29,038	3
<b>NET CHANGE IN FUND BALANCE</b>	( 9,525)	106,930	93,468	( 13,462)
<b>FUND BALANCE, BEGINNING</b>	437,301	437,301	437,301	-
<b>FUND BALANCE, ENDING</b>	\$ 427,776	\$ 544,231	\$ 530,769	\$( 13,462)

**CITY OF KELLER, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

**LIBRARY FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Charges for services	\$ 3,000	\$ 3,000	\$ 3,488	\$ 488
Donations	19,750	22,325	26,826	4,501
Investment earnings	350	400	375	( 25)
Total revenues	23,100	25,725	30,689	4,964
<b>EXPENDITURES</b>				
Current:				
Recreation and leisure	32,050	11,140	14,236	( 3,096)
Total expenditures	32,050	11,140	14,236	( 3,096)
<b>NET CHANGE IN FUND BALANCE</b>	( 8,950)	14,585	16,453	1,868
<b>FUND BALANCE, BEGINNING</b>	78,478	78,478	78,478	-
<b>FUND BALANCE, ENDING</b>	\$ 69,528	\$ 93,063	\$ 94,931	\$ 1,868

**CITY OF KELLER, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

**MUNICIPAL COURT FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Fines and forfeitures	\$ 93,300	\$ 88,150	\$ 86,451	\$( 1,699)
Investment earnings	2,250	2,500	2,061	( 439)
Total revenues	<u>95,550</u>	<u>90,650</u>	<u>88,512</u>	<u>( 2,138)</u>
<b>EXPENDITURES</b>				
Current:				
General government	148,671	178,500	173,748	4,752
Total expenditures	<u>148,671</u>	<u>178,500</u>	<u>173,748</u>	<u>4,752</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 53,121)	( 87,850)	( 85,236)	2,614
<b>FUND BALANCE, BEGINNING</b>	<u>191,390</u>	<u>191,390</u>	<u>191,390</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 138,269</u>	<u>\$ 103,540</u>	<u>\$ 106,154</u>	<u>\$ 2,614</u>

**CITY OF KELLER, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

**KELLER DEVELOPMENT CORPORATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes:				
Sales	\$ 2,157,250	\$ 2,281,000	\$ 2,319,531	\$ 38,531
Investment earnings	850	850	2,260	1,410
Miscellaneous	12,000	12,000	12,000	-
Total revenues	<u>2,170,100</u>	<u>2,293,850</u>	<u>2,333,791</u>	<u>39,941</u>
<b>EXPENDITURES</b>				
Current:				
Recreation and leisure	110,840	103,865	91,809	12,056
Capital outlay	589,000	431,440	381,110	50,330
Debt service:				
Principal	1,095,000	1,095,000	1,095,000	-
Interest and other charges	383,810	383,700	383,962	( 262)
Total expenditures	<u>2,178,650</u>	<u>2,014,005</u>	<u>1,951,881</u>	<u>62,124</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>( 8,550)</u>	<u>279,845</u>	<u>381,910</u>	<u>102,065</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	( 162,175)	( 162,175)	( 162,175)	-
Total other financing sources and uses	<u>( 162,175)</u>	<u>( 162,175)</u>	<u>( 162,175)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 170,725)	117,670	219,735	102,065
<b>FUND BALANCE, BEGINNING</b>	<u>836,404</u>	<u>836,404</u>	<u>836,404</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 665,679</u>	<u>\$ 954,074</u>	<u>\$ 1,056,139</u>	<u>\$ 102,065</u>

**CITY OF KELLER, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

**TOWN CENTER TIF #1 I&S FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes:				
Property	\$ 2,578,390	\$ 2,571,675	\$ 2,581,452	\$ 9,777
Investment earnings	4,500	7,500	6,620	( 880)
Total revenues	2,582,890	2,579,175	2,588,072	8,897
<b>EXPENDITURES</b>				
Debt service:				
Principal	2,143,125	2,143,125	2,143,126	( 1)
Interest and other charges	1,036,130	1,037,030	1,037,028	2
Total expenditures	3,179,255	3,180,155	3,180,154	1
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 596,365)	( 600,980)	( 592,082)	8,898
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	643,350	643,350	643,350	-
Total other financing sources and uses	643,350	643,350	643,350	-
<b>NET CHANGE IN FUND BALANCE</b>	46,985	42,370	51,268	8,898
<b>FUND BALANCE, BEGINNING</b>	108,192	108,192	108,192	-
<b>FUND BALANCE, ENDING</b>	\$ 155,177	\$ 150,562	\$ 159,460	\$ 8,898

**CITY OF KELLER, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

**PARK DEVELOPMENT FEE FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Permits, licenses and fees	\$ 30,000	\$ 155,000	\$ 385,419	\$ 230,419
Investment earnings	100	750	1,283	533
Total revenues	<u>30,100</u>	<u>155,750</u>	<u>386,702</u>	<u>230,952</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>69,292</u>	<u>69,292</u>	<u>-</u>	<u>69,292</u>
Total expenditures	<u>69,292</u>	<u>69,292</u>	<u>-</u>	<u>69,292</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 39,192)	86,458	386,702	300,244
<b>FUND BALANCE, BEGINNING</b>	<u>151,317</u>	<u>151,317</u>	<u>151,317</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 112,125</u>	<u>\$ 237,775</u>	<u>\$ 538,019</u>	<u>\$ 300,244</u>

**CITY OF KELLER, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

**STREET/SIDEWALK IMPROVEMENTS FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes:				
Sales	\$ 1,078,500	\$ 1,140,500	\$ 1,159,766	\$ 19,266
Intergovernmental	-	-	47,532	47,532
Special assessments and impact fees	8,500	32,000	25,052	( 6,948)
Investment earnings	4,100	6,660	7,110	450
Total revenues	1,091,100	1,179,160	1,239,460	60,300
<b>EXPENDITURES</b>				
Current:				
Public works	80,000	117,700	90,135	27,565
Capital outlay	1,605,000	1,929,095	447,451	1,481,644
Total expenditures	1,685,000	2,046,795	537,586	1,509,209
<b>NET CHANGE IN FUND BALANCE</b>	( 593,900)	( 867,635)	701,874	1,569,509
<b>FUND BALANCE, BEGINNING</b>	1,679,854	1,679,854	1,679,854	-
<b>FUND BALANCE, ENDING</b>	\$ 1,085,954	\$ 812,219	\$ 2,381,728	\$ 1,569,509

**CITY OF KELLER, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

**EQUIPMENT REPLACEMENT FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Investment earnings	\$ 3,800	\$ 3,000	\$ 1,763	\$( 1,237)
Total revenues	3,800	3,000	1,763	( 1,237)
<b>EXPENDITURES</b>				
Capital outlay	1,078,035	1,073,575	942,218	131,357
Total expenditures	1,078,035	1,073,575	958,218	115,357
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 1,074,235)	( 1,070,575)	( 956,455)	114,120
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	88,290	88,290
Debt issuance	880,000	850,000	601,000	( 249,000)
Transfers in	96,730	120,460	120,460	-
Total other financing sources and uses	976,730	970,460	809,750	( 160,710)
<b>NET CHANGE IN FUND BALANCE</b>	( 97,505)	( 100,115)	( 146,705)	( 46,590)
<b>FUND BALANCE, BEGINNING</b>	683,435	683,435	683,435	-
<b>FUND BALANCE, ENDING</b>	\$ 585,930	\$ 583,320	\$ 536,730	\$( 46,590)



# STATISTICAL SECTION

**STATISTICAL SECTION  
(Unaudited)**

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

**Contents**

	<b>Page</b>
Financial Trends	88
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	98
These schedules contain trend information to help the reader assess the City's most significant local revenue sources, the property tax and largest water customers.	
Debt Capacity	109
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	115
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	120
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City began implementing GASB Statement 34 in fiscal year 2003. The City completed infrastructure transition in 2005; schedules presenting government-wide information include information beginning that year.

**CITY OF KELLER, TEXAS**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
*(Accrual Basis)*

	Fiscal Year			
	2004	2005	2006	2007
<b>Governmental activities:</b>				
Invested in capital assets, net of related debt	\$ 10,564,021	\$ 62,602,173	\$ 63,207,052	\$ 64,573,383
Restricted	6,988,971	8,444,642	9,909,962	11,798,349
Unrestricted	<u>7,046,685</u>	<u>5,683,596</u>	<u>8,009,253</u>	<u>9,624,564</u>
Total governmental activities net assets	<u>\$ 24,599,677</u>	<u>\$ 76,730,411</u>	<u>\$ 81,126,267</u>	<u>\$ 85,996,296</u>
<b>Business-type activities:</b>				
Invested in capital assets, net of related debt	\$ 57,249,543	\$ 45,059,859	\$ 52,467,582	\$ 53,805,294
Restricted	471,846	481,855	496,892	518,135
Unrestricted	<u>2,700,286</u>	<u>17,894,997</u>	<u>16,596,805</u>	<u>16,403,823</u>
Total business-type activities net assets	<u>\$ 60,421,675</u>	<u>\$ 63,436,711</u>	<u>\$ 69,561,279</u>	<u>\$ 70,727,252</u>
<b>Primary government:</b>				
Invested in capital assets, net of related debt	\$ 67,813,564	\$ 107,662,032	\$ 115,674,634	\$ 118,378,677
Restricted	7,460,817	8,926,497	10,406,854	12,316,484
Unrestricted	<u>9,746,971</u>	<u>23,578,593</u>	<u>24,606,058</u>	<u>26,028,387</u>
Total primary government net assets	<u>\$ 85,021,352</u>	<u>\$ 140,167,122</u>	<u>\$ 150,687,546</u>	<u>\$ 156,723,548</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

TABLE 1

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 74,502,492	\$ 70,395,104	\$ 71,137,063	\$ 75,942,510	\$ 77,053,091	\$ 81,997,316
10,921,916	10,502,026	10,707,393	17,554,282	20,931,028	22,640,243
<u>7,002,508</u>	<u>9,709,689</u>	<u>12,066,456</u>	<u>7,784,575</u>	<u>10,160,534</u>	<u>9,007,099</u>
<u>\$ 92,426,916</u>	<u>\$ 90,606,819</u>	<u>\$ 93,910,912</u>	<u>\$ 101,281,367</u>	<u>\$ 108,144,653</u>	<u>\$ 113,644,658</u>
\$ 58,364,350	\$ 59,189,455	\$ 58,426,495	\$ 61,139,904	\$ 60,610,385	\$ 60,654,886
9,453,952	9,453,952	9,287,306	9,453,952	8,219,575	8,219,575
<u>8,190,132</u>	<u>7,658,655</u>	<u>8,006,813</u>	<u>9,177,880</u>	<u>11,001,160</u>	<u>11,139,589</u>
<u>\$ 76,008,434</u>	<u>\$ 76,302,062</u>	<u>\$ 75,720,614</u>	<u>\$ 79,771,736</u>	<u>\$ 79,831,120</u>	<u>\$ 80,014,050</u>
\$ 132,866,842	\$ 129,584,559	\$ 129,563,558	\$ 137,082,414	\$ 137,663,476	\$ 142,652,202
20,375,868	19,955,978	19,994,699	27,008,234	29,150,603	30,859,818
<u>15,192,640</u>	<u>17,368,344</u>	<u>20,073,269</u>	<u>16,962,455</u>	<u>21,161,694</u>	<u>20,146,688</u>
<u>\$ 168,435,350</u>	<u>\$ 166,908,881</u>	<u>\$ 169,631,526</u>	<u>\$ 181,053,103</u>	<u>\$ 187,975,773</u>	<u>\$ 193,658,708</u>

# CITY OF KELLER, TEXAS

## CHANGES IN NET POSITION

### LAST TEN FISCAL YEARS

*(Accrual Basis)*

	Fiscal Year			
	2004	2005	2006	2007
<b>EXPENSES</b>				
Governmental activities:				
General government	\$ 4,102,975	\$ 5,244,438	\$ 5,046,206	\$ 5,495,707
Public safety	8,625,240	9,889,821	10,627,205	12,162,131
Public works	4,621,754	7,402,595	7,735,718	7,800,979
Community development	984,186	1,128,547	1,251,056	1,231,365
Recreation and leisure	5,332,567	7,322,427	8,089,054	8,449,576
Interest and fiscal charges	<u>4,555,553</u>	<u>4,458,890</u>	<u>4,303,912</u>	<u>3,909,308</u>
Total governmental activities expenses	<u>28,222,275</u>	<u>35,446,718</u>	<u>37,053,151</u>	<u>39,049,066</u>
Business-type activities:				
Water and wastewater utilities	11,400,743	13,267,173	14,859,712	14,664,225
Drainage utility	1,435,397	1,717,054	1,641,685	1,819,672
Recreation / Aquatic Center	-	-	-	-
Total business-type activities expenses	<u>12,836,140</u>	<u>14,984,227</u>	<u>16,501,397</u>	<u>16,483,897</u>
 Total primary government program expenses	 <u>\$ 41,058,415</u>	 <u>\$ 50,430,945</u>	 <u>\$ 53,554,548</u>	 <u>\$ 55,532,963</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Charges for services:				
Public works	\$ 439,972	\$ 1,131,099	\$ 1,437,910	\$ 920,400
Recreation and leisure	1,523,299	3,018,331	2,879,647	3,484,293
Other activities	4,023,930	5,102,583	5,725,963	5,717,426
Operating grants and contributions	218,851	379,393	241,527	241,636
Capital grants and contributions	<u>402,644</u>	<u>5,278,123</u>	<u>2,904,694</u>	<u>2,640,281</u>
Total governmental activities program revenues	<u>6,608,696</u>	<u>14,909,529</u>	<u>13,189,741</u>	<u>13,004,036</u>
Business-type activities:				
Charges for services:				
Water and wastewater utilities	12,180,322	14,720,857	18,725,239	15,100,194
Drainage utility	739,953	775,288	819,233	855,817
Recreation / Aquatic Center	-	-	-	-
Operating grants and contributions	-	2,906,293	-	-
Capital grants and contributions	<u>1,266,880</u>	<u>1,203,652</u>	<u>4,555,755</u>	<u>2,579,605</u>
Total business-type activities program revenues	<u>14,187,155</u>	<u>19,606,090</u>	<u>24,100,227</u>	<u>18,535,616</u>
 Total primary government program revenues	 <u>\$ 20,795,851</u>	 <u>\$ 34,515,619</u>	 <u>\$ 37,289,968</u>	 <u>\$ 31,539,652</u>

TABLE 2

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 5,630,782	\$ 7,413,655	\$ 7,389,603	\$ 7,618,197	\$ 7,470,050	\$ 7,973,740
13,969,085	14,740,695	14,258,649	17,358,623	18,753,263	19,415,960
9,067,983	8,260,487	7,189,802	2,560,006	2,823,250	2,981,588
1,291,819	1,161,434	1,100,186	1,183,353	1,283,179	1,425,851
8,592,564	9,483,618	7,546,936	4,866,264	5,125,705	5,345,157
<u>3,794,400</u>	<u>3,723,887</u>	<u>3,790,680</u>	<u>3,632,289</u>	<u>3,213,594</u>	<u>3,277,731</u>
<u>42,346,633</u>	<u>44,783,776</u>	<u>41,275,856</u>	<u>37,218,732</u>	<u>38,669,042</u>	<u>40,420,027</u>
15,056,060	15,146,621	15,214,564	17,807,093	16,757,059	17,055,816
1,839,441	1,869,860	1,972,553	1,987,027	2,054,396	2,004,342
-	-	-	2,854,913	2,892,151	3,080,094
<u>16,895,501</u>	<u>17,016,481</u>	<u>17,187,117</u>	<u>22,649,033</u>	<u>21,703,606</u>	<u>22,140,252</u>
<u>\$ 59,242,134</u>	<u>\$ 61,800,257</u>	<u>\$ 58,462,973</u>	<u>\$ 59,867,765</u>	<u>\$ 60,372,648</u>	<u>\$ 62,560,279</u>
\$ 42,787	\$ 15,200	\$ 11,354	\$ 35,207	\$ 39,828	\$ 56,267
3,247,187	3,172,091	3,166,420	329,768	283,440	628,121
3,957,986	3,215,505	3,622,406	3,442,865	3,501,127	4,004,921
2,483,052	2,400,191	2,358,986	5,300,350	2,301,766	2,751,993
<u>6,297,308</u>	<u>497,454</u>	<u>445,168</u>	<u>630,960</u>	<u>3,969,333</u>	<u>1,117,756</u>
<u>16,028,320</u>	<u>9,300,441</u>	<u>9,604,334</u>	<u>9,739,150</u>	<u>10,095,494</u>	<u>8,559,058</u>
18,403,123	17,785,742	17,301,977	21,461,471	20,316,352	20,518,382
891,424	929,902	1,507,699	1,484,183	1,505,930	1,540,590
-	-	-	3,002,013	3,026,909	3,087,021
-	-	-	-	-	-
<u>5,351,853</u>	<u>1,332,860</u>	<u>1,517,538</u>	<u>3,902,205</u>	<u>294,957</u>	<u>1,010,366</u>
<u>24,646,400</u>	<u>20,048,504</u>	<u>20,327,214</u>	<u>29,849,872</u>	<u>25,144,148</u>	<u>26,156,359</u>
<u>\$ 40,674,720</u>	<u>\$ 29,348,945</u>	<u>\$ 29,931,548</u>	<u>\$ 39,589,022</u>	<u>\$ 35,239,642</u>	<u>\$ 34,715,417</u>

**CHANGES IN NET POSITION**  
**(Continued)**  
**LAST TEN FISCAL YEARS**  
*(Accrual Basis)*

	Fiscal Year			
	2004	2005	2006	2007
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	\$( 21,613,579)	\$( 20,537,189)	\$( 23,863,410)	\$( 26,045,030)
Business-type activities	<u>1,351,015</u>	<u>4,621,863</u>	<u>7,598,830</u>	<u>2,051,719</u>
Total primary government net expense	<u><u>\$( 20,262,564)</u></u>	<u><u>\$( 15,915,326)</u></u>	<u><u>\$( 16,264,580)</u></u>	<u><u>\$( 23,993,311)</u></u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>				
Governmental activities:				
Taxes				
Property	12,217,245	13,570,085	14,459,067	16,079,035
Sales	5,590,869	6,467,898	7,534,423	8,294,981
Franchise	2,347,256	2,616,898	3,089,399	3,182,681
Mixed beverage	28,510	37,802	49,460	53,482
Investment earnings	412,998	534,625	930,146	1,253,401
Miscellaneous	-	( 27,869)	4,660	16,680
Gain (loss) on sale of capital assets	-	-	-	( 155,856)
Litigation settlement	-	-	-	298,249
Transfers	<u>2,162,960</u>	<u>2,243,800</u>	<u>2,192,110</u>	<u>1,892,406</u>
Total governmental activities	<u><u>22,759,838</u></u>	<u><u>25,443,239</u></u>	<u><u>28,259,265</u></u>	<u><u>30,915,059</u></u>
Business-type activities:				
Investment earnings	137,199	422,389	715,250	947,920
Miscellaneous revenue (expense)	216,102	232,453	2,599	66,392
Gain (loss) on sale of capital assets	-	-	-	( 7,652)
Transfers	<u>( 2,162,960)</u>	<u>( 2,243,800)</u>	<u>( 2,192,110)</u>	<u>( 1,892,406)</u>
Total business-type activities	<u><u>( 1,809,659)</u></u>	<u><u>( 1,588,958)</u></u>	<u><u>( 1,474,261)</u></u>	<u><u>( 885,746)</u></u>
Total primary government	<u><u>20,950,179</u></u>	<u><u>23,854,281</u></u>	<u><u>26,785,004</u></u>	<u><u>30,029,313</u></u>
<b>CHANGE IN NET ASSETS</b>				
Governmental activities	1,146,259	4,906,050	4,395,855	4,870,029
Business-type activities	<u>( 458,644)</u>	<u>3,032,905</u>	<u>6,124,569</u>	<u>1,165,973</u>
Total primary government	<u><u>\$ 687,615</u></u>	<u><u>\$ 7,938,955</u></u>	<u><u>\$ 10,520,424</u></u>	<u><u>\$ 6,036,002</u></u>

Notes: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.  
Infrastructure assets were recorded in fiscal year 2005.

**TABLE 2  
(continued)**

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$( 26,318,313)	\$( 35,483,335)	\$( 31,671,522)	\$( 27,479,582)	\$( 28,573,548)	\$( 31,860,969)
<u>7,750,899</u>	<u>3,032,023</u>	<u>3,140,097</u>	<u>7,200,839</u>	<u>3,440,542</u>	<u>4,016,107</u>
<u>\$( 18,567,414)</u>	<u>\$( 32,451,312)</u>	<u>\$( 28,531,425)</u>	<u>\$( 20,278,743)</u>	<u>\$( 25,133,006)</u>	<u>\$( 27,844,862)</u>
17,325,312	19,156,565	20,250,125	19,794,916	20,036,667	20,691,721
8,654,735	8,045,471	7,939,671	8,087,781	8,615,790	9,184,887
2,579,383	2,520,961	2,788,527	2,988,616	2,830,981	2,850,968
52,475	55,350	60,935	64,242	61,567	92,029
859,258	565,181	232,082	280,809	192,931	153,767
65,260	128,425	292,685	295,808	270,763	295,807
26,973	-	-	-	18,508	104,855
-	-	-	-	-	-
<u>3,185,538</u>	<u>3,191,285</u>	<u>3,411,590</u>	<u>3,652,445</u>	<u>3,549,470</u>	<u>3,986,940</u>
<u>32,748,934</u>	<u>33,663,238</u>	<u>34,975,615</u>	<u>35,164,617</u>	<u>35,576,677</u>	<u>37,360,974</u>
611,410	395,290	92,367	137,567	122,036	102,252
37,408	40,255	30,943	59,619	46,276	51,511
67,003	17,345	( 433,265)	-	-	-
<u>( 3,185,538)</u>	<u>( 3,191,285)</u>	<u>( 3,411,590)</u>	<u>( 3,661,483)</u>	<u>( 3,549,470)</u>	<u>( 3,986,940)</u>
<u>( 2,469,717)</u>	<u>( 2,738,395)</u>	<u>( 3,721,545)</u>	<u>( 3,464,297)</u>	<u>( 3,381,158)</u>	<u>( 3,833,177)</u>
<u>30,279,217</u>	<u>30,924,843</u>	<u>31,254,070</u>	<u>31,700,320</u>	<u>32,195,519</u>	<u>33,527,797</u>
6,430,621	( 1,820,097)	3,304,093	7,685,035	7,003,129	5,500,005
<u>5,281,182</u>	<u>293,628</u>	<u>( 581,448)</u>	<u>3,736,542</u>	<u>59,384</u>	<u>182,930</u>
<u>\$ 11,711,803</u>	<u>\$( 1,526,469)</u>	<u>\$ 2,722,645</u>	<u>\$ 11,421,577</u>	<u>\$ 7,062,513</u>	<u>\$ 5,682,935</u>



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TABLE 3

## CITY OF KELLER, TEXAS

FUND BALANCES  
GOVERNMENTAL FUNDSLAST TEN FISCAL YEARS  
(Accrual Basis)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Reserved	\$ 396,948	\$ 233,919	\$ 366,151	\$ 477,043	\$ 505,169	\$ 713,187	\$ 852,300	\$ -	\$ -	\$ -
Non-spendable	-	-	-	-	-	-	-	437,749	70,120	72,597
Assigned	-	-	-	-	-	-	-	655,573	941,993	5,646,441
Unreserved	3,343,099	4,971,522	6,710,715	6,620,147	7,779,047	8,356,777	9,951,738	-	-	-
Unassigned	-	-	-	-	-	-	-	11,596,853	11,375,745	9,362,608
Total general fund	<u>\$ 3,740,047</u>	<u>\$ 5,205,441</u>	<u>\$ 7,076,866</u>	<u>\$ 7,097,190</u>	<u>\$ 8,284,216</u>	<u>\$ 9,069,964</u>	<u>\$ 10,804,038</u>	<u>\$ 12,690,175</u>	<u>\$ 12,387,858</u>	<u>\$ 15,081,646</u>
All other governmental funds										
Reserved:										
Debt service	\$ -	\$ -	\$ 1,064,520	\$ 869,096	\$ 1,020,122	\$ 752,552	\$ 626,785	\$ -	\$ -	\$ -
Other	7,654,181	3,967,972	4,003,778	6,278,438	9,350,456	10,279,593	7,004,255	-	-	-
Unreserved, reported in:										
Special revenue	4,061,253	1,782,152	1,835,923	1,928,273	3,019,066	8,529,094	12,737,304	-	-	-
Capital projects	4,721,951	6,223,728	4,541,543	4,328,474	( 2,501,535)	( 3,001,569)	584,935	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	1,056,122
Non-spendable	-	-	-	-	-	-	-	1,251	1,771	125
Restricted:										
Debt service	-	-	-	-	-	-	-	564,353	545,493	690,229
Capital projects	-	-	-	-	-	-	-	12,410,163	9,985,464	11,114,335
Other	-	-	-	-	-	-	-	4,579,766	11,083,156	6,296,968
Total all other governmental funds	<u>\$ 16,437,385</u>	<u>\$ 11,973,852</u>	<u>\$ 11,445,764</u>	<u>\$ 13,404,281</u>	<u>\$ 10,888,109</u>	<u>\$ 16,559,670</u>	<u>\$ 20,953,279</u>	<u>\$ 17,555,533</u>	<u>\$ 21,615,884</u>	<u>\$ 19,157,779</u>

## CITY OF KELLER, TEXAS

CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDSLAST TEN FISCAL YEARS  
(Accrual Basis)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>REVENUES</b>										
Taxes	\$ 20,363,179	\$ 22,623,468	\$ 25,280,908	\$ 27,436,311	\$ 28,984,792	\$ 29,764,912	\$ 30,875,274	\$ 30,917,467	\$ 31,604,211	\$ 32,846,813
Licenses, fees and permits	2,460,221	3,018,740	2,687,921	1,981,637	1,753,197	1,119,177	1,492,765	1,271,576	1,313,373	2,214,199
Intergovernmental	1,090,325	1,528,075	885,493	1,584,392	2,433,675	2,220,113	2,243,917	5,521,904	5,752,557	2,915,931
Charges for services	1,265,531	2,057,189	3,298,315	3,642,795	4,009,487	4,068,661	4,225,420	1,473,354	1,429,532	1,409,324
Fines	911,339	1,019,732	1,174,530	1,177,651	1,059,808	996,203	946,204	883,816	923,809	901,147
Special assessments and impact fees	450,850	1,180,079	1,220,663	865,963	794,323	533,903	530,996	406,801	576,455	906,533
Donations	-	-	151,921	497,102	295,879	179,443	116,425	65,986	75,915	102,617
Interest income	445,107	535,806	930,146	1,253,401	859,258	565,181	232,082	280,479	192,931	153,767
Miscellaneous	464,405	1,637,881	556,088	902,062	368,711	411,048	345,339	350,563	325,397	350,608
Total revenues	<u>27,450,957</u>	<u>33,600,970</u>	<u>36,185,985</u>	<u>39,341,314</u>	<u>40,559,130</u>	<u>39,858,641</u>	<u>41,008,422</u>	<u>41,171,946</u>	<u>42,194,180</u>	<u>41,800,939</u>
<b>EXPENDITURES</b>										
Current:										
General government	3,785,446	4,047,104	4,174,610	5,097,346	4,865,176	5,664,989	5,912,363	6,029,397	5,770,520	6,077,590
Public safety	8,100,549	8,997,806	9,630,205	11,111,382	12,888,788	13,464,699	13,245,554	14,183,759	14,486,660	14,628,765
Public works	1,736,995	1,703,692	1,915,734	1,944,150	2,147,931	2,078,623	2,167,078	2,091,785	2,180,925	2,272,568
Community development	957,446	1,094,295	1,216,936	1,208,865	1,265,371	1,148,647	1,082,844	966,920	991,240	1,086,784
Recreation and leisure	3,782,756	5,384,346	6,245,698	6,512,392	6,648,619	6,901,084	6,594,491	3,976,232	3,959,543	4,074,082
Capital outlay	19,405,364	7,637,001	4,041,731	2,866,487	7,809,160	9,769,903	5,649,594	8,784,499	11,072,371	8,219,386
Debt service:										
Principal	3,921,781	5,097,337	4,044,830	6,681,820	3,594,567	3,418,491	6,597,743	6,555,603	6,876,829	6,730,769
Interest	4,632,332	4,462,190	5,938,927	3,832,434	5,677,177	6,481,007	3,648,886	3,486,895	2,925,696	3,200,476
Bond issue costs	170,031	293,135	30,638	-	-	-	428,737	-	331,775	-
Advance refunding escrow	-	-	-	-	-	-	108,360	-	14,549,637	-
Total expenditures	<u>46,492,700</u>	<u>38,716,906</u>	<u>37,239,309</u>	<u>39,254,876</u>	<u>44,896,789</u>	<u>48,927,443</u>	<u>45,435,650</u>	<u>46,075,090</u>	<u>63,145,196</u>	<u>46,290,420</u>

**TABLE 4  
(continued)**

**CITY OF KELLER, TEXAS**

**CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
(Continued)  
LAST TEN FISCAL YEARS  
(Accrual Basis)**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ ( 19,041,743)</u>	<u>\$ ( 5,115,936)</u>	<u>\$ ( 1,053,324)</u>	<u>\$ 86,438</u>	<u>\$ ( 4,337,659)</u>	<u>\$ ( 9,068,802)</u>	<u>\$ ( 4,427,228)</u>	<u>\$ ( 4,903,144)</u>	<u>\$ ( 20,951,016)</u>	<u>\$ ( 4,489,481)</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Sale of capital assets	-	-	-	-	26,973	24,826	44,599	53,670	80,100	110,724
Transfers in	6,253,996	3,518,575	4,230,611	4,773,096	5,681,956	5,131,231	5,462,515	5,094,970	4,620,375	4,924,073
Transfers out	( 4,091,036)	( 1,274,775)	( 2,038,501)	( 2,880,690)	( 2,510,416)	( 1,939,946)	( 2,054,120)	( 1,442,525)	( 1,070,905)	( 910,633)
Refunding bonds issued	-	17,400,000	-	-	-	-	-	-	-	-
Bonds issued	18,420,000	9,980,000	1,160,000	-	-	12,310,000	20,629,997	-	19,450,000	601,000
Bond premium	292,474	707,108	-	-	-	-	842,858	-	1,769,323	-
Bond discount	( 59,838)	( 175,114)	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	( 11,359,207)	( 27,597,225)	( 937,743)	-	-	-	( 14,370,938)	-	-	-
Long-term debt	-	-	-	-	-	-	-	-	-	-
Capital lease proceeds	848,500	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>10,304,889</u>	<u>2,558,569</u>	<u>2,414,367</u>	<u>1,892,406</u>	<u>3,198,513</u>	<u>15,526,111</u>	<u>10,554,911</u>	<u>3,706,115</u>	<u>24,848,893</u>	<u>4,725,164</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ ( 8,736,854)</u>	<u>\$ ( 2,557,367)</u>	<u>\$ 1,361,043</u>	<u>\$ 1,978,844</u>	<u>\$ ( 1,139,146)</u>	<u>\$ 6,457,309</u>	<u>\$ 6,127,683</u>	<u>\$ ( 1,197,029)</u>	<u>\$ 3,897,877</u>	<u>\$ 235,683</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	27.3%	31.3%	29.9%	35.0%	34.4%	23.7%	25.8%	29.2%	19.1%	26.3%

## CITY OF KELLER, TEXAS

## TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales and Use Tax</u>	<u>Franchise Tax</u>	<u>Mixed Beverage Tax</u>	<u>Total</u>
2004	\$ 12,396,544	\$ 5,590,869	\$ 1,692,257	\$ 28,510	\$ 19,708,180
2005	13,500,870	6,467,898	1,863,899	37,802	21,870,469
2006	14,607,625	7,534,422	2,312,400	49,461	24,503,908
2007	16,079,035	8,294,981	2,280,832	53,482	26,708,330
2008	17,698,199	8,654,735	2,579,383	52,475	28,984,792
2009	19,143,130	8,045,471	2,520,961	55,350	29,764,912
2010	20,086,141	7,939,671	2,788,527	60,935	30,875,274
2011	19,543,407	8,087,781	2,988,616	64,242	30,684,046
2012	19,631,878	8,670,174	2,695,881	61,567	31,059,500
2013	19,625,642	9,184,887	2,842,453	92,029	31,745,011
2004 - 2013	58.3%	64.3%	68.0%	222.8%	61.1%

TABLE 6

CITY OF KELLER, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial and Industrial Property	Undeveloped Vacant Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Total Assessed Value as a Percentage of Actual Value
2004	\$ 2,113,733,584	\$ 427,532,120	\$ 226,348,500	\$ 266,697,966	\$ 2,500,916,238	\$ 0.43800	\$ 2,500,916,238	100%
2005	2,277,216,550	449,816,289	211,683,100	44,408,735	2,894,307,204	0.44413	2,661,363,572	108.75%
2006	2,503,947,102	472,408,098	211,613,983	557,827,224	2,630,141,959	0.44413	2,894,770,545	90.86%
2007	2,725,521,606	556,935,766	216,651,329	289,881,845	3,209,226,856	0.43219	3,209,226,856	100%
2008	3,064,761,852	622,932,772	173,975,819	315,523,601	3,546,146,842	0.43219	3,546,432,507	100%
2009	3,334,115,025	707,454,500	143,420,000	317,110,873	3,867,878,652	0.43219	3,867,878,652	100%
2010	3,545,294,700	656,087,602	146,651,300	334,742,514	4,013,291,088	0.44219	4,013,291,088	100%
2011	3,530,301,647	647,067,001	137,210,172	349,431,177	3,965,147,643	0.44219	3,965,147,643	100%
2012	3,619,741,614	651,316,929	134,835,788	391,880,182	4,014,014,149	0.44219	4,014,014,149	100%
2013	3,686,628,494	693,422,671	132,152,843	401,546,015	4,110,657,993	0.44219	4,110,657,933	100%

Note 1: Beginning with fiscal year 2006, tax-exempt property includes exempt values from over-65 and disabled tax ceilings.

Note 2: The Texas Property Tax Code, under Sec. 25.18, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. Tarrant Appraisal District's current policy is to conduct a general reappraisal of real and business personal property value annually, meaning that a property's appraised value is established and reviewed for equality and uniformity each year. the District conducts an onsite field review of real property in a portion of the County annually as part of a reappraisal cycle. Tax rates are per \$100 of assessed value.

Source: Tarrant Appraisal District

**CITY OF KELLER, TEXAS**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	City Direct Rates			Overlapping Rates						Total Direct and Overlapping Rates
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Carroll Independent School District	Keller Independent School District	Northwest Independent School District	Tarrant County	Tarrant County College District	Tarrant County Hospital District	
2004	\$ 0.29912	\$ 0.13888	\$ 0.43800	\$ -	\$ 1.67620	N/A	\$ 0.27250	\$ 0.27250	\$ 0.23540	\$ 2.89460
2005	0.29765	0.14648	0.44413	-	1.69750	N/A	0.272500	0.27250	0.235397	2.922027
2006	0.30570	0.13843	0.44413	-	1.71580	N/A	0.272500	0.27250	0.235397	2.940327
2007	0.30447	0.12772	0.43219	-	1.60800	N/A	0.271500	0.27150	0.235397	2.818587
2008	0.31247	0.11972	0.43219	-	1.35740	N/A	0.266500	0.26650	0.235397	2.425867
2009	0.31175	0.12044	0.43219	-	1.41690	1.35500	0.264000	0.26400	0.227897	2.451004
2010	0.31009	0.13210	0.44219	1.415	1.48630	1.35500	0.264000	0.26400	0.227897	2.490524
2011	0.29278	0.14941	0.44219	1.415	1.53060	1.37500	0.264000	0.26400	0.227897	2.511927
2012	0.32552	0.12864	0.45416	1.415	1.54000	1.37500	0.264000	0.26400	0.227897	2.526390
2013	0.32552	0.11667	0.44219	1.400	1.54000	1.45250	0.264000	0.26400	0.227897	2.547754

Notes: 1) Rates are per \$100 valuation.

2) Tax rates for the Carroll, Keller and Northwest Independent School Districts have been averaged in determining the Direct and Overlapping rates. Each Keller taxpayer remits School District taxes to only one school district.

Source: Tarrant County Appraisal District

TABLE 8

**CITY OF KELLER, TEXAS**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2013			Taxpayer	2004	
	Market Value (000's)	Percentage of Total City Market Value	Rank		Market Value (000's)	Percentage of Total City Market Value
Capri W. Dtc.	\$ 46,729	1.04%	1	Pr Town Center	\$ 17,946	0.65%
Art House	24,900	0.55%	2	Lowe's Home Centers, Inc.	17,306	0.63%
Ktc Seniors, Ltd.	20,975	0.47%	3	Pr Keller Partners, LP	13,541	0.49%
T Keller LLC - Tabani	15,345	0.34%	4	Home Depot USA, Inc.	13,385	0.48%
Grand Estates at Keller, LP	15,200	0.34%	5	Regency Centers, LP	12,150	0.44%
Regency Centers, LP	14,450	0.32%	6	Oncor Electric Delivery Co.	10,044	0.36%
Meritage Homes of Texas, LLC	14,299	0.32%	7	Kohl's Texas, LP	8,798	0.32%
GTE/Verizon	13,837	0.31%	8	Margaux Keller Development, Ltd.	8,568	0.31%
TXU/Oncor Electric	12,361	0.27%	9	General Telephone Co. of the SW	8,168	0.30%
Lowe's Home Centers	12,286	0.27%	10	Keller Crossing Texas, LTS	6,868	0.25%
Remaining Taxpayers	<u>4,315,731</u>	<u>95.78%</u>		Remaining Taxpayers	<u>2,650,841</u>	<u>95.78%</u>
Total	<u>\$ 4,506,113</u>	<u>100.00%</u>		Total	<u>\$ 2,767,615</u>	<u>100.00%</u>

Source: Tarrant County Appraisal District



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**CITY OF KELLER, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended	Taxes Levied for the Fiscal Year <sup>1</sup>	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 11,025,843	\$ 10,870,031	98.59%	\$ 151,105	\$ 11,021,136	99.96%
2005	11,875,883	11,734,243	98.81%	137,398	11,871,641	99.96%
2006	12,905,665	12,744,905	98.75%	152,611	12,897,516	99.94%
2007	13,839,588	13,707,407	99.04%	123,176	13,830,583	99.93%
2008	15,276,846	15,142,043	99.12%	118,440	15,260,483	99.89%
2009	16,728,044	16,462,169	98.41%	209,687	16,671,856	99.66%
2010	17,750,802	17,514,326	98.67%	75,953	17,590,279	99.10%
2011	17,497,243	17,318,156	98.98%	98,363	17,416,519	99.54%
2012	17,632,268	17,538,272	99.47%	58,791	17,597,063	99.80%
2013	18,017,578	17,946,631	99.61%	-	17,946,631	99.61%

Note: <sup>1</sup>Adjusted through September 30, 2013

# CITY OF KELLER, TEXAS

## TAXABLE SALES BY CATEGORY

### LAST TEN CALENDAR YEARS (UNAUDITED)

	Fiscal Year			
	2004	2005	2006	2007
Agriculture	\$ -	\$ -	\$ -	\$ -
Construction	4,212,895	5,749,764	5,248,032	7,013,295
Transportation, communications	624,378	503,008	696,935	13,270,529
Utilities	-	-	20,503,791	26,447,297
Manufacturing	3,938,867	4,241,081	7,935,347	8,904,880
Wholesale trade	2,999,989	2,714,901	12,306,490	7,213,880
Retail trade	158,398,693	169,407,587	87,195,184	95,563,198
Information	-	-	29,277,212	17,947,316
Finance and insurance	132,753	-	566,094	1,021,182
Real estate, rental and leasing	-	-	1,421,852	1,408,433
Professional, scientific and technical services	-	-	5,053,089	17,275,861
Administrative and support services	24,417,992	26,594,896	15,605,492	6,569,325
Educational services	-	-	36,003	37,249
Arts, entertainment and recreation	750,250	-	3,365,641	3,539,286
Accommodation and food services	-	-	26,001,060	21,821,352
Other Services except PA <sup>1</sup>	93,368	5,721,496	4,618,231	5,296,379
Other	-	-	85,632,350	105,762,350
<b>Total</b>	<b><u>\$ 195,569,185</u></b>	<b><u>\$ 214,932,733</u></b>	<b><u>\$ 305,462,803</u></b>	<b><u>\$ 339,091,812</u></b>
Direct sales tax rate	2.000%	2.000%	2.000%	2.000%

Notes:

<sup>1</sup> PA - Public Administration, per naics.com.

<sup>2</sup> Information provided by State Comptroller's office

TABLE 10

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,549,622	7,653,377	5,644,566	7,487,590	5,690,397	8,628,139
10,542,719	-	123,993	6,981,819	11,695,882	12,048,822
30,128,038	-	39,979,714	38,586,553	35,396,073	34,432,043
295,450	2,940,779	6,419,863	320,998	523,381	337,657
7,891,276	5,890,013	8,956,140	7,824,042	7,861,903	9,018,601
108,725,426	159,769,554	100,766,160	108,724,134	116,508,313	124,257,630
38,930,359	1,309,930	53,397,031	40,204,903	41,788,728	44,491,839
4,141,296	1,344,111	1,361,454	3,418,573	4,544,921	4,732,909
11,665,675	6,712,679	4,594,903	9,610,727	12,667,771	13,332,200
4,667,602	4,095,448	4,017,325	4,585,668	5,642,146	5,334,402
12,374,811	6,347,933	9,821,471	11,397,517	11,689,606	14,142,641
307,699	78,540	466,628	437,575	269,071	351,655
3,681,219	8,810,317	3,915,255	4,379,237	4,522,275	4,207,107
41,325,976	47,316,633	40,617,242	38,757,393	42,932,278	47,229,686
7,756,203	9,806,464	10,843,370	6,876,945	8,273,649	8,864,231
<u>53,868,594</u>	<u>1,406,225</u>	<u>108,891,431</u>	<u>53,445,162</u>	<u>56,115,562</u>	<u>61,564,107</u>
<u>\$ 343,851,965</u>	<u>\$ 263,482,003</u>	<u>\$ 399,816,546</u>	<u>\$ 343,038,836</u>	<u>\$ 366,121,956</u>	<u>\$ 392,973,669</u>
2.000%	2.000%	2.000%	2.000%	2.000%	2.000%

**CITY OF KELLER, TEXAS**

**DIRECT AND OVERLAPPING SALES TAX RATES**

**LAST TEN FISCAL YEARS  
(UNAUDITED)**

<u>Fiscal Year</u>	<u>State of Texas</u>	<u>Keller Direct Rate</u>	<u>Keller Development Corporation (1)</u>	<u>Keller Crime Control District (2)</u>	<u>Keller Street Maintenance (3)</u>	<u>Totals</u>
2004	6.250%	1.000%	0.500%	0.375%	0.125%	8.250%
2005	6.250%	1.000%	0.500%	0.375%	0.125%	8.250%
2006	6.250%	1.000%	0.500%	0.375%	0.125%	8.250%
2007	6.250%	1.000%	0.500%	0.375%	0.125%	8.250%
2008	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2009	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2010	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2011	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2012	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2013	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%

- Notes:
- (1) Effective 1992
  - (2) Effective April 2002; November 2007, voters authorized a reduction to 0.25% effective April 1, 2008.
  - (3) Effective April 2004; November 2007, voters authorized an increase to 0.25% effective April 1, 2008.

**CITY OF KELLER, TEXAS**  
**SALES TAXPAYERS BY INDUSTRY**  
**CURRENT YEAR AND NINE YEARS AGO**  
**(UNAUDITED)**

Taxpayer	2013				2004			
	Number of Payers	Percent of Total	Tax (1)	Percent of Total	Number of Payers	Percent of Total	Tax (2)	Percent of Total
Construction	369	8.79%	\$ 150,992	2.20%	110	4.75%	\$ 13,671	0.41%
Transportation, communications and warehousing	11	0.26%	210,854	3.07%	88	3.80%	176,230	5.25%
Utilities, mining	49	1.17%	602,561	8.76%	4	0.17%	242,282	7.22%
Manufacturing	98	2.33%	5,909	0.09%	-	- %	-	- %
Wholesale trade	665	15.84%	157,826	2.29%	268	11.58%	72,463	2.16%
Retail trade	487	11.60%	2,174,509	31.62%	278	12.01%	1,188,677	35.43%
Information	382	9.10%	778,607	11.32%	179	7.73%	254,967	7.60%
Finance and insurance	88	2.10%	82,826	1.20%	60	2.59%	86,832	2.59%
Real estate, rental and leasing	108	2.57%	233,314	3.39%	58	2.51%	15,255	0.45%
Professional, scientific and technical services	315	7.50%	93,352	1.36%	153	6.61%	40,885	1.22%
Administrative and support services	364	8.67%	247,496	3.60%	246	10.63%	90,947	2.71%
Educational services	58	1.38%	6,154	0.09%	10	0.43%	688	0.02%
Arts, entertainment and recreation	42	1.00%	73,624	1.07%	10	0.43%	12,192	0.36%
Accommodation and food services	119	2.83%	826,520	12.02%	52	2.25%	328,660	9.80%
Other services except PA <sup>(3)</sup>	205	4.88%	155,124	2.26%	60	2.59%	64,601	1.93%
Other	839	19.98%	1,077,372	15.67%	739	31.92%	766,963	22.86%
<b>Total</b>	<b>4,199</b>	<b>100.00%</b>	<b>\$ 6,877,040</b>	<b>100.00%</b>	<b>2,315</b>	<b>100.00%</b>	<b>\$ 3,355,313</b>	<b>100.00%</b>

Notes: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The sectors presented are intended to provide alternative information regarding the sources of revenue. Information is provided by State Comptroller of Public Accounts.

(1) Direct Sales Tax Rate 1%, Keller Development Corporation .5%, Street Maintenance .25%, Crime Control District .25%

(2) Direct Sales Tax Rate 1%, Keller Development Corporation .5%

(3) PA - Public Administration per naics.com.

TABLE 13

**CITY OF KELLER, TEXAS  
TEN LARGEST WATER CUSTOMERS BY CONSUMPTION (USAGE)  
AS OF SEPTEMBER 30, 2013**

2013				2004			
<u>Customer</u>	<u>Total 2013 Consumption (000's)</u>	<u>Sales</u>	<u>Pct of Total Usage</u>	<u>Customer</u>	<u>Total 2004 Consumption (000's)</u>	<u>Sales</u>	<u>Pct of Total Usage</u>
City of Keller	77,764.6	\$ 231,192	2.49%	Keller Independent School District	45,874.5	\$ 169,801	2.15%
Keller Independent School District	46,539.0	269,081	1.49	City of Keller	42,519.4	95,713	1.99%
Capri W DTC, LLC	20,293.4	110,167	0.65	Hidden Lakes Home Owner Ass'n	21,854.5	79,015	1.02%
Hidden Lakes Home Owner Ass'n	14,951.0	81,539	0.48	Whiteco Residential, LLC	15,822.9	57,454	0.74%
Keller ENID, LTD	11,020.0	61,612	0.35	Meadow Glen Mobile Home Park	12,983.0	46,223	0.61%
Keller Senior Community, LP	9,280.5	52,215	0.30	Southstar Logistics	12,192.9	41,799	0.57%
Grand Estates at Keller, LP	8,963.0	49,108	0.29	Corning Cable Systems	9,656.5	32,328	0.45%
Keller Oaks Healthcare Center	5,684.2	30,488	0.18	The Plant Shed, Inc.	7,064.5	24,185	0.33%
Southwest LTC Keller, LLC	5,484.0	30,769	0.16	Mimosa Manor Nursing Home	6,909.0	23,528	0.32%
Kwik Kar Wash	4,520.5	24,858	0.15	Monterrey MHP Partners, LTD	6,289.5	21,998	0.29%
Subtotal	204,500.2	941,029	4.07	Subtotal	181,166.7	592,044	8.47%
Other customers	2,912,945.7	13,466,453	93.44	Other customers	1,946,735.2	7,882,431	91.49
TOTAL	3,117,445.9	\$ 14,407,482	100.00%	TOTAL	2,127,901.9	\$ 8,474,475	100.00%

Source: Information provided by City staff

TABLE 14

**CITY OF KELLER, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	KDC Revenue Bonds	Other	General Obligation Bonds	Certificates of Obligation	Revenue Bonds	TRA - Other			
2004	\$ 14,606,478	\$ 85,305,000	\$ 1,130,000	\$ 1,197,541	\$ 7,840,279	\$ 15,370,000	\$ -	\$ 2,428,348	\$ 127,877,646	12.07%	\$ 3,862
2005	22,927,061	73,210,000	1,035,000	44,408,735	10,198,030	11,785,000	-	2,082,011	165,645,837	15.13%	4,840
2006	21,226,401	69,425,000	890,000	292,326,799	9,768,600	15,515,000	-	1,621,409	410,773,209	28.13%	11,252
2007	19,577,414	64,590,000	775,000	585,982	8,728,625	14,850,000	-	1,216,439	110,323,460	6.97%	2,926
2008	17,883,020	61,460,000	660,000	508,195	7,761,982	14,130,000	-	772,337	103,175,534	6.32%	2,687
2009	20,048,603	64,755,000	535,000	341,608	6,981,398	13,370,000	-	303,537	106,335,146	6.52%	2,695
2010	24,105,000	61,179,997	405,000	341,608	5,995,000	14,385,000	-	501,420	106,913,025	6.83%	2,698
2011	21,945,000	56,923,550	275,000	252,455	5,585,000	21,040,000	-	521,228	106,542,233	6.16%	2,669
2012	24,580,000	53,730,020	140,000	159,153	10,560,000	11,765,000	-	139,037	101,073,210	5.53%	2,460
2013	22,415,000	50,002,894	-	3,354,102	9,700,000	11,042,000	-	241,691	96,755,687	5.29%	2,355

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.



CITY OF KELLER, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding				Total	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Debt Service Fund	Certificates of Obligation	Debt Service			
2004	\$ 22,720,000	\$ 494,179	\$ 100,675,000	\$ 818,008	\$ 124,707,187	4.99%	\$ 3,766
2005	33,594,999	727,242	84,995,000	18,906	119,336,147	4.48%	3,487
2006	30,995,001	1,085,740	84,940,000	724,770	117,745,511	4.07%	3,225
2007	28,360,001	1,217,054	80,215,000	560,249	110,352,304	3.44%	2,927
2008	25,645,002	759,971	75,590,000	555,897	102,550,870	2.89%	2,670
2009	27,030,001	753,065	78,125,000	247,354	106,155,420	2.74%	2,691
2010	30,100,000	1,109,121	75,564,997	216,019	106,990,137	2.67%	2,700
2011	27,530,000	841,552	77,963,550	84,735	106,419,837	2.68%	2,666
2012	35,140,000	576,537	65,495,000	76,817	101,288,354	2.52%	2,505
2013	32,115,000	526,302	61,044,894	108,193	93,794,389	2.28%	2,283

## CITY OF KELLER, TEXAS

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2013

Government Unit	Debt Outstanding	Estimated Percentage Applicable <sup>(1)</sup>	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
Carroll Independent School District	\$ 235,203,792	0.17%	\$ 399,846
Keller Independent School District	681,493,167	33.60%	228,981,704
Northwest Independent School District	626,683,640	0.13%	814,689
Tarrant County General Obligation Debt	373,845,000	3.16%	11,813,502
Tarrant County College District	15,485,000	3.16%	489,326
Tarrant County Hospital District	25,375,000	3.16%	<u>801,850</u>
Subtotal, overlapping debt			243,300,917
City of Keller direct debt <sup>(2)</sup>		100.00%	<u>93,272,791</u>
Total direct and overlapping debt			<u>\$ 336,573,708</u>

Source: www.mactexas.com

Note: <sup>(1)</sup> Percentage of government unit's total property value located within the Keller City limits.<sup>(2)</sup> Includes both tax-supported self-supported debt of the water and wastewater utility, drainage utility, Keller Development Corporation, Keller Crime Control and Prevention District and the Tax Increment Reinvestment Zone No. 1

**CITY OF KELLER, TEXAS**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**

	Fiscal Year			
	2004	2005	2006	2007
Debt limit	\$ 2.500000	\$ 2.500000	\$ 2.500000	\$ 2.500000
Adopted tax rate	0.43800	0.44413	0.44413	0.43219
Additional rate available	2.06200	2.05587	2.05587	2.06781
Legal debt margin	\$ <u>46,718,343</u>	\$ <u>52,623,315</u>	\$ <u>57,579,511</u>	\$ <u>66,156,570</u>
Total net debt applicable to the limit as a percentage of debt limit	17.52%	17.77%	17.77%	17.29%

As a home rule city, the City of Keller is not legally limited by law in the amount of debt it may issue. The City's Charter Section 8.16., states:

The City Council shall have the power under the provisions of state law to levy, assess and collect an annual tax upon taxable property within the City, the tax not to exceed the rate as provided for by state law governing cities with a population in excess of five thousand (5,000) inhabitants.

Article II, Section 5 of the State of Texas Constitution states in part:

...but no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such City.

**TABLE 17**

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000
<u>0.43219</u>	<u>0.43219</u>	<u>0.44219</u>	<u>0.44219</u>	<u>0.44219</u>	<u>0.44219</u>
<u>2.06781</u>	<u>2.06781</u>	<u>2.05781</u>	<u>2.05781</u>	<u>2.05781</u>	<u>2.05781</u>
<u>\$ 72,891,093</u>	<u>\$ 77,696,131</u>	<u>\$ 77,320,390</u>	<u>\$ 81,114,904</u>	<u>\$ 82,600,785</u>	<u>\$ 84,589,531</u>
17.29%	17.29%	17.69%	17.69%	17.69%	17.69%

Legal Debt Margin Calculation for the Current Fiscal Year:

Maximum allowable tax rate	\$ 2.50000
Adopted tax rate	<u>0.44219</u>
Additional rate available	<u>2.05781</u>
Total taxable value	4,110,657,993
Additional tax levy available (debt margin)	84,589,531
Less: amount set aside for repayment of general obligation debt	<u>545,495</u>
Legal debt margin	<u>\$ 84,044,036</u>

**CITY OF KELLER, TEXAS**  
**PLEDGED REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Water Revenue Bonds					
	Utility Services Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements		Times Coverage
				Principal	Interest	
2004	\$ 12,180,322	\$ 11,400,743	\$ 779,579	\$ -	\$ -	N/A
2005	14,720,857	13,267,173	1,453,684	-	-	N/A
2006	18,725,239	11,509,760	7,215,479	-	-	N/A
2007	15,071,034	10,878,806	4,192,228	-	-	N/A
2008	18,440,505	11,072,183	7,368,322	-	-	N/A
2009	17,825,997	11,263,357	6,562,640	-	-	N/A
2010	17,332,920	11,393,852	5,939,068	-	-	N/A
2011	21,507,180	13,675,260	7,831,920	-	-	N/A
2012	19,856,182	15,515,102	4,341,080	-	-	N/A
2013	20,017,810	12,010,745	8,007,065	-	-	N/A

**CITY OF KELLER, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

Calendar Year	Population <sup>1</sup>	Personal Income	Per Capita Personal Income	Median Age	School Enrollment (KISD) <sup>2</sup>	National Unemployment Rate <sup>4</sup>
2004	33,112	\$ -	\$ 31,986 <sup>3</sup>	35.0	23,663	5.4%
2005	34,224	1,094,688,864	31,986 <sup>3</sup>	35.0	25,644	4.9%
2006	36,508	1,460,320,000	40,000 <sup>7</sup>	35.0	25,873	4.4%
2007	37,700	1,583,400,000	42,000 <sup>7</sup>	35.0	27,905	5.0%
2008	38,402	1,632,085,000	42,500 <sup>7</sup>	35.0 <sup>5</sup>	29,424	7.3%
2009	39,450	1,558,827,300	39,514 <sup>7</sup>	35.0 <sup>5</sup>	30,299	9.9%
2010	39,627 <sup>10</sup>	4,565,821,278	39,514 <sup>7</sup>	35.0 <sup>6</sup>	32,808	9.3%
2011	39,920	1,730,172,720	43,341 <sup>8</sup>	32.0 <sup>6</sup>	32,796	8.5%
2012	40,440	1,896,838,200	46,905 <sup>8</sup>	36.9 <sup>6</sup>	33,130	7.8%
2013	41,090	1,828,422,820	44,498 <sup>3</sup>	39.9 <sup>9</sup>	33,367	7.2%

Sources: <sup>1</sup> North Central Texas Council of Governments (NCTCOG)

<sup>2</sup> Keller Independent School District (KISD)

<sup>3</sup> Bureau of Census

<sup>4</sup> Bureau of Labor Statistics

<sup>5</sup> www.idcide.com, (©) 2008

<sup>6</sup> U. S. Census 2007 Data and *American Community Survey*

<sup>7</sup> Dallas Morning News, Business Section D, November 1, 2010

<sup>8</sup> BEA.gov

<sup>9</sup> IndexMundi

<sup>10</sup> U. S. Census 2010

**CITY OF KELLER, TEXAS**  
**PRINCIPAL AREA EMPLOYERS**  
**CURRENT YEAR AND TEN YEARS AGO**

Employer	2013			2004		
	Employees	Percentage of Total City Employment	Rank	Employees	Percentage of Total City Employment	
AMR Corporation	24,888	50.12%	1	-	-	%
Bell Helicopter/Textron	3,820	7.69%	2	-	-	%
Fidelity Investments	3,700	7.45%	3	-	-	%
Keller ISD	3,600	7.25%	4	-	-	%
ATC Logistics	3,315	6.68%	5	-	-	%
BNSF Railway	3,100	6.24%	6	-	-	%
Sabre Holdings	2,532	5.10%	7	-	-	%
Dallas Fort Worth/Airport	1,600	3.22%	8	-	-	%
Healthmarkets	1,600	3.22%	9	-	-	%
Gaylord Texas Resort	<u>1,500</u>	<u>3.02%</u>	10	<u>-</u>	<u>-</u>	<u>%</u>
Total	<u>49,655</u>	<u>100.00%</u>		<u>-</u>	<u>-</u>	<u>%</u>

Source: Information provided by city staff; 2004 information is not available.

**CITY OF KELLER, TEXAS**  
**FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES**  
**BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Administration	6.25	6.25	7.00	7.00	8.50	10.00	10.00	8.00	8.00	8.00
Finance	7.00	7.00	7.00	7.00	7.50	7.50	6.50	6.50	7.00	7.00
Planning	14.98	13.11	14.25	14.25	14.50	14.50	11.00	11.00	11.00	12.00
Town Hall operations	1.00	1.00	1.00	1.00	2.00	2.00	2.00	3.00	3.00	3.00
Other	17.25	19.16	17.73	17.73	22.83	22.83	20.83	25.00	16.14	15.50
Police										
Officers	66.00	66.50	67.00	71.00	78.00	78.00	77.00	79.00	50.50	51.50
Civilians	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	34.00	34.00
Fire										
Firefighters and officers	42.50	44.50	44.50	44.50	60.50	60.50	54.00	57.00	57.00	57.00
Civilians	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Public works										
Engineering	6.00	6.00	6.00	6.00	6.00	6.00	5.50	5.50	3.00	3.00
Other	11.83	10.83	11.33	11.33	11.33	11.33	8.83	8.83	11.73	12.10
Parks and recreation	53.07	71.32	87.24	87.24	83.08	84.05	77.65	71.64	74.16	76.22
Library	14.97	14.97	15.97	15.97	15.97	15.97	15.42	15.42	15.42	15.42
Water	34.92	34.92	34.92	35.92	35.92	37.92	33.67	33.67	30.30	30.67
Wastewater	7.25	7.50	7.50	9.50	10.50	9.50	9.50	9.50	9.50	9.50
Drainage	<u>7.75</u>	<u>7.75</u>	<u>7.75</u>	<u>8.75</u>	<u>8.75</u>	<u>8.75</u>	<u>8.50</u>	<u>8.50</u>	<u>8.50</u>	<u>8.50</u>
<b>Total</b>	<u>296.77</u>	<u>316.81</u>	<u>335.19</u>	<u>343.19</u>	<u>371.38</u>	<u>374.85</u>	<u>346.40</u>	<u>348.56</u>	<u>341.25</u>	<u>345.41</u>

Source: <sup>1</sup> Information provided by City staff



**CITY OF KELLER, TEXAS**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Function/Program	Fiscal Year <sup>1</sup>									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General government</b>										
Council and work sessions held	41	35	32	51	45	48	42	45	32	33
Cable broadcasts	594	594	594	658	3,582	5,109	7,118	7,338	7,303	7,305
Birth/death certificates issued	962	1,113	1,308	1,218	1,495	935	396	833	406	364
Building permits issued	363	390	473	255	277	183	248	250	250	250
New construction plan review	446	450	480	360	165	256	346	350	350	315
<b>Police</b>										
Physical arrests	1,297	1,396	1,754	1,631	1,813	1,800	1,600	1,625	1,550	1,190
Total citations issued	11,123	12,274	15,517	12,755	12,755	11,750	11,438	11,800	10,000	9,300
Total emergency 911 calls*	12,978	13,160	13,160	13,160	30,350	30,029	32,500	36,400	39,000	30,000
Calls for service*	72,588	75,217	76,103	77,329	88,559	174,669	155,124	220,000	232,180	245,484
<b>Animal control</b>										
Animals adopted/redeemed	436	631	834	619	885	819	552	556	724	811
Stray animal complaints	2,424	7,250	10,462	9,935	14,926	12,704	10,204	12,715	15,268	15,268
Animals impounded	1,190	1,251	1,504	1,152	1,511	1,334	1,108	1,293	1,114	970
Nuisance wildlife trapped	449	397	336	187	233	365	272	500	294	643
Animal bite investigations	75	72	61	65	74	63	63	70	68	68
<b>Fire</b>										
Emergency responses	1,863	2,204	2,500	1,625	1,785	2,706	2,844	2,980	2,180	2,124
Calls for service, excludes EMS	735	763	928	970	1,175	914	1,018	1,139	1,225	1,217
Fire hydrants maintained	1,785	1,844	1,824	1,875	2,026	2,050	2,065	2,063	2,077	2,077
Inspections	346	384	420	584	516	697	731	720	300	300
<b>Finance</b>										
Accounts payable checks processed	4,544	4,443	5,819	5,107	5,269	5,476	5,269	5,600	3,500	4,400
Payroll checks processed	8,411	9,107	4,986	10,442	11,320	11,624	11,320	11,800	10,200	11,700
Journal entries posted	3,140	2,972	4,499	5,189	5,813	5,795	5,510	5,500	5,000	5,000
Purchase orders processed	319	274	316	346	336	323	336	357	300	300
<b>Human resources</b>										
Applications processed	1,328	3,530	1,704	2,200	1,899	1,190	730	750	1,550	1,350
Vacancies filled	160	154	42	44	57	26	25	130	147	153
Turnover rate	9.40%	9.60%	13.18%	12.50%	10.75%	7.49%	9.30%	10.00%	15.00%	14.00%
Safety classes conducted	17	8	9	9	6	6	5	5	5	5
Worker compensation claims	50	53	53	60	43	49	55	40	40	40

**TABLE 22  
(continued)**

**CITY OF KELLER, TEXAS  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
(Continued)  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Function/Program	Fiscal Year <sup>1</sup>									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Municipal court										
Citations processed	11,123	12,766	15,613	12,755	10,500	10,524	11,438	11,800	11,000	10,800
Warrants processed	2,517	2,744	2,370	2,938	2,400	1,967	2,000	2,000	2,000	2,275
Court sessions <sup>4</sup>	204	240	204	212	212	212	189	189	208	100
Defendant requests for court date	3,862	3,548	7,809	4,915	3,981	6,915	6,950	6,950	6,300	4,350
Public works										
Review CIP designed by others	14	14	14	14	20	14	10	12	12	12
Street resurfacing (miles)	1.60	12.96	6.87	12.00	16.00	12.00	12.00	14.00	14.00	14.00
Sidewalks repaired (linear feet)	500	80	620	300	56	725	750	750	1,000	1,700
Parks and recreation										
Park acreage	433	436	442	442	456	456	456	456	456	491
Facility reservations	450	518	495	492	646	814	825	840	975	1,000
Program attendance (incl. Sr. programs)	28,890	30,604	27,308	27,901	34,091	27,359	21,200	22,000	18,307	15,007
Athletic field permits issued	3,750	3,750	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Recreation programs provided (incl. Sr. programs)	90	359	367	900	960	975	975	1,050	1,012	410
Library										
Library customer visits	229,830	234,474	249,455	251,327	253,000	191,739	280,000	300,000	232,000	231,500
Total volumes borrowed	368,376	411,783	412,000	380,258	398,633	317,834	411,930	450,000	579,500	563,000
Volumes in collection	81,625	108,108	110,000	119,232	129,154	128,979	139,954	84,358 <sup>2</sup>	100,363 <sup>2</sup>	114,363
Water										
New customers (net)	213	452	( 265)	308	322	127	242	201	179	254
Water main breaks	101	84	101	44	45	31	29	42	29	22
Average daily consumption (gallons) <sup>3</sup>	6,677	8,039	9,697	6,353	8,216	7,804	7,482	9,784	8,838	8,297
Peak daily consumption (million gallons) <sup>3</sup>	13.200	17.858	19.300	15.371	18.785	18.973	18.204	22.565	20.551	23.465
Water purchased (million gallons)	2,443.6	2,934.3	3,539.3	2,318.9	3,007.0	2,848.3	2,731.0	3,571.3	3,225.9	3,028.5
Wastewater										
Average daily sewage treatment (million gallons) <sup>5</sup>	2.466	2.620	2.877	3.150	2.542	2.800	2.975	2.865	2.866	2.876

Sources:

<sup>1</sup>Information provided by City staff. Information was not collected, and therefore not available where N/A is shown.

<sup>2</sup>Decrease due to actual verification by City staff for 2011. Only an estimate in previous years.

<sup>3</sup>Decrease due to verification on the calculation of wholesale treatment costs.

<sup>4</sup>FY2012 includes attorney dockets

<sup>5</sup>Trinity River Authority - annual audits

**CITY OF KELLER, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	18	18	28	25	25	23	21	21	23	23
<b>Fire</b>										
Stations	3	3	3	3	3	4	4	3	3	3
Engines/trucks	3	3	3	3	6	5	5	4	5	5
<b>Public works</b>										
Streets (miles)	275	250	182	393	410	414	418	418	477	477
Street lights	1,710	1,710	2,055	2,075	2,369	2,405	2,408	2,500	2,505	2,585
Traffic signals	4	4	4	4	5	6	6	6	10	10
<b>Parks and recreation</b>										
Acreage	415	433	442	442	456	456	456	456	456	491
Playgrounds	1	8	8	9	9	9	9	9	9	9
Baseball/softball fields	4	8	8	11	11	11	11	11	11	11
Soccer/football fields	7	8	8	9	9	9	9	9	9	9
Community centers <sup>1</sup>	1	1	1	1	1	1	1	1	1	1
<b>Water</b>										
Water mains (miles) <sup>2</sup>	256	256	256	256	256	256	258	260	190	290
Storage capacity (million gallons)	6	6	9	9	10	10	10	10	10	10
<b>Wastewater</b>										
Sanitary sewers (miles) <sup>2</sup>	183	183	183	183	183	183	183	193	193	192
Storm sewers (miles) <sup>2</sup>	43.00	43.00	45.00	46.85	50.08	50.15	50.15	50.15	50.15	50.15
Treatment capacity (million gallons)	9	9	10	10	10	10	10	10	10	10

**Notes:**

<sup>1</sup> Increase includes purchases as well as three leased motorcycle units.

<sup>2</sup> City staff correction to prior year estimates due to upgrades to GIS technology and new federal tracking requirements; numbers are estimates.

<sup>3</sup> Water System transfer from City of Keller to City of Fort Worth.

<sup>4</sup> TXU and TCEC erect City street lights, therefore provider supplies count. The City of Keller remits the cost of electricity to the provider.

# COMPLIANCE SECTION



PATILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of Keller, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Keller, Texas' basic financial statements, and have issued our report thereon dated February 21, 2014.

**Internal Control Over Financial Reporting**

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

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

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

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### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
February 21, 2014