



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ending Sept. 30, 2014

Mayor and City Council

Mark Mathews, Mayor

Debbie Bryan, Place 1 Gary Reaves, Place 2

Tom Cawthra, Place 3 Bill Dodge, Place 4

Bill Hodnett, Place 5 Rick Barnes, Mayor Pro Tem

Administrative Officials

Steve Polasek, City Manager

Johnny Phifer, Director of Finance

Big-City Comforts, Small-Town Charm



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, 2014**

CITY OF KELLER, TEXAS

*COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2014*

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

CITY OF KELLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION



April 9, 2015

Citizens of Keller, Honorable Mayor Mark Mathews,
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, 2014, is hereby submitted. This report was prepared through the cooperative efforts 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, completeness and fairness of this report, and 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.

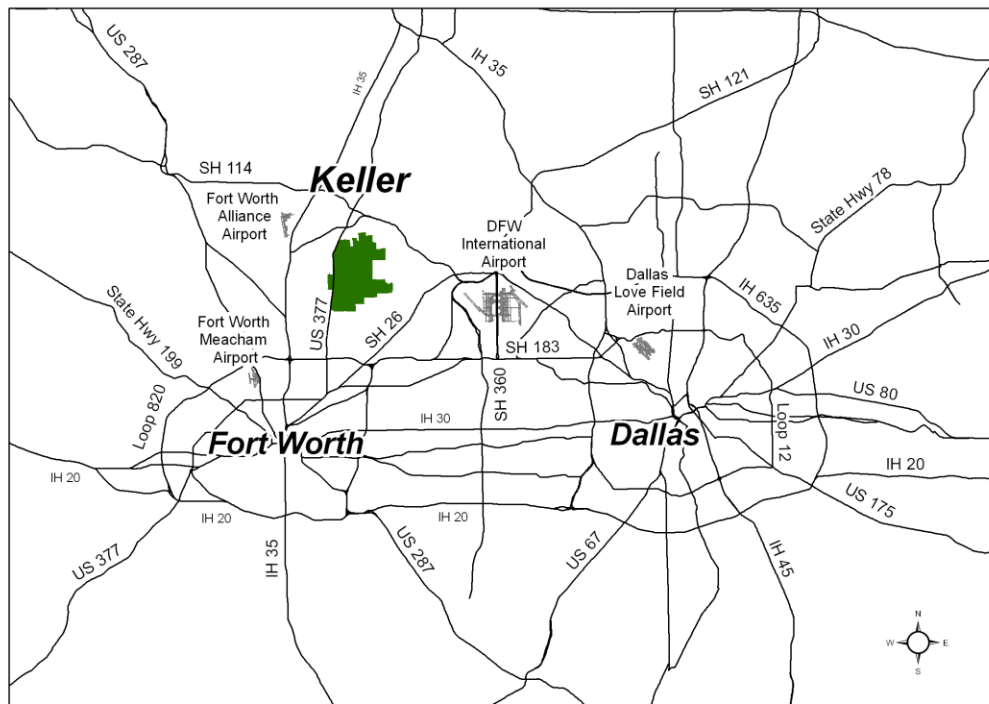
City Profile

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 2014 (terms expire May 2017). 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.

The City of Keller enjoys renown for being a good place to live and work, delivering big-city comforts with small-town charm. 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. Recent awards have included spots in The Dallas Morning News' "Top 10 Neighborhoods" and D Magazine's "Best Suburbs" rankings, mentions in ZoomTens' "Best Cities in America to Raise a Family" and Nerd Wallet's "Best Places for Young Families in Texas" lists, recognition as one of the Top 10 Safest Places in Texas by real estate website Movoto, certification as a Gold-level Scenic City by the Scenic Texas organization and more.

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 and low taxes make Keller an inviting destination for new commercial development projects.



The City of Keller 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; 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. 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. Two 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 were completed in the Fall of 2014. Road construction on Phase II is currently underway with an expected completion date of early 2017. 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 22,461 in February 2015, compared to a total civilian labor force for Tarrant County of 999,935. Keller's unemployment rate in February 2015 was 3.5%, compared to the Tarrant County rate of 4.1%, a statewide rate of 4.3% and a nationwide rate of 5.5%. The unemployment rates for Keller and Tarrant County are not seasonally adjusted.

The City continues to experience an increase in population. Official Census reported population figures of 27,345 for 2000 and 39,627 for 2010. The January 2014 population estimate was 42,040, representing an increase of 14,695 (53.7%) since the 2000 Census. The following table presents Keller's official Census population since 1970, as well as the current year estimated population.

	Population	Increase (Decrease)	Percent Change
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%
2014 Estimate	42,040	2,413	6.1%

Since 1970, the total population increase has exceeded 40,000. 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 2014 is anticipated to be 1,884,620, an increase of 20,060 or 1.1% over 2013.

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 2005.

Fiscal Year Ended September 30	Total Market Value (000's)	Percent Change
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
2014	4,658,547.1	3.6

As shown, the rates of change in the City's total market value had a three-year decline from fiscal year 2008-09 through fiscal year 2010-2011, but are now improving, evidenced with a 3.6 percent increase in 2014 over prior year. The rates of increase in taxable values can impact the City's general fund operations significantly, since property tax revenues comprise approximately 45.7% 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 240,939 square feet of commercial space, valued at \$27.3 million, was permitted for construction between 2013 and 2014. In fiscal year 2013-14, Keller issued 327 residential building permits. Compared to the prior fiscal year, the 2013-14 average new home size was 4,363 square feet versus 4,230 square feet. The average new home construction value in fiscal year 2013-14 was \$280,620, compared to \$267,684 the previous year.

The value of new construction is included in both market and net taxable values. The net taxable value of new construction for calendar year 2013 (fiscal year 2014) was \$78.3 million, compared to \$71.4 million for calendar year 2012 (fiscal year 2013).

The net assessed taxable value for calendar year 2013 (fiscal year 2014) increased slightly by 3.8%, compared to an increase of 2.2% in calendar year 2012 (fiscal year 2013). 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 2013 and 2014 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.

The expansion of business, retail and commercial growth has also resulted in increases in sales tax collections. Total sales tax collections in calendar year 2014 represent the largest calendar year amount in the City's history, with collections totaling more than \$8.7 million; up from 2013 collections totaling \$8.2 million.

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 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 2013-14 through 2017-18 was developed by City staff and reviewed and adopted by the City Council as a part of the fiscal year 2013-14 budget. The total five-year program for FY 2014 identified \$39.0 million of proposed improvements. Additionally, \$115.5 million of improvements were also identified in out-years (beyond five years).

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 (representing 107 days of total General Fund expenditures) 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 2013-14, one-time expenditures appropriated from fund balance for included the following purposes: 1) city-wide communications system \$1,644,257, 2) fire engine replacement \$542,535, and 3) \$300,000 Transfer to fleet replacement fund for future vehicle replacements.

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, 2014, a revised budget was approved and adopted by the City Council on September 17, 2014. 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 2014-2015, the City adopted a tax rate of \$0.43719 per \$100 of taxable value, a slight decrease from the previous year's rate of \$0.44219 per \$100 of taxable value.

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 Internal Services Director and the Chief Financial Officer. 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, 2013; a reproduction of the certificate accompanies this report.

The City has received a Certificate of Achievement for twenty-five (25) consecutive fiscal years (FY1989 through FY2013). 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 2013 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 eighteen (18) 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 2014, the City received the Texas State Comptroller's Leadership Gold Circle Award for financial transparency for the fourth 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 Aa2, 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, 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 Interim City Manager Mark Hafner for their interest and support in planning and conducting the financial operations of the City of Keller in a responsible and progressive manner.

Respectfully submitted,



Steve Groom
Chief Financial Officer



Pamela McGee
Finance/Purchasing Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

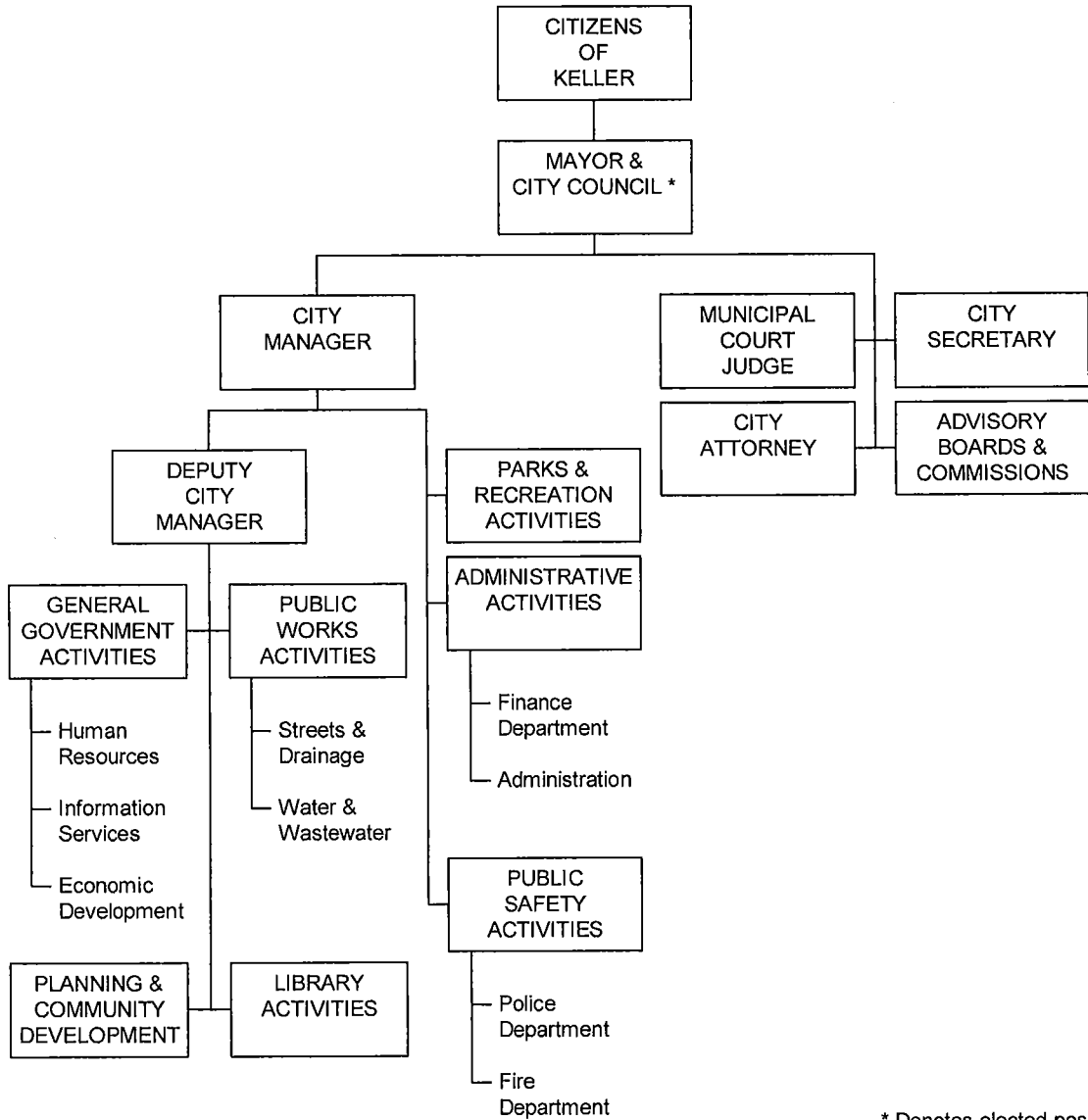
**City of Keller
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

CITY OF KELLER, TEXAS ORGANIZATION CHART



* Denotes elected positions.

CITY OF KELLER, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2014

Name	Title
<u>Elected Officials:</u>	
Mark Matthews	Mayor
Debbie Bryan	Council Member, Place 1
Gary Reaves	Council Member, Place 2
Tom Cawthra	Council Member, Place 3
Bill Dodge	Council Member, Place 4
Bill Hodnett	Council Member, Place 5
Rick Barnes	Council Member, Place 6 and Mayor Pro Tem
<u>Appointed Officials:</u>	
Steve Polasek	City Manager
Vacant	Deputy City Manager
Tom Elgin	Director of Community Development
Matthew Kite	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
<u>Other Appointed Officials:</u>	
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

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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, 2014, 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, 2014, 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 17–27 and 68–70 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 Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report April 9, 2015, 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
April 9, 2015

**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, 2014. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Keller exceeded its liabilities at the close of the fiscal year ended September 30, 2014, by \$209,987,243 (net position). Of this amount, \$25,703,099 (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 \$17,522,065, or 9.05% for the year ended September 30, 2014. The net position of governmental activities increased \$13,267,728, or approximately 11.67%. This increase in net position resulted in part from a decrease in outstanding long-term debt. The assets of business-type activities increased by \$4,254,337, or 5.32%. 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, 2014, the City's governmental funds reported combined ending fund balances of \$34,876,834. Approximately 26.45% of this total amount, \$9,224,195, is unassigned and available for use within the City's designation and policies. Restrictions for (1) general government, \$143,291; (2) debt service, \$931,773; (3) capital acquisition and construction, \$12,480,371; (4) recreation and leisure, \$4,554; and (5) public safety, \$3,127,090, total \$16,687,079, and represent 47.85% of the total fund balance.
- Total cost of all the City's programs was \$58,644,050 in 2014, compared to \$62,123,633 in 2013.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$9,380,730, or 29.29% of total expenditures. This represents an increase of \$1,257,287, or 8.34% 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 \$6,959,758, or 7.12% 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, deferred outflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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 31 – 33 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 40 – 43 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 45 – 65 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 68 – 70. 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 and deferred outflows of resources exceeded liabilities by \$209,987,243 as of September 30, 2014.

The largest portion of the City's net position, \$154 million, or 73.55%, 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, \$30 million, or 14.21%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$26 million, 12.24%, may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities total assets increased by \$3,786,256, or 1.94% during fiscal year 2014. 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 increase in net capital assets of \$5,477,265, (3.55%) 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 \$7,020,712, or 8.66%. Non-current governmental activities' liabilities decreased by \$5,608,165, or 7.35%. The decrease in liabilities of governmental activities is primarily due to retirement (payment) of existing debt obligations.

Business-type activity total assets increased by \$3,309,112, or 3.13%. Total current assets increased \$662,995, or 2.18%, while total capital assets increased \$2,646,117, 3.51%, respectively. Net position of business-type activities increased \$4,254,337, (5.32%). 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 \$504,471, 1.95%, 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 38,641,853	\$ 40,332,862	\$ 31,079,652	\$ 30,416,657	\$ 69,721,505	\$ 70,749,519
Capital assets	<u>159,828,134</u>	<u>154,350,869</u>	<u>78,071,034</u>	<u>75,424,917</u>	<u>237,899,168</u>	<u>229,775,786</u>
Total assets	<u>198,469,987</u>	<u>194,683,731</u>	<u>109,150,686</u>	<u>105,841,574</u>	<u>307,620,673</u>	<u>300,525,305</u>
Total deferred outflows of resources	<u>1,551,287</u>	<u>-</u>	<u>156,697</u>	<u>-</u>	<u>1,707,984</u>	<u>-</u>
Long-term liabilities	70,710,983	76,319,148	20,100,624	21,452,217	90,811,607	97,771,365
Other liabilities	<u>3,307,378</u>	<u>4,719,925</u>	<u>5,222,429</u>	<u>4,375,307</u>	<u>8,529,807</u>	<u>9,095,232</u>
Total liabilities	<u>74,018,361</u>	<u>81,039,073</u>	<u>25,323,053</u>	<u>25,827,524</u>	<u>99,341,414</u>	<u>106,866,597</u>
Net position:						
Net investment, in capital assets	96,268,556	81,997,316	58,172,320	60,654,886	154,440,876	142,652,202
Restricted	22,061,750	22,640,243	7,781,518	8,219,575	29,843,268	30,859,818
Unrestricted	<u>7,672,607</u>	<u>9,007,099</u>	<u>18,030,492</u>	<u>11,139,589</u>	<u>25,703,099</u>	<u>20,146,688</u>
Total net position	<u>\$ 126,002,913</u>	<u>\$ 113,644,658</u>	<u>\$ 83,984,330</u>	<u>\$ 80,014,050</u>	<u>\$ 209,987,243</u>	<u>\$ 193,658,708</u>

Analysis of the City's Operations – The following table provides a summary of the City's operations for year ended September 30, 2014. Overall the City had an increase in net position of \$17,522,065.

CITY OF KELLER'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 5,886,557	\$ 4,689,309	\$ 26,145,587	\$ 24,849,191	\$ 32,032,144	\$ 29,538,500
Operating grants and contributions	3,590,362	2,751,993	-	-	3,590,362	2,751,993
Capital grants and contributions	251,533	1,117,756	4,977,753	294,957	5,229,286	1,412,713
General revenues:						
Ad valorem taxes	21,526,556	20,691,721	-	-	21,526,556	20,691,721
Sales taxes	9,817,716	9,184,887	-	-	9,817,716	9,184,887
Other taxes	3,286,220	2,942,997	-	-	3,286,220	2,942,997
Investment earnings	180,677	153,767	121,260	122,036	301,937	275,803
Miscellaneous	240,932	295,807	42,688	46,276	283,620	342,083
Gain (loss) on sale of capital assets	98,274	104,855	-	-	98,274	104,855
Total revenues	44,878,827	41,933,092	31,287,288	25,312,460	76,166,115	67,245,552
Expenses:						
General government	7,011,362	7,973,740	-	-	7,011,362	7,973,740
Public safety	16,756,956	19,415,960	-	-	16,756,956	19,415,960
Public works	2,490,468	2,981,588	-	-	2,490,468	2,981,588
Community development	1,357,417	1,425,851	-	-	1,357,417	1,425,851
Recreation and leisure	4,938,515	5,345,157	-	-	4,938,515	5,345,157
Interest on long-term debt	2,882,936	3,277,731	-	-	2,882,936	3,277,731
Water and sewer	-	-	18,496,707	16,757,059	18,496,707	16,757,059
Drainage utility	-	-	2,040,218	2,054,396	2,040,218	2,054,396
Recreation/aquatic center	-	-	2,669,471	2,892,151	2,669,471	2,892,151
Total expenses	35,437,654	40,420,027	23,206,396	21,703,606	58,644,050	62,123,633
Increases in net position before transfers	9,441,173	1,513,065	8,080,892	3,608,854	17,522,065	5,121,919
Transfers	3,826,555	3,986,940	(3,826,555)	(3,549,470)	-	437,470
Change in net position	13,267,728	5,500,005	4,254,337	59,384	17,522,065	5,559,389
Net position, beginning	113,644,658	108,144,653	80,014,050	79,771,736	193,658,708	187,916,389
Prior period adjustment	-	-	-	-	-	-
Change in accounting principle	(909,473)	-	(284,057)	-	(1,193,530)	-
Net position, beginning as restated	112,735,185	108,144,653	79,729,993	79,771,736	192,465,178	187,916,389
Net position, ending	\$ 126,002,913	\$ 113,644,658	\$ 83,984,330	\$ 79,831,120	\$ 209,987,243	\$ 193,475,778

Government Activities

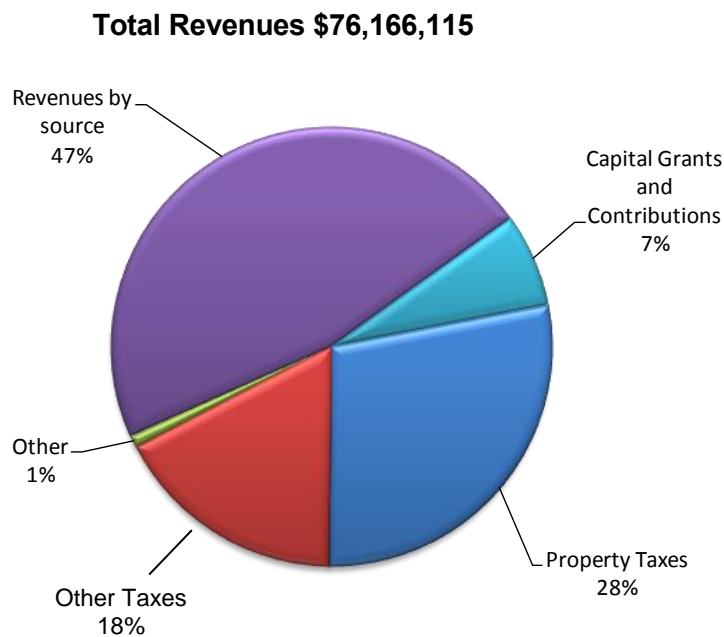
Government activities increased the City's net position by \$13,267,728, or 11.67% from the prior year. Total governmental revenues increased \$2,945,735, 7.02%. Major increases in revenues were charges for services of \$1,197,248, ad valorem (property) taxes of \$834,835 and operating grants and contributions of \$838,369. 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). The major decreases in revenue occurred in capital grants and contributions (\$866,223). 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 decreased by \$4,982,373, 12.33%. The largest change in expenses was a decrease of \$2,659,004, or 13.69% 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. General government expenses decreased \$962,378, or 12.07%, primarily due to transfers of personnel services from other funds. Public works expenses decreased \$491,120, or 16.47%.

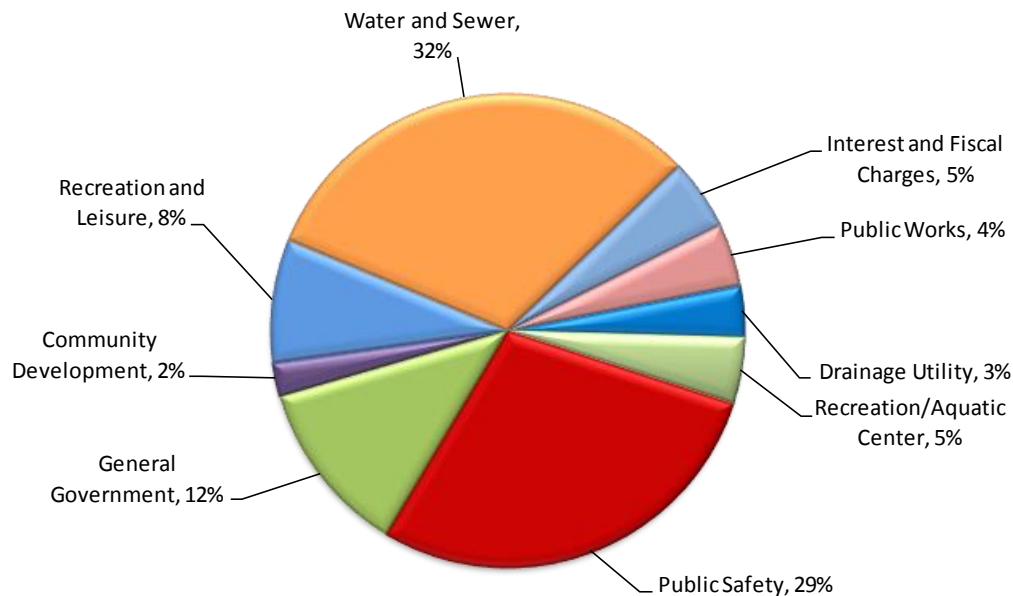
Business-type Activities

Net position from business-type activities increased by \$4,254,337, or (11.67%). Total expenses increased by \$1,502,790, or (6.92%). Total revenues increased \$5,974,828, (23.60%). Capital grants and contributions from developers increased \$4,682,796, or 1587.62% due to developer contributions related to new development concurring within the City. Charges for services increased \$1,296,396, or 5.22% 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, 2014:



Total Expenses \$58,644,050



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 \$34,876,834, an increase of \$637,409, or 2% in comparison with the prior year. Approximately 47.85%, or \$16,687,079 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, \$143,291; 2) debt service, \$931,773; 3) to pay for capital acquisition and construction, \$12,480,371; 4) recreation and leisure, \$4,554; and 5) for public safety, \$3,127,090. Approximately 26.45% of the total amount, \$9,224,195, 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 \$2,403,479. 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 \$3,660,766 from the final budget estimate. Total expenditures were under the final budget by \$2,668,919. This resulted in positive total actual expenditure variances from the final budget. The most significant variances were \$1,047,696 for capital outlay and \$637,050 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 2014-2015. 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 \$454,096. The most significant negative revenue variance was donations (\$143,939). The amount of excess fund balance exceeding the fiscal year 2014 budget will be addressed during fiscal year 2014-2015 budget deliberations.

The Crime Control Prevention District Fund balance decreased by \$2,919,237 in 2014 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 decreased by \$13,530 in 2014 primarily due to a planned (budgeted) increase in the fund balance. In fiscal year 2013-14, the City issued no additional debt.

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 \$18,030,492. Unrestricted net position of the respective major funds are: Water and Wastewater, \$14,549,596; and Drainage Utility, \$2,533,487. The Water and Wastewater operations had an increase in net position of \$2,168,083, or 3.32%, while the Drainage Utility had an increase in net position of \$1,730,868, or 12.20%. The increase in net position of the Drainage Utility resulted primarily from an increase in total capital assets as a result of capital contributions. 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 2014, 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 \$4,522,992 in the unassigned fund balance, while the final budget reflected a decrease of \$2,403,479 in the unassigned fund balance, a difference of \$2,119,513. The net decrease in fund balance included \$4,533,192 of one-time expenditures in the adopted and final budgets, respectively.
- Total final budgeted revenues (including transfers in) increased \$1,066,060 from the original budget. The primary increase occurred in intergovernmental revenues, \$454,400; fines and forfeitures, \$309,500; and permits, licenses and fees, \$161,420.
- Total final budgeted expenditures (including transfers out) decreased by \$1,053,453 over the original budget.
- The most significant increase in budgeted expenditures from the original and final budgets were: \$1,016,745 for capital outlay expenditures; the most significant decreases were in community development expenditures, \$1,184,860, and public safety expenditures, \$481,537.

Significant budget variances:

- Total actual revenues and transfers in exceeded the final budgeted amounts by \$984,057, or 3.02%.
- The most significant favorable revenue variances were permits, licenses and fees \$454,096, and miscellaneous \$159,129. The most significant unfavorable variance was intergovernmental (\$143,949) 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 2014-2105.

- The most significant expenditure budget variances were \$1,047,696 for capital outlay and \$637,050 for the public safety activity. Capital outlay expenditures were below budgeted expenditures by \$1,047,696 but expected to be completed subsequently.
- 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 92.4 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, 2014, amounts to \$237,899,168 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, improvements other than buildings, and construction in progress. The total increase in the City's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$8,123,382, or 3.54% (a 3.55% increase in capital assets for governmental activities and 3.51% increase in capital assets for business-type activities, respectively).

Capital grants and contributions primarily from developers, for fiscal year 2014, were \$4,977,753, an increase of \$4,682,796, or 1587.62% from the prior year.

Major capital asset events budgeted for the current fiscal year include the following (in thousands):

- Wall-Price Keller Road water improvements, \$1,689
- Old Town Keller West Improvements, \$1,500
- Alta Vista Pump Station, \$1,274
- Street reconstruction projects , \$950
- Annual street enhancement projects, \$795
- Vehicle replacements, \$387
- Sewer camera van and equipment, \$363
- City-wide park enhancements, \$336
- New/replacement waste water mains, manholes and service, \$285
- Waste Water line improvement projects (clay pipe replacement), \$265
- Keller Sports Park infrastructure improvements, \$253
- Miscellaneous small drainage projects, \$200
- Dump truck and F-450 truck for Drainage, \$171
- Mount Gilead Greenwalk Grant Match, \$165
- Keller Pointe acid-chemical room/locker/multi-purpose room improvements,\$150
- Water meters, hydrants and mains, \$107
- Big Bear Creek Trail canopy, \$105
- Replacement of mowing / utility equipment, \$84
- Park land acquisition for trail connections, \$50
- Municipal Service Center parking lot improvements, \$35
- Additional sand spreader and storage rack, \$32

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

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 34,016,592	\$ 30,579,143	\$ 1,502,301	\$ 1,440,545	\$ 35,518,893	\$ 32,019,688
Buildings	36,700,640	42,883,497	-	-	36,700,640	42,883,497
Equipment	7,028,286	5,720,544	549,689	560,421	7,577,975	6,280,965
Improvements	73,082,284	72,694,561	69,426,319	66,837,523	142,508,603	139,532,084
Capacity rights	-	-	2,597,989	2,755,034	2,597,989	2,755,034
Construction in progress	<u>9,000,332</u>	<u>2,473,124</u>	<u>3,994,736</u>	<u>3,831,394</u>	<u>12,995,068</u>	<u>6,304,518</u>
Total capital assets	\$ <u>159,828,134</u>	\$ <u>154,350,869</u>	\$ <u>78,071,034</u>	\$ <u>75,424,917</u>	\$ <u>237,899,168</u>	\$ <u>229,775,786</u>

Additional information regarding the City's capital assets can be found in Note IV on pages 56 – 57 of this report.

Long-term Debt

At September 30, 2014, the City of Keller had total long-term debt outstanding of \$84,824,514. Of this amount, \$65,720,514 represents bonds secured by the full faith and credit of the City, and \$19,104,000 represents bonds secured solely by self-supporting activities, i.e., the water and sewer revenues. Total outstanding debt of governmental activities decreased \$7,053,184 (9.69%), while total outstanding debt of business-type activities decreased \$1,689,387 (8.12%).

City of Keller's Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General obligations	\$ 19,970,000	\$ 22,415,000	\$ 14,480,000	\$ 15,285,000	\$ 34,450,000	\$ 37,700,000
Certificates of obligation	45,353,000	50,002,894	4,624,000	5,457,000	49,977,000	55,459,894
Capital leases	-	61,510	-	51,387	-	112,897
OPEB liability	<u>397,514</u>	<u>294,294</u>	<u>-</u>	<u>-</u>	<u>397,514</u>	<u>294,294</u>
	\$ <u>65,720,514</u>	\$ <u>72,773,698</u>	\$ <u>19,104,000</u>	\$ <u>20,793,387</u>	\$ <u>84,824,514</u>	\$ <u>93,567,085</u>

As of September 30, 2014, of the \$65,720,514 in outstanding debt of governmental activities backed by the full faith and credit of the City, approximately 40.50%, or \$26,620,000 is self-supported debt from the following sources:

Keller Tax Increment Reinvestment Zone No. 1, \$16,090,000; and
Keller Development Corporation, \$10,530,000.

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 58 – 61 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the fiscal year 2014-15 budget, general fund budgeted revenues are \$31,740,290 an increase of \$952,769 (3.09%) over FY2014 estimated revenues and an increase of \$1,295,974 (4.26%) over the FY2014 original adopted budget, with general property taxes comprising about 46.8% of General Fund budgeted revenues and transfers in. Total property tax revenues and net taxable value increased by 6.78 percent over the FY2014 estimated budget, to a net taxable value of \$4.55 billion. Sales and other taxes increased by \$700,740 — 4.34 percent — mainly due to a projected increase in sales tax revenues and franchise fees. Although the rate of growth in development activity has remained steady, a conservative approach was used to project development-related revenues, including only projects with a high degree of certainty for fiscal year 2014-2015.

The projected beginning general fund balance for FY2015 of \$11,346,511 exceeds the targeted beginning fund balance by approximately 70 days of operations. The total ending fund balance at September 30, 2015, is projected to be \$11,394,916 (excluding FY 2015 expenditures from Fund Balance), which is \$48,405 higher than last year's estimated budget amount. The city's financial management policies establish a benchmark (target) of 70 days of operating, non-recurring expenditures as an unreserved fund balance. The unassigned fund balance projected at \$11,394,916 allows for approximately 132.9 days of operating expenditures, thereby exceeding the established benchmark.

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 2014-2015 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.

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**BASIC
FINANCIAL STATEMENTS**

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CITY OF KELLER, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 729,474	\$ 349,885	\$ 1,079,359
Investments	35,930,813	12,439,787	48,370,600
Receivables	3,537,797	4,133,629	7,671,426
Due from other governmental agencies	315,422	-	315,422
Internal balances	(1,979,951)	1,979,951	-
Inventories	50,900	268,663	319,563
Prepaid items	57,398	1,949	59,347
Restricted assets:			
Investments	-	11,905,788	11,905,788
Capital assets:			
Land	34,016,592	1,502,301	35,518,893
Construction in progress	9,000,332	3,994,736	12,995,068
Buildings and improvements	36,700,640	-	36,700,640
Improvements	73,082,284	-	73,082,284
Water and sewer system	-	69,426,319	69,426,319
Machinery and equipment	7,028,286	549,689	7,577,975
Capacity rights	-	2,597,989	2,597,989
Total capital assets	<u>159,828,134</u>	<u>78,071,034</u>	<u>237,899,168</u>
Total assets	<u>198,469,987</u>	<u>109,150,686</u>	<u>307,620,673</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	<u>1,551,287</u>	<u>156,697</u>	<u>1,707,984</u>
Total deferred outflows of resources	<u>1,551,287</u>	<u>156,697</u>	<u>1,707,984</u>
LIABILITIES			
Accounts payable and accrued expenses	2,558,036	3,406,816	5,964,852
Unearned revenues	415,933	734,842	1,150,775
Accrued interest	318,288	83,373	401,661
Customer deposits	15,121	997,398	1,012,519
Noncurrent liabilities:			
Due within one year	7,475,155	1,522,652	8,997,807
Due in more than one year	<u>63,235,828</u>	<u>18,577,972</u>	<u>81,813,800</u>
Total liabilities	<u>74,018,361</u>	<u>25,323,053</u>	<u>99,341,414</u>
NET POSITION			
Net investment in capital assets	96,268,556	58,172,320	154,440,876
Restricted for:			
Subsequent year appropriations	5,273,973	-	5,273,973
General government	143,291	-	143,291
Capital projects	12,480,371	7,781,518	20,261,889
Debt service	1,032,471	-	1,032,471
Recreation and leisure	4,554	-	4,554
Public safety	3,127,090	-	3,127,090
Unrestricted	<u>7,672,607</u>	<u>18,030,492</u>	<u>25,703,099</u>
Total net position	<u>\$ 126,002,913</u>	<u>\$ 83,984,330</u>	<u>\$ 209,987,243</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, 2014

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 7,011,362	\$ 345,837	\$ 10,052	\$ -
Public safety	16,756,956	2,668,815	2,672,421	-
Public works	2,490,468	79,719	838,537	6,069
Community development	1,357,417	1,877,126	-	-
Recreation and leisure	4,938,515	915,060	69,352	245,464
Interest and fiscal charges	2,882,936	-	-	-
Total governmental activities	<u>35,437,654</u>	<u>5,886,557</u>	<u>3,590,362</u>	<u>251,533</u>
Business-type activities:				
Water and wastewater utility	18,496,707	21,546,501	-	2,625,415
Drainage utility	2,040,218	1,569,419	-	2,352,338
Recreation/Aquatic Center	2,669,471	3,029,667	-	-
Total business-type activities	<u>23,206,396</u>	<u>26,145,587</u>	<u>-</u>	<u>4,977,753</u>
Total primary government	<u>\$ 58,644,050</u>	<u>\$ 32,032,144</u>	<u>\$ 3,590,362</u>	<u>\$ 5,229,286</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

Change in accounting principle

Net position - beginning, as restated

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
\$(6,655,473)	\$ -	\$(6,655,473)
(11,415,720)	-	(11,415,720)
(1,566,143)	-	(1,566,143)
519,709	-	519,709
(3,708,639)	-	(3,708,639)
(2,882,936)	-	(2,882,936)
<u>(25,709,202)</u>	<u>-</u>	<u>(25,709,202)</u>
-	5,675,209	5,675,209
-	1,881,539	1,881,539
<u>-</u>	<u>360,196</u>	<u>360,196</u>
<u>-</u>	<u>7,916,944</u>	<u>7,916,944</u>
<u>(25,709,202)</u>	<u>7,916,944</u>	<u>(17,792,258)</u>
21,526,556	-	21,526,556
9,817,716	-	9,817,716
3,157,388	-	3,157,388
128,832	-	128,832
180,677	121,260	301,937
240,932	42,688	283,620
98,274	-	98,274
<u>3,826,555</u>	<u>(3,826,555)</u>	<u>-</u>
<u>38,976,930</u>	<u>(3,662,607)</u>	<u>35,314,323</u>
13,267,728	4,254,337	17,522,065
<u>113,644,658</u>	<u>80,014,050</u>	<u>193,658,708</u>
(909,473)	(284,057)	(1,193,530)
<u>112,735,185</u>	<u>79,729,993</u>	<u>192,465,178</u>
<u>\$ 126,002,913</u>	<u>\$ 83,984,330</u>	<u>\$ 209,987,243</u>

**CITY OF KELLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General Fund	Crime Control Prevention District	G.O. Debt Service
ASSETS			
Cash and cash equivalents	\$ -	\$ 20,000	\$ 17,317
Investments	18,641,754	3,469,681	385,237
Receivables, net of allowances for uncollectibles			
Taxes	1,956,658	194,506	108,192
Accounts	486,146	-	-
Interest	11,175	-	245
Other	5,148	-	-
Due from other funds	-	-	107,696
Due from other governments	66,934	-	-
Inventory	50,900	-	-
Prepaid items	57,398	-	-
	<u>\$ 21,276,113</u>	<u>\$ 3,684,187</u>	<u>\$ 618,687</u>
LIABILITIES			
Accounts payable	\$ 919,659	\$ 413,160	\$ 750
Accrued liabilities	1,077,609	-	-
Due to other funds	2,032,853	107,696	-
Due to other governments	-	-	-
Unearned revenue	275,046	113,299	-
Customer deposits	15,121	-	-
	<u>4,320,288</u>	<u>634,155</u>	<u>750</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	237,475	-	100,698
Unavailable revenue - court fines	29,571	-	-
Unavailable revenue - ambulance	349,846	-	-
Unavailable revenue - assessments	-	-	-
	<u>616,892</u>	<u>-</u>	<u>100,698</u>
FUND BALANCES			
Non-spendable:			
Inventory	50,900	-	-
Prepays	57,398	-	-
Restricted for:			
General government	-	-	-
Debt service	-	-	517,239
Capital acquisition and construction	-	-	-
Recreation and leisure	-	-	-
Public safety	-	3,050,032	-
Assigned for:			
Subsequent year appropriations	5,273,973	-	-
Recreation	353,743	-	-
Public information and broadcasting	422,415	-	-
Information services	677,882	-	-
Community Clean-Up	121,892	-	-
Unassigned	9,380,730	-	-
	<u>16,338,933</u>	<u>3,050,032</u>	<u>517,239</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,276,113</u>	<u>\$ 3,684,187</u>	<u>\$ 618,687</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 692,157	\$ 729,474
13,434,141	35,930,813
707,306	2,966,662
30,760	516,906
9,867	21,287
27,794	32,942
2,069,963	2,177,659
248,488	315,422
-	50,900
-	57,398
<u>\$ 17,220,476</u>	<u>\$ 42,799,463</u>
\$ 131,866	\$ 1,465,435
11,909	1,089,518
2,017,061	4,157,610
3,083	3,083
27,588	415,933
-	15,121
<u>2,191,507</u>	<u>7,146,700</u>
-	338,173
700	30,271
-	349,846
<u>57,639</u>	<u>57,639</u>
<u>58,339</u>	<u>775,929</u>
-	50,900
-	57,398
143,291	143,291
414,534	931,773
12,480,371	12,480,371
4,554	4,554
77,058	3,127,090
-	5,273,973
2,007,357	2,361,100
-	422,415
-	677,882
-	121,892
(156,535)	9,224,195
<u>14,970,630</u>	<u>34,876,834</u>
<u>\$ 17,220,476</u>	<u>\$ 42,799,463</u>

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CITY OF KELLER, TEXAS

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

SEPTEMBER 30, 2014

Total fund balance, governmental funds	\$ 34,876,834
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.	159,828,134
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.	775,929
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>(69,477,984)</u>
Net position of governmental activities in the Statement of Net Position	\$ <u>126,002,913</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, 2014

	General Fund	Crime Control Prevention District	G.O. Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 13,845,215	\$ -	\$ 4,911,496	\$ 2,766,084	\$ 21,522,795
Sales	4,960,591	1,136,707	-	3,720,418	9,817,716
Franchise	3,157,388	-	-	-	3,157,388
Mixed beverage	128,832	-	-	-	128,832
Permits, licenses and fees	2,015,896	-	-	284,999	2,300,895
Intergovernmental	3,066,407	20,000	-	525,271	3,611,678
Charges for services	1,490,866	-	-	7,820	1,498,686
Fines and forfeitures	1,214,121	-	-	112,170	1,326,291
Special assessments and impact fees	-	-	-	885,077	885,077
Donations	31,832	-	-	64,748	96,580
Investment earnings	87,059	12,227	5,593	75,617	180,496
Miscellaneous	278,989	10	-	16,075	295,074
Total revenues	<u>30,277,196</u>	<u>1,168,944</u>	<u>4,917,089</u>	<u>8,458,279</u>	<u>44,821,508</u>
EXPENDITURES					
Current:					
General government	6,132,607	-	-	136,475	6,269,082
Public safety	14,757,070	91,160	-	120,398	14,968,628
Public works	2,177,559	-	-	47,123	2,224,682
Community development	1,212,552	-	-	-	1,212,552
Recreation and leisure	4,363,524	-	-	47,945	4,411,469
Capital outlay	3,384,739	3,477,592	-	2,137,832	9,000,163
Debt service:					
Principal	-	320,000	3,619,510	3,216,894	7,156,404
Interest and other charges	-	204,750	1,366,312	1,300,473	2,871,535
Total expenditures	<u>32,028,051</u>	<u>4,093,502</u>	<u>4,985,822</u>	<u>7,007,140</u>	<u>48,114,515</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,750,855)</u>	<u>(2,924,558)</u>	<u>(68,733)</u>	<u>1,451,139</u>	<u>(3,293,007)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	14,290	5,321	-	84,250	103,861
Transfers in	3,293,852	-	717,888	1,188,734	5,200,474
Transfers out	<u>(300,000)</u>	<u>-</u>	<u>(662,685)</u>	<u>(411,234)</u>	<u>(1,373,919)</u>
Total other financing sources and uses	<u>3,008,142</u>	<u>5,321</u>	<u>55,203</u>	<u>861,750</u>	<u>3,930,416</u>
NET CHANGE IN FUND BALANCES	1,257,287	(2,919,237)	(13,530)	2,312,889	637,409
FUND BALANCES, BEGINNING	<u>15,081,646</u>	<u>5,969,269</u>	<u>530,769</u>	<u>12,657,741</u>	<u>34,239,425</u>
FUND BALANCES, ENDING	<u>\$ 16,338,933</u>	<u>\$ 3,050,032</u>	<u>\$ 517,239</u>	<u>\$ 14,970,630</u>	<u>\$ 34,876,834</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, 2014

Net change in fund balances - total governmental funds:	\$ 637,409
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.	5,477,265
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(40,955)
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 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.	7,156,404
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>37,605</u>
Change in net position of governmental activities	<u>\$ 13,267,728</u>

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

CITY OF KELLER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Water and Wastewater Utilities	Drainage Utility	Recreation/ Aquatic Center	Total Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 61,994	\$ 287,891	\$ 349,885
Investments	8,338,341	2,706,618	1,394,828	12,439,787
Receivables, net of allowances for uncollectibles				
Accounts	4,023,593	71,505	23,862	4,118,960
Interest	11,728	1,811	1,130	14,669
Due from other funds	1,979,951	-	-	1,979,951
Inventory	268,663	-	-	268,663
Prepaid items	528	40	1,381	1,949
Restricted assets:				
Investments	11,905,788	-	-	11,905,788
Total current assets	<u>26,528,592</u>	<u>2,841,968</u>	<u>1,709,092</u>	<u>31,079,652</u>
Non-current assets:				
Capital assets:				
Land	1,441,029	61,272	-	1,502,301
Water and sewer system	93,585,716	28,505,772	-	122,091,488
Machinery and equipment	1,784,651	521,493	-	2,306,144
Capacity rights	6,281,781	-	-	6,281,781
Construction in progress	3,353,379	641,357	-	3,994,736
Less accumulated depreciation	<u>(41,755,083)</u>	<u>(16,350,333)</u>	<u>-</u>	<u>(58,105,416)</u>
Total non-current assets	<u>64,691,473</u>	<u>13,379,561</u>	<u>-</u>	<u>78,071,034</u>
Total assets	<u>91,220,065</u>	<u>16,221,529</u>	<u>1,709,092</u>	<u>109,150,686</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	156,697	-	-	156,697
Total deferred outflows of resources	<u>156,697</u>	<u>-</u>	<u>-</u>	<u>156,697</u>
LIABILITIES				
Current liabilities:				
Accounts payable	2,845,448	252,830	73,910	3,172,188
Accrued liabilities	155,882	25,837	52,909	234,628
Accrued interest payable	83,373	-	-	83,373
Deferred revenue	105,757	-	629,085	734,842
Customer deposits	991,619	-	5,779	997,398
Compensated absences	28,683	4,969	-	33,652
Certificates of obligation	564,000	-	-	564,000
General obligation bonds	925,000	-	-	925,000
Total current liabilities	<u>5,699,762</u>	<u>283,636</u>	<u>761,683</u>	<u>6,745,081</u>
Non-current liabilities:				
Compensated absences	143,413	24,845	-	168,258
Certificates of obligation	9,395,000	-	-	9,395,000
General obligation bonds	9,014,714	-	-	9,014,714
Total non-current liabilities	<u>18,553,127</u>	<u>24,845</u>	<u>-</u>	<u>18,577,972</u>
Total liabilities	<u>24,252,889</u>	<u>308,481</u>	<u>761,683</u>	<u>25,323,053</u>
NET POSITION				
Net investment in capital assets	44,792,759	13,379,561	-	58,172,320
Restricted for capital projects	7,781,518	-	-	7,781,518
Unrestricted	14,549,596	2,533,487	947,409	18,030,492
Total net position	<u>\$ 67,123,873</u>	<u>\$ 15,913,048</u>	<u>\$ 947,409</u>	<u>\$ 83,984,330</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, 2014

	Water and Wastewater Utilities	Drainage Utility	Recreation/ Aquatic Center	Total Enterprise Funds
OPERATING REVENUES				
Water revenue	\$ 14,637,240	\$ -	\$ -	\$ 14,637,240
Sewer revenue	6,562,164	-	-	6,562,164
Drainage revenue	-	1,569,419	-	1,569,419
Recreation / Aquatic Center revenue	-	-	3,028,167	3,028,167
Tap and connection fees	187,920	-	-	187,920
Intergovernmental	159,177	-	-	159,177
Miscellaneous revenues	31,640	-	11,048	42,688
Total operating revenues	<u>21,578,141</u>	<u>1,569,419</u>	<u>3,039,215</u>	<u>26,186,775</u>
OPERATING EXPENSES				
Personnel services	2,972,306	558,385	1,425,778	4,956,469
Supplies and maintenance	853,924	69,050	327,122	1,250,096
Services and other	737,444	74,077	916,571	1,728,092
Wholesale water purchases	7,536,047	-	-	7,536,047
Wastewater services contracted	2,765,329	-	-	2,765,329
Depreciation and amortization	2,951,323	1,335,866	-	4,287,189
Total operating expenses	<u>17,816,373</u>	<u>2,037,378</u>	<u>2,669,471</u>	<u>22,523,222</u>
OPERATING INCOME (LOSS)	<u>3,761,768</u>	<u>(467,959)</u>	<u>369,744</u>	<u>3,663,553</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenues	90,482	23,091	7,687	121,260
Gain (loss) on disposal of assets	7,850	-	1,500	9,350
Interest expense	(688,184)	(2,840)	-	(691,024)
Total non-operating revenues (expenses)	<u>(589,852)</u>	<u>20,251</u>	<u>9,187</u>	<u>(560,414)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>3,171,916</u>	<u>(447,708)</u>	<u>378,931</u>	<u>3,103,139</u>
Capital contributions	2,625,415	2,352,338	-	4,977,753
Transfers in	70,000	30,503	-	100,503
Transfers out	(3,699,248)	(204,265)	(23,545)	(3,927,058)
CHANGE IN NET POSITION	<u>2,168,083</u>	<u>1,730,868</u>	<u>355,386</u>	<u>4,254,337</u>
TOTAL NET POSITION, BEGINNING	<u>65,239,847</u>	<u>14,182,180</u>	<u>592,023</u>	<u>80,014,050</u>
CHANGE IN ACCOUNTING PRINCIPLE	<u>(284,057)</u>	<u>-</u>	<u>-</u>	<u>(284,057)</u>
TOTAL NET POSITION, ENDING	<u>\$ 67,123,873</u>	<u>\$ 15,913,048</u>	<u>\$ 947,409</u>	<u>\$ 83,984,330</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, 2014

	Water and Wastewater Utilities	Drainage Utility	Recreation / Aquatic Center	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 20,798,292	\$ 1,569,968	\$ 2,955,123	\$ 25,323,383
Cash payments for goods and services	(11,109,788)	90,430	(1,429,509)	(12,448,867)
Cash payments to employees/retirees	(2,938,706)	(558,968)	(1,269,688)	(4,767,362)
Net cash provided by operating activities	<u>6,749,798</u>	<u>1,101,430</u>	<u>255,926</u>	<u>8,107,154</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash paid to other funds	(1,979,951)	-	-	(1,979,951)
Transfers from other funds	70,000	30,503	-	100,503
Transfers to other funds	(3,699,248)	(204,265)	(23,545)	(3,927,058)
Net cash used by noncapital financing activities	<u>(5,609,199)</u>	<u>(173,762)</u>	<u>(23,545)</u>	<u>(5,806,506)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on debt	(1,999,996)	(51,387)	-	(2,051,383)
Interest and fiscal charges on debt	(162,813)	(2,840)	-	(165,653)
Acquisition and construction of capital assets	(1,336,617)	(618,936)	-	(1,955,553)
Proceeds from sale of capital assets	7,850	-	1,500	9,350
Net cash provided (used) by capital and related financing activities	<u>(3,491,576)</u>	<u>(673,163)</u>	<u>1,500</u>	<u>(4,163,239)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	2,019,656	(268,420)	-	1,751,236
Proceeds from sale and maturities of securities	-	-	8,660	8,660
Interest on investments	84,107	21,875	6,919	112,901
Net cash used by investing activities	<u>2,103,763</u>	<u>(246,545)</u>	<u>15,579</u>	<u>1,872,797</u>
NET INCREASE (DECREASE) IN CASH	(247,214)	7,960	249,460	10,206
CASH AND CASH EQUIVALENTS, BEGINNING	<u>247,214</u>	<u>54,034</u>	<u>38,431</u>	<u>339,679</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ -</u>	<u>\$ 61,994</u>	<u>\$ 287,891</u>	<u>\$ 349,885</u>

CITY OF KELLER, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Water and Wastewater Utilities</u>	<u>Drainage Utility</u>	<u>Recreation / Aquatic Center</u>	<u>Total Enterprise Funds</u>
RECONCILIATION OF OPERATING INCOME TO				
NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ <u>3,761,768</u>	\$(<u>467,959</u>)	\$ <u>369,744</u>	\$ <u>3,663,553</u>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,951,323	1,335,866	-	4,287,189
Change in assets and liabilities:				
Decrease (increase) in assets:				
Customer receivables	(862,793)	549	(6,626)	(868,870)
Prepaid items	208,524	6	2,642	211,172
Inventory	(50,734)	-	-	(50,734)
Increase (decrease) in liabilities:				
Accounts payable	625,166	233,551	(28,637)	830,080
Accrued liabilities	3,131	2,453	(3,731)	1,853
Unearned revenue	15,827	-	(78,382)	(62,555)
Customer deposits	82,944	-	916	83,860
Compensated absences	14,642	(3,036)	-	11,606
Total adjustments	<u>2,988,030</u>	<u>1,569,389</u>	<u>(113,818)</u>	<u>4,443,601</u>
Net cash provided by operating activities	\$ <u>6,749,798</u>	\$ <u>1,101,430</u>	\$ <u>255,926</u>	\$ <u>8,107,154</u>
NONCASH INVESTING, CAPITAL AND				
FINANCING ACTIVITIES				
Contributions of capital assets	\$ <u>2,625,415</u>	\$ <u>2,352,338</u>	\$ <u>-</u>	\$ <u>4,977,753</u>

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

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CITY OF KELLER, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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 and there is either a financial benefit or burden relationship between the City and KDC, 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 and the TIF provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City even though it does not provide services directly to it, 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 and the KCCPD provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City even though it does not provide services directly to it, 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.

In the governmental funds, the City reports deferred inflows of resources for amounts that have been billed and/or collected and do not meet both the "measurable" and "available" criteria for recognition in the current period. The City reports unearned revenue in the government-wide and fund financial statements for any amounts where an asset was recognized before the earnings process was complete.

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 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.

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

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City is reporting balances for deferred losses on bond refundings in both the government-wide Statement of Net Position and the Statement of Net Position – Proprietary Funds. A deferred loss on a bond refunding results when the reacquisition price of the refunded debt exceeds the carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. *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. Commitments may be changed or removed only by majority vote of the City Council. 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. Per the fund balance policy, 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.

10. Change in Accounting Principles

As the result of implementing GASB Statement Nos. 63 and 65, the City has restated the beginning net position, effectively decreasing net position as of October 1, 2013 by (\$909,473) for the governmental activities and by (\$284,057) for the business-type activities and proprietary funds. These decreases result from no longer deferring and amortizing bond issuance costs.

Further, the City has restated its long-term liabilities to reflect that components of those liabilities as of October 1, 2013, deferred loss on bond refunding and deferred gain on bond refunding, are now reported as deferred outflows and deferred inflows of resources in the government-wide and proprietary fund financial statements. The effect of this change increases the long-term liabilities of the governmental activities by \$1,551,287, and increases long-term liabilities of the business-type activities by \$156,697. These increases in long-term liabilities correspond to an increase in deferred outflows and deferred inflows of resources.

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 \$(69,477,984) difference are as follows:

General obligation bonds	\$(19,970,000)
Certificates of obligation	(45,353,000)
Premiums on bonds	(2,144,397)
Deferred loss on refunding	1,551,287
Accrued interest payable	(318,288)
Compensated absences	(1,566,614)
OPEB liability	(397,514)
TMRS net pension obligation	<u>(1,279,458)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$(69,477,984)</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 \$5,477,265 difference are as follows:

Capital outlay	\$ 14,562,417
Depreciation expense	<u>(9,085,152)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ 5,477,265</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 \$(40,955) difference are as follows:

Property taxes	\$ 3,761
Ambulance fees	15,894
Assessments	(74,829)
Court fines	<u>14,219</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$(40,955)</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 \$37,605 difference are as follows:

Compensated absences	\$ 161,190
Interest payable	34,557
Amortization of deferred charge on refunding	(286,426)
Amortization of bond discounts/premiums	240,468
Other post employment benefits	(103,220)
TMRS net pension obligation	<u>(8,964)</u>
 Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	 <u>\$ 37,605</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 27th 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, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Ratings (Standard & Poor's)</u>
Certificates of Deposit	\$ 28,791,255	416	
TexPool	3,869,501	51	AAAm
LOGIC	3,745,174	57	AAAm
Money Market Mutual Funds	15,139,850	1	AAAm
Bonds	8,683,764	633	

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, 2014, \$45,868,406 of the City's \$47,118,406 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$1,250,000, was covered by FDIC insurance.

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:

	General	Crime Control Prevention District	G.O. Debt Service	Other Governmental	Water and Wastewater Operations	Drainage Utility	Recreational Aquatic Center	Totals
Receivables:								
Property taxes	\$ 278,422	\$ -	\$ 117,567	\$ 29,804	\$ -	\$ -	\$ -	\$ 425,793
Sales taxes	938,695	194,506	-	677,502	-	-	-	1,810,703
Franchise taxes	762,250	-	-	-	-	-	-	762,250
Ambulance	822,825	-	-	-	-	-	-	822,825
Municipal court fines	295,711	-	-	7,003	-	-	-	302,714
Customer accounts	98,009	-	-	30,060	4,125,444	92,709	23,862	4,370,084
Intergovernmental	66,934	-	-	248,488	-	-	-	315,422
Interest	11,175	-	245	9,867	11,728	1,811	1,130	35,956
Other	5,148	-	-	32,952	-	-	-	38,100
Gross Receivables	3,279,169	194,506	117,812	1,035,676	4,137,172	94,520	24,992	8,883,847
Less: allowance for uncollectibles	753,108	-	9,375	11,461	101,851	21,204	-	896,999
Net total receivables	\$ 2,526,061	\$ 194,506	\$ 108,437	\$ 1,024,215	\$ 4,035,321	\$ 73,316	\$ 24,992	\$ 7,986,848

C. Capital Assets

Capital assets activity for the year ended September 30, 2014, are as follows:

Primary Government

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 30,579,143	\$ 3,452,155	\$ -	\$(14,706)	\$ 34,016,592
Construction in progress	<u>2,473,124</u>	<u>4,403,984</u>	<u>-</u>	<u>2,123,224</u>	<u>9,000,332</u>
Total assets not being depreciated	<u>33,052,267</u>	<u>7,856,139</u>	<u>-</u>	<u>2,108,518</u>	<u>43,016,924</u>
Capital assets, being depreciated:					
Buildings	60,163,788	-	-	(4,578,282)	55,585,506
Improvements	178,024,436	3,810,118	-	2,575,152	184,409,706
Machinery and equipment	<u>16,046,598</u>	<u>2,901,747</u>	<u>(260,423)</u>	<u>(105,388)</u>	<u>18,582,534</u>
Total capital assets being depreciated	<u>254,234,822</u>	<u>6,711,865</u>	<u>(260,423)</u>	<u>(2,108,518)</u>	<u>258,577,746</u>
Less accumulated depreciation:					
Buildings	(17,280,291)	(1,604,575)	-	-	(18,884,866)
Improvements	(105,336,672)	(5,997,547)	-	6,797	(111,327,422)
Machinery and equipment	<u>(10,319,257)</u>	<u>(1,483,030)</u>	<u>254,836</u>	<u>(6,797)</u>	<u>(11,554,248)</u>
Total accumulated depreciation	<u>(132,936,220)</u>	<u>(9,085,152)</u>	<u>254,836</u>	<u>-</u>	<u>(141,766,536)</u>
Total capital assets being depreciated, net	<u>121,298,602</u>	<u>(2,373,287)</u>	<u>(5,587)</u>	<u>(2,108,518)</u>	<u>116,811,210</u>
Governmental activities capital assets, net	<u>\$ 154,350,869</u>	<u>\$ 5,482,852</u>	<u>\$ (5,587)</u>	<u>\$ -</u>	<u>\$ 159,828,134</u>
	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,440,545	\$ 61,756	\$ -	\$ -	\$ 1,502,301
Construction in progress	<u>3,831,394</u>	<u>1,600,574</u>	<u>-</u>	<u>(1,437,232)</u>	<u>3,994,736</u>
Total assets not being depreciated	<u>5,271,939</u>	<u>1,662,330</u>	<u>-</u>	<u>(1,437,232)</u>	<u>5,497,037</u>
Capital assets, being depreciated:					
Improvements other than buildings	115,668,069	4,986,187	-	1,437,232	122,091,488
Machinery and equipment	2,237,080	172,588	(103,524)	-	2,306,144
Capacity rights	<u>6,281,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,281,781</u>
Total capital assets being depreciated	<u>124,186,930</u>	<u>5,158,775</u>	<u>(103,524)</u>	<u>1,437,232</u>	<u>130,679,413</u>
Less accumulated depreciation:					
Improvements other than buildings	(48,830,546)	(3,834,623)	-	-	(52,665,169)
Machinery and equipment	(1,676,659)	(183,320)	103,524	-	(1,756,455)
Capacity rights	<u>(3,526,747)</u>	<u>(157,045)</u>	<u>-</u>	<u>-</u>	<u>(3,683,792)</u>
Total accumulated depreciation	<u>(54,033,952)</u>	<u>(4,174,988)</u>	<u>103,524</u>	<u>-</u>	<u>(58,105,416)</u>
Total capital assets being depreciated, net	<u>70,152,978</u>	<u>983,787</u>	<u>-</u>	<u>1,437,232</u>	<u>72,573,997</u>
Business-type activities capital assets, net	<u>\$ 75,424,917</u>	<u>\$ 2,646,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,071,034</u>

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

Governmental activities:	
General government	\$ 1,958,150
Public safety	4,675,457
Public works	694,880
Community development	378,741
Recreation and leisure	<u>1,377,924</u>
Total depreciation expense - governmental activities	<u>\$ 9,085,152</u>
Business-type activities:	
Water and wastewater utilities	\$ 2,839,122
Drainage utilities	<u>1,335,866</u>
Total depreciation expense - business-type activities	<u>\$ 4,174,988</u>

Construction Commitments

The City has active construction projects as of September 30, 2014. 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 Sewer Improvements	\$ 83,843	\$ 10,000
Robin Court Drainage Improvements	553,005	69,425
Katy Road Sanitary Sewer Improvements	1,559,088	172,533
Expansion/Renovation of the Jail/Animal Shelter	420,190	27,136
Residential Street Reconstruction Project	<u>482,214</u>	<u>1,226,176</u>
Total	<u>\$ 3,098,340</u>	<u>\$ 1,505,270</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	\$ 3,108,615
	Drainage utility	118,355
	Nonmajor governmental	43,337
	Nonmajor proprietary	23,545
General obligation debt service	Water and wastewater utilities	436,510
	Nonmajor governmental	281,378
Nonmajor governmental	General	300,000
	General obligation debt service	662,685
	Water and wastewater utilities	123,620
	Nonmajor governmental	86,519
	Drainage utility	15,910
Drainage utility	Water and wastewater utilities	30,503
Water and wastewater utilities	Drainage utility	<u>70,000</u>
		<u>\$ 5,300,977</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 09/30/14
General obligation bonds:					
City:					
Refunding	11,125,000	2004	2017	3.00% - 4.00%	\$ 995,000
Refunding	9,980,000	2005	2014	3.00% - 4.00%	5,665,000
Improvements	4,000,000	2009	2029	4.00% - 4.65%	3,395,000
Refunding	2,000,000	2010	2020	2.00% - 3.50%	740,000
Refunding	5,620,000	2010	2022	2.00% - 4.00%	4,500,000
Refunding	625,000	2012	2023	0.55%-2.85%	575,000
Refunding	4,155,000	2012	2024	2.00% - 5.00%	<u>4,100,000</u>
					<u>19,970,000</u>
Certificates of obligation:					
City:					
Improvements	1,690,000	2003	2023	2.50% - 4.25%	135,000
Improvements	8,310,000	2009	2029	3.00% - 4.70%	6,900,000
Improvements	6,710,000	2010	2030	2.00% - 4.00%	5,810,000
Improvements	6,000,000	2012	2027	2.00% - 5.00%	5,405,000
Improvements	601,000	2013	2018	0.56%-1.63%	483,000
Keller TIRZ (TIF)					
Refunding	17,400,000	2005	2018	3.50% - 5.00%	9,920,000
Refunding	6,299,997	2010	2028	1.00% - 4.125%	6,170,000
Keller Development Corp.					
Improvements	18,120,000	2003	2023	2.50% - 4.25%	2,020,000
Improvements	755,000	2004	2024	4.00% - 5.00%	<u>8,510,000</u>
					<u>45,353,000</u>
Less: bond issue (discount)/premium					<u>2,144,397</u>
Total governmental activities debt					<u>\$ 67,467,397</u>

Business-type Activities Debt:

Purpose	Original Principal	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/12
General obligation bonds:					
City:					
Refunding	3,390,000	2004	2020	3.00% - 4.20%	\$ 2,000,000
Refunding	1,290,000	2010	2020	2.00% - 3.50%	500,000
Refunding	7,310,000	2012	2024	2.00% - 5.00%	<u>6,645,000</u>
					<u>9,145,000</u>
Certificates of obligation:					
City:					
Improvements	4,255,000	2006	2026	4.25% - 5.37%	3,020,000
Improvements	1,600,000	2010	2030	2.00% - 4.25%	1,385,000
Improvements	5,835,000	2012	2032	0.05%-2.20%	5,335,000
Improvements	272,000	2013	2018	0.56%-1.63%	<u>219,000</u>
					<u>9,959,000</u>
Less: bond issue (discount)/premium					<u>794,714</u>
Total business-type activities debt					<u>\$ 19,898,714</u>

Annual debt service requirements to maturity for general debt:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	4,445,000	1,337,703	1,640,000	449,088
2020-2024	20,195,000	4,211,841	7,285,000	1,337,080
2025-2029	10,750,000	1,207,326	2,725,000	353,674
2030-2034	<u>485,000</u>	<u>10,306</u>	<u>1,190,000</u>	<u>48,314</u>
Total	<u>\$ 65,323,000</u>	<u>\$ 15,006,354</u>	<u>\$ 19,104,000</u>	<u>\$ 4,458,297</u>

Changes in Long-term Liabilities

During the year ended September 30, 2014, the following changes occurred in general government long-term debt:

Description	Balance 09/30/13	Additions	Reductions	Balance 09/30/14	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 22,415,000	\$ -	\$(2,445,000)	\$ 19,970,000	\$ 2,610,000
Certificates of obligation	50,002,894	-	(4,649,894)	45,353,000	4,624,000
Bond premiums/discounts	<u>2,384,865</u>	<u>-</u>	<u>(240,468)</u>	<u>2,144,397</u>	<u>-</u>
Total bonds payable	74,802,759	-	(7,335,362)	67,467,397	7,234,000
Capital lease obligation	61,510	-	(61,510)	-	-
Compensated absences	1,727,804	1,302,800	(1,463,990)	1,566,614	241,155
OPEB liability	294,294	103,220	-	397,514	-
TMRS net pension obligation	<u>1,270,494</u>	<u>8,964</u>	<u>-</u>	<u>1,279,458</u>	<u>-</u>
	<u>\$ 78,156,861</u>	<u>\$ 1,414,984</u>	<u>\$(8,860,862)</u>	<u>\$ 70,710,983</u>	<u>\$ 7,475,155</u>
Business-type activities:					
General obligation bonds	\$ 9,700,000	\$ -	\$(555,000)	\$ 9,145,000	\$ 925,000
Certificates of obligation	11,042,000	-	(1,083,000)	9,959,000	564,000
Bond premiums/discounts	<u>885,923</u>	<u>-</u>	<u>(91,209)</u>	<u>794,714</u>	<u>-</u>
Total bonds payable	21,627,923	-	(1,729,209)	19,898,714	1,489,000
Capital lease obligation	51,387	-	(51,387)	-	-
Compensated absences	<u>190,304</u>	<u>153,728</u>	<u>(142,122)</u>	<u>201,910</u>	<u>33,652</u>
	<u>\$ 21,869,614</u>	<u>\$ 153,728</u>	<u>\$(1,922,718)</u>	<u>\$ 20,100,624</u>	<u>\$ 1,522,652</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, 2014, there was one series of revenue bonds outstanding. The aggregate principal amount payable for the issues was \$27,975,000.

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 nontraditional, 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 from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2013</u>	<u>Plan Year 2014</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	50% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf.

The salary-weighted average of the individual rates is the total normal cost rate. 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)	\$ 2,683,300
Interest on Net Pension Obligation	88,935
Adjustment to the ARC	<u>(79,971)</u>
Annual Pension Cost	2,692,264
Contributions Made	<u>(2,683,300)</u>
Increase (Decrease) in Net Pension Obligation	8,964
Net Pension Obligation/(Asset), beginning of year	<u>1,270,494</u>
Net Pension Obligation/(Asset), ending of year	<u>\$ 1,279,458</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>
09/30/12	\$ 2,712,806	\$ 2,599,821	95.84%	\$ 1,146,802
09/30/13	2,609,946	2,599,239	99.59%	1,270,494
09/30/14	2,692,264	2,683,300	99.67%	1,279,458

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2013 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Actuarial Valuation Date	12/31/11	12/31/12	12/31/13
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	26.1 years - closed	25.3 years - closed	26.0 years - closed
Amortization period for new gains/losses	30 years	30 years	30 years
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, 2013, 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
12/31/2011	\$ 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%
12/31/2013	58,481,266	74,002,827	79.0%	15,521,561	17,135,309	90.6%

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)	\$ 105,335
Interest on Net Pension Obligation	20,601
Adjustment to the ARC	(18,524)
Annual Pension Cost	107,412
Contributions Made	(4,192)
Increase (Decrease) in Net Pension Obligation	103,220
Net Pension Obligation/(Asset), beginning of year	294,294
Net Pension Obligation/(Asset), ending of year	\$ <u>397,514</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 \$22,651 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
09/30/12	\$ 84,878	\$ 5,447	6.4%	\$ 208,642
09/30/13	85,652	-	0.0%	294,294
09/30/14	107,412	4,192	3.9%	397,514

Funding Status and Funding Progress

As of December 31, 2013, the actuarial accrued liability for benefits was \$560,003 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$18,024,871 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.1%.

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, 2013, 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, 2014, was 30 years. Inflation rates were assumed to be 3%.

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, 2014, 2013, and 2012, were \$22,676, \$21,947, and \$22,997, 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
09/30/12	.12%	.12%	100%	\$ -
09/30/13	.13%	.13%	100%	-
09/30/14	.13%	.13%	100%	-

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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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes:				
Property	\$ 13,939,280	\$ 13,851,675	\$ 13,845,215	\$(6,460)
Sales	4,715,000	4,762,750	4,960,591	197,841
Franchise	2,870,830	3,016,560	3,157,388	140,828
Mixed beverage	71,690	120,420	128,832	8,412
Permits, licenses and fees	1,400,380	1,561,800	2,015,896	454,096
Intergovernmental	2,755,946	3,210,346	3,066,407	(143,939)
Charges for services	1,468,800	1,434,475	1,490,866	56,391
Fines and forfeitures	789,000	1,098,500	1,214,121	115,621
Donations	33,400	36,250	31,832	(4,418)
Investment earnings	96,800	85,340	87,059	1,719
Miscellaneous	90,790	119,860	278,989	159,129
Total revenues	<u>28,231,916</u>	<u>29,297,976</u>	<u>30,277,196</u>	<u>979,220</u>
EXPENDITURES				
Current:				
General government	6,752,796	6,483,285	6,132,607	350,678
Public safety	15,875,657	15,394,120	14,757,070	637,050
Public works	2,339,305	2,394,250	2,177,559	216,691
Community development	2,500,755	1,315,895	1,212,552	103,343
Recreation and leisure	4,866,220	4,676,985	4,363,524	313,461
Capital outlay	3,415,690	4,432,435	3,384,739	1,047,696
Total expenditures	<u>35,750,423</u>	<u>34,696,970</u>	<u>32,028,051</u>	<u>2,668,919</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,518,507)</u>	<u>(5,398,994)</u>	<u>(1,750,855)</u>	<u>3,648,139</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	6,500	6,500	14,290	7,790
Transfers in	3,289,015	3,289,015	3,293,852	4,837
Transfers out	(300,000)	(300,000)	(300,000)	-
Total other financing sources and uses	<u>2,995,515</u>	<u>2,995,515</u>	<u>3,008,142</u>	<u>12,627</u>
NET CHANGE IN FUND BALANCE	<u>(4,522,992)</u>	<u>(2,403,479)</u>	<u>1,257,287</u>	<u>3,660,766</u>
FUND BALANCE, BEGINNING	<u>15,081,646</u>	<u>15,081,646</u>	<u>15,081,646</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 10,558,654</u>	<u>\$ 12,678,167</u>	<u>\$ 16,338,933</u>	<u>\$ 3,660,766</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, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Sales	\$ 1,030,000	\$ 1,030,000	\$ 1,136,707	\$ 106,707
Intergovernmental	20,000	20,000	20,000	-
Investment earnings	7,500	9,500	12,227	2,727
Miscellaneous	-	-	10	10
Total revenues	1,057,500	1,059,500	1,168,944	109,444
EXPENDITURES				
Current:				
Public safety	113,650	113,880	91,160	22,720
Capital outlay	445,340	3,629,402	3,477,592	151,810
Debt service:				
Principal	320,000	320,000	320,000	-
Interest and other charges	206,000	205,000	204,750	250
Total expenditures	1,084,990	4,268,282	4,093,502	174,780
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(27,490)	(3,208,782)	(2,924,558)	284,224
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	12,500	10,000	5,321	(4,679)
Total other financing sources and uses	12,500	10,000	5,321	(4,679)
NET CHANGE IN FUND BALANCE	(14,990)	(3,198,782)	(2,919,237)	279,545
FUND BALANCE, BEGINNING	5,969,269	5,969,269	5,969,269	-
FUND BALANCE, ENDING	\$ 5,954,279	\$ 2,770,487	\$ 3,050,032	\$ 279,545

CITY OF KELLER, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2014

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, 2014

	Special Revenue Funds				
	Library	Municipal Court	Public Safety	Contributions/ Donations	Keller Development Corporation
ASSETS					
Cash and cash equivalents	\$ -	\$ 71,054	\$ -	\$ 28,790	\$ -
Investments	44,077	55,719	484,148	705	1,603,303
Receivables, net of allowances for uncollectibles					
Taxes	-	-	-	-	451,663
Accounts	-	700	-	-	-
Interest	4	302	66	19	963
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	3,592	1,367	-	-
	<u>-</u>	<u>3,592</u>	<u>1,367</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 44,081</u>	<u>\$ 131,367</u>	<u>\$ 485,581</u>	<u>\$ 29,514</u>	<u>\$ 2,055,929</u>
LIABILITIES					
Accounts payable	\$ 507	\$ 16,890	\$ 463	\$ -	\$ 5,166
Accrued liabilities	-	-	7,714	-	4,195
Due to other funds	39,020	-	372,758	-	39,211
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	27,588	-	-
	<u>39,527</u>	<u>16,890</u>	<u>408,523</u>	<u>-</u>	<u>48,572</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - court fines	\$ -	\$ 700	\$ -	\$ -	\$ -
Unavailable revenue - assessments	-	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>700</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted	4,554	113,777	77,058	29,514	2,007,357
Unassigned	-	-	-	-	-
Total fund balances	<u>4,554</u>	<u>113,777</u>	<u>77,058</u>	<u>29,514</u>	<u>2,007,357</u>
Total liabilities, deferred outflows of resources and fund balances	<u>\$ 44,081</u>	<u>\$ 131,367</u>	<u>\$ 485,581</u>	<u>\$ 29,514</u>	<u>\$ 2,055,929</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	
\$ 62,991	\$ -	\$ 66,009	\$ 187,029	\$ -	\$ 276,284	\$ -	\$ 692,157
-	2,356,532	4,390,506	604,851	3,299,458	592,330	2,512	13,434,141
29,804	-	-	-	225,839	-	-	707,306
-	-	-	-	-	30,060	-	30,760
274	1,852	3,175	505	1,963	744	-	9,867
-	-	27,778	-	16	-	-	27,794
1,008,695	654,343	406,925	-	-	-	-	2,069,963
-	162,631	-	-	-	-	80,898	248,488
<u>\$ 1,101,764</u>	<u>\$ 3,175,358</u>	<u>\$ 4,894,393</u>	<u>\$ 792,385</u>	<u>\$ 3,527,276</u>	<u>\$ 899,418</u>	<u>\$ 83,410</u>	<u>\$ 17,220,476</u>
\$ -	\$ 13,046	\$ -	\$ -	\$ 90,234	\$ -	\$ 5,560	\$ 131,866
-	-	-	-	-	-	-	11,909
654,343	270,419	-	-	406,925	-	234,385	2,017,061
3,083	-	-	-	-	-	-	3,083
-	-	-	-	-	-	-	27,588
<u>657,426</u>	<u>283,465</u>	<u>-</u>	<u>-</u>	<u>497,159</u>	<u>-</u>	<u>239,945</u>	<u>2,191,507</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 700
29,804	-	27,778	-	57	-	-	57,639
<u>29,804</u>	<u>-</u>	<u>27,778</u>	<u>-</u>	<u>57</u>	<u>-</u>	<u>-</u>	<u>58,339</u>
414,534	2,891,893	4,866,615	792,385	3,030,060	899,418	-	15,127,165
-	-	-	-	-	-	(156,535)	(156,535)
<u>414,534</u>	<u>2,891,893</u>	<u>4,866,615</u>	<u>792,385</u>	<u>3,030,060</u>	<u>899,418</u>	<u>(156,535)</u>	<u>14,970,630</u>
<u>\$ 1,101,764</u>	<u>\$ 3,175,358</u>	<u>\$ 4,894,393</u>	<u>\$ 792,385</u>	<u>\$ 3,527,276</u>	<u>\$ 899,418</u>	<u>\$ 83,410</u>	<u>\$ 17,220,476</u>

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

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds				
	Library	Municipal Court	Public Safety	Contributions/ Donations	Keller Development Corporation
REVENUES					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-	2,480,274
Permits, licenses and fees	-	-	-	-	-
Intergovernmental	-	-	77,233	-	-
Charges for services	2,975	-	3,875	970	-
Fines and forfeitures	-	112,170	-	-	-
Special assessments and impact fees	-	-	-	-	-
Donations	47,062	-	17,686	-	-
Investment earnings	332	2,236	1,115	141	5,161
Miscellaneous	-	-	4,065	-	12,000
Total revenues	<u>50,369</u>	<u>114,406</u>	<u>103,974</u>	<u>1,111</u>	<u>2,497,435</u>
EXPENDITURES					
Current:					
General government	-	106,783	-	-	-
Public safety	-	-	120,398	-	-
Public works	-	-	-	-	-
Recreation and leisure	7,346	-	-	-	6,705
Capital outlay	133,400	-	-	-	7,969
Debt service:					
Principal	-	-	-	-	990,000
Interest and other charges	-	-	-	-	346,763
Total expenditures	<u>140,746</u>	<u>106,783</u>	<u>120,398</u>	<u>-</u>	<u>1,351,437</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(90,377)</u>	<u>7,623</u>	<u>(16,424)</u>	<u>1,111</u>	<u>1,145,998</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	(4,837)	-	(194,780)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(4,837)</u>	<u>-</u>	<u>(194,780)</u>
NET CHANGE IN FUND BALANCES	<u>(90,377)</u>	<u>7,623</u>	<u>(21,261)</u>	<u>1,111</u>	<u>951,218</u>
FUND BALANCES, BEGINNING	<u>94,931</u>	<u>106,154</u>	<u>98,319</u>	<u>28,403</u>	<u>1,056,139</u>
FUND BALANCES, ENDING	<u>\$ 4,554</u>	<u>\$ 113,777</u>	<u>\$ 77,058</u>	<u>\$ 29,514</u>	<u>\$ 2,007,357</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	
\$ 2,766,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,766,084
-	-	-	-	1,240,144	-	-	3,720,418
-	-	-	284,999	-	-	-	284,999
-	367,140	-	-	-	-	80,898	525,271
-	-	-	-	-	-	-	7,820
-	-	-	-	-	-	-	112,170
-	-	838,087	-	46,990	-	-	885,077
-	-	-	-	-	-	-	64,748
6,909	14,347	23,748	3,261	13,323	4,994	50	75,617
-	-	-	-	-	10	-	16,075
<u>2,772,993</u>	<u>381,487</u>	<u>861,835</u>	<u>288,260</u>	<u>1,300,457</u>	<u>5,004</u>	<u>80,948</u>	<u>8,458,279</u>
-	-	29,692	-	-	-	-	136,475
-	-	-	-	-	-	-	120,398
-	-	-	-	47,123	-	-	47,123
-	-	-	33,894	-	-	-	47,945
-	1,041,531	-	-	518,483	166,096	270,353	2,137,832
2,226,894	-	-	-	-	-	-	3,216,894
953,710	-	-	-	-	-	-	1,300,473
<u>3,180,604</u>	<u>1,041,531</u>	<u>29,692</u>	<u>33,894</u>	<u>565,606</u>	<u>166,096</u>	<u>270,353</u>	<u>7,007,140</u>
(407,611)	(660,044)	832,143	254,366	734,851	(161,092)	(189,405)	1,451,139
-	-	-	-	-	84,250	-	84,250
662,685	86,519	-	-	-	439,530	-	1,188,734
-	(125,098)	-	-	(86,519)	-	-	(411,234)
<u>662,685</u>	<u>(38,579)</u>	<u>-</u>	<u>-</u>	<u>(86,519)</u>	<u>523,780</u>	<u>-</u>	<u>861,750</u>
255,074	(698,623)	832,143	254,366	648,332	362,688	(189,405)	2,312,889
<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>\$ 414,534</u>	<u>\$ 2,891,893</u>	<u>\$ 4,866,615</u>	<u>\$ 792,385</u>	<u>\$ 3,030,060</u>	<u>\$ 899,418</u>	<u>\$ (156,535)</u>	<u>\$ 14,970,630</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, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 4,959,600	\$ 4,914,350	\$ 4,911,496	\$(2,854)
Investment earnings	11,000	6,500	5,593	(907)
Total revenues	4,970,600	4,920,850	4,917,089	(3,761)
EXPENDITURES				
Debt service:				
Principal	3,616,510	3,616,510	3,619,510	(3,000)
Interest and other charges	1,373,675	1,366,450	1,366,312	138
Total expenditures	4,990,185	4,982,960	4,985,822	(2,862)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(19,585)	(62,110)	(68,733)	(6,623)
OTHER FINANCING SOURCES (USES)				
Transfers in	592,790	592,790	717,888	125,098
Transfers out	(662,685)	(662,685)	(662,685)	-
Total other financing sources and uses	(69,895)	(69,895)	55,203	125,098
NET CHANGE IN FUND BALANCE	(89,480)	(132,005)	(13,530)	118,475
FUND BALANCE, BEGINNING	530,769	530,769	530,769	-
FUND BALANCE, ENDING	\$ 441,289	\$ 398,764	\$ 517,239	\$ 118,475

CITY OF KELLER, TEXAS

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

LIBRARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 3,000	\$ 3,000	\$ 2,975	\$(25)
Donations	50,000	48,000	47,062	(938)
Investment earnings	<u>300</u>	<u>450</u>	<u>332</u>	<u>(118)</u>
Total revenues	<u>53,300</u>	<u>51,450</u>	<u>50,369</u>	<u>(1,081)</u>
EXPENDITURES				
Current:				
Recreation and leisure	-	7,800	7,346	454
Capital outlay	<u>135,820</u>	<u>135,820</u>	<u>133,400</u>	<u>2,420</u>
Total expenditures	<u>135,820</u>	<u>143,620</u>	<u>140,746</u>	<u>2,874</u>
NET CHANGE IN FUND BALANCE	(82,520)	(92,170)	(90,377)	1,793
FUND BALANCE, BEGINNING	<u>94,931</u>	<u>94,931</u>	<u>94,931</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 12,411</u>	<u>\$ 2,761</u>	<u>\$ 4,554</u>	<u>\$ 1,793</u>

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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Fines and forfeitures	\$ 91,050	\$ 99,400	\$ 112,170	\$ 12,770
Investment earnings	<u>2,350</u>	<u>2,100</u>	<u>2,236</u>	<u>136</u>
Total revenues	<u>93,400</u>	<u>101,500</u>	<u>114,406</u>	<u>12,906</u>
EXPENDITURES				
Current:				
General government	<u>89,065</u>	<u>121,930</u>	<u>106,783</u>	<u>15,147</u>
Total expenditures	<u>89,065</u>	<u>121,930</u>	<u>106,783</u>	<u>15,147</u>
NET CHANGE IN FUND BALANCE	4,335	(20,430)	7,623	28,053
FUND BALANCE, BEGINNING	<u>106,154</u>	<u>106,154</u>	<u>106,154</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 110,489</u>	<u>\$ 85,724</u>	<u>\$ 113,777</u>	<u>\$ 28,053</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, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Sales	\$ 2,338,025	\$ 2,381,375	\$ 2,480,274	\$ 98,899
Investment earnings	860	3,700	5,161	1,461
Miscellaneous	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Total revenues	<u>2,350,885</u>	<u>2,397,075</u>	<u>2,497,435</u>	<u>100,360</u>
EXPENDITURES				
Current:				
Recreation and leisure	49,465	25,330	6,705	18,625
Capital outlay	165,000	165,000	7,969	157,031
Debt service:				
Principal	990,000	990,000	990,000	-
Interest and other charges	<u>456,205</u>	<u>346,770</u>	<u>346,763</u>	<u>7</u>
Total expenditures	<u>1,660,670</u>	<u>1,527,100</u>	<u>1,351,437</u>	<u>175,663</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>690,215</u>	<u>869,975</u>	<u>1,145,998</u>	<u>276,023</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(194,780)</u>	<u>(194,780)</u>	<u>(194,780)</u>	<u>-</u>
Total other financing sources and uses	<u>(194,780)</u>	<u>(194,780)</u>	<u>(194,780)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	495,435	675,195	951,218	276,023
FUND BALANCE, BEGINNING	<u>1,056,139</u>	<u>1,056,139</u>	<u>1,056,139</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,551,574</u>	<u>\$ 1,731,334</u>	<u>\$ 2,007,357</u>	<u>\$ 276,023</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, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 2,748,905	\$ 2,768,140	\$ 2,766,084	\$(2,056)
Investment earnings	5,500	6,700	6,909	209
Total revenues	<u>2,754,405</u>	<u>2,774,840</u>	<u>2,772,993</u>	<u>(1,847)</u>
EXPENDITURES				
Debt service:				
Principal	2,226,895	2,226,895	2,226,894	1
Interest and other charges	952,415	953,715	953,710	5
Total expenditures	<u>3,179,310</u>	<u>3,180,610</u>	<u>3,180,604</u>	<u>6</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(424,905)</u>	<u>(405,770)</u>	<u>(407,611)</u>	<u>(1,841)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	662,685	662,685	662,685	-
Total other financing sources and uses	<u>662,685</u>	<u>662,685</u>	<u>662,685</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	237,780	256,915	255,074	(1,841)
FUND BALANCE, BEGINNING	<u>159,460</u>	<u>159,460</u>	<u>159,460</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 397,240</u>	<u>\$ 416,375</u>	<u>\$ 414,534</u>	<u>\$(1,841)</u>

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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Permits, licenses and fees	\$ 66,524	\$ 226,665	\$ 284,999	\$ 58,334
Investment earnings	<u>700</u>	<u>2,300</u>	<u>3,261</u>	<u>961</u>
Total revenues	<u>67,224</u>	<u>228,965</u>	<u>288,260</u>	<u>59,295</u>
EXPENDITURES				
Current:				
Recreation and leisure	<u>-</u>	<u>49,925</u>	<u>33,894</u>	<u>16,031</u>
Total expenditures	<u>-</u>	<u>49,925</u>	<u>33,894</u>	<u>16,031</u>
NET CHANGE IN FUND BALANCE	67,224	179,040	254,366	75,326
FUND BALANCE, BEGINNING	<u>538,019</u>	<u>538,019</u>	<u>538,019</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 605,243</u>	<u>\$ 717,059</u>	<u>\$ 792,385</u>	<u>\$ 75,326</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, 2014

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Sales	\$ 1,169,010	\$ 1,190,685	\$ 1,240,144	\$ 49,459
Intergovernmental	-	10,300	-	(10,300)
Special assessments and impact fees	8,500	25,000	46,990	21,990
Investment earnings	6,100	9,675	13,323	3,648
Total revenues	<u>1,183,610</u>	<u>1,235,660</u>	<u>1,300,457</u>	<u>64,797</u>
EXPENDITURES				
Current:				
Public works	80,000	107,566	47,123	60,443
Capital outlay	1,870,000	2,791,892	518,483	2,273,409
Total expenditures	<u>1,950,000</u>	<u>2,899,458</u>	<u>565,606</u>	<u>2,333,852</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(766,390)</u>	<u>(1,663,798)</u>	<u>734,851</u>	<u>2,398,649</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(86,519)	(86,519)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(86,519)</u>	<u>(86,519)</u>
NET CHANGE IN FUND BALANCE	<u>(766,390)</u>	<u>(1,663,798)</u>	<u>648,332</u>	<u>2,312,130</u>
FUND BALANCE, BEGINNING	<u>2,381,728</u>	<u>2,381,728</u>	<u>2,381,728</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,615,338</u>	<u>\$ 717,930</u>	<u>\$ 3,030,060</u>	<u>\$ 2,312,130</u>

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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Investment earnings	\$ 3,000	\$ 4,500	\$ 4,994	\$ 494
Miscellaneous	-	-	10	10
Total revenues	<u>3,000</u>	<u>4,500</u>	<u>5,004</u>	<u>504</u>
EXPENDITURES				
Capital outlay	52,090	166,990	166,096	894
Total expenditures	<u>52,090</u>	<u>166,990</u>	<u>166,096</u>	<u>894</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(49,090)</u>	<u>(162,490)</u>	<u>(161,092)</u>	<u>1,398</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	5,000	73,100	84,250	11,150
Transfers in	439,530	439,530	439,530	-
Total other financing sources and uses	<u>444,530</u>	<u>512,630</u>	<u>523,780</u>	<u>11,150</u>
NET CHANGE IN FUND BALANCE	395,440	350,140	362,688	12,548
FUND BALANCE, BEGINNING	<u>536,730</u>	<u>536,730</u>	<u>536,730</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 932,170</u>	<u>\$ 886,870</u>	<u>\$ 899,418</u>	<u>\$ 12,548</u>

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

	Page
Financial Trends	90
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	100
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	111
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	117
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	119
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			
	2005	2006	2007	2008
Governmental activities:				
Invested in capital assets, net of related debt	\$ 62,602,173	\$ 63,207,052	\$ 64,573,383	\$ 74,502,492
Restricted	8,444,642	9,909,962	11,798,349	10,921,916
Unrestricted	<u>5,683,596</u>	<u>8,009,253</u>	<u>9,624,564</u>	<u>7,002,508</u>
Total governmental activities net assets	<u>\$ 76,730,411</u>	<u>\$ 81,126,267</u>	<u>\$ 85,996,296</u>	<u>\$ 92,426,916</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 45,059,859	\$ 52,467,582	\$ 53,805,294	\$ 58,364,350
Restricted	481,855	496,892	518,135	9,453,952
Unrestricted	<u>17,894,997</u>	<u>16,596,805</u>	<u>16,403,823</u>	<u>8,190,132</u>
Total business-type activities net assets	<u>\$ 63,436,711</u>	<u>\$ 69,561,279</u>	<u>\$ 70,727,252</u>	<u>\$ 76,008,434</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 107,662,032	\$ 115,674,634	\$ 118,378,677	\$ 132,866,842
Restricted	8,926,497	10,406,854	12,316,484	20,375,868
Unrestricted	<u>23,578,593</u>	<u>24,606,058</u>	<u>26,028,387</u>	<u>15,192,640</u>
Total primary government net assets	<u>\$ 140,167,122</u>	<u>\$ 150,687,546</u>	<u>\$ 156,723,548</u>	<u>\$ 168,435,350</u>

TABLE 1

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 70,395,104	\$ 71,137,063	\$ 75,942,510	\$ 77,053,091	\$ 81,997,316	\$ 96,268,556
10,502,026	10,707,393	17,554,282	20,931,028	22,640,243	22,061,750
<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>7,672,607</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>	<u>\$ 126,002,913</u>
\$ 59,189,455	\$ 58,426,495	\$ 61,139,904	\$ 60,610,385	\$ 60,654,886	\$ 58,172,320
9,453,952	9,287,306	9,453,952	8,219,575	8,219,575	7,781,518
<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>18,030,492</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>	<u>\$ 83,984,330</u>
\$ 129,584,559	\$ 129,563,558	\$ 137,082,414	\$ 137,663,476	\$ 142,652,202	\$ 154,440,876
19,955,978	19,994,699	27,008,234	29,150,603	30,859,818	29,843,268
<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>25,703,099</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>	<u>\$ 209,987,243</u>

CITY OF KELLER, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Accrual Basis)

	Fiscal Year			
	2005	2006	2007	2008
EXPENSES				
Governmental activities:				
General government	\$ 5,244,438	\$ 5,046,206	\$ 5,495,707	\$ 5,630,782
Public safety	9,889,821	10,627,205	12,162,131	13,969,085
Public works	7,402,595	7,735,718	7,800,979	9,067,983
Community development	1,128,547	1,251,056	1,231,365	1,291,819
Recreation and leisure	7,322,427	8,089,054	8,449,576	8,592,564
Interest and fiscal charges	<u>4,458,890</u>	<u>4,303,912</u>	<u>3,909,308</u>	<u>3,794,400</u>
Total governmental activities expenses	<u>35,446,718</u>	<u>37,053,151</u>	<u>39,049,066</u>	<u>42,346,633</u>
Business-type activities:				
Water and wastewater utilities	13,267,173	14,859,712	14,664,225	15,056,060
Drainage utility	1,717,054	1,641,685	1,819,672	1,839,441
Recreation / Aquatic Center	-	-	-	-
Total business-type activities expenses	<u>14,984,227</u>	<u>16,501,397</u>	<u>16,483,897</u>	<u>16,895,501</u>
 Total primary government program expenses	 <u>\$ 50,430,945</u>	 <u>\$ 53,554,548</u>	 <u>\$ 55,532,963</u>	 <u>\$ 59,242,134</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
Public works	\$ 1,131,099	\$ 1,437,910	\$ 920,400	\$ 42,787
Recreation and leisure	3,018,331	2,879,647	3,484,293	3,247,187
Other activities	5,102,583	5,725,963	5,717,426	3,957,986
Operating grants and contributions	379,393	241,527	241,636	2,483,052
Capital grants and contributions	<u>5,278,123</u>	<u>2,904,694</u>	<u>2,640,281</u>	<u>6,297,308</u>
Total governmental activities program revenues	<u>14,909,529</u>	<u>13,189,741</u>	<u>13,004,036</u>	<u>16,028,320</u>
Business-type activities:				
Charges for services:				
Water and wastewater utilities	14,720,857	18,725,239	15,100,194	18,403,123
Drainage utility	775,288	819,233	855,817	891,424
Recreation / Aquatic Center	-	-	-	-
Operating grants and contributions	2,906,293	-	-	-
Capital grants and contributions	<u>1,203,652</u>	<u>4,555,755</u>	<u>2,579,605</u>	<u>5,351,853</u>
Total business-type activities program revenues	<u>19,606,090</u>	<u>24,100,227</u>	<u>18,535,616</u>	<u>24,646,400</u>
 Total primary government program revenues	 <u>\$ 34,515,619</u>	 <u>\$ 37,289,968</u>	 <u>\$ 31,539,652</u>	 <u>\$ 40,674,720</u>

TABLE 2

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 7,413,655	\$ 7,389,603	\$ 7,618,197	7,470,050	\$ 7,973,740	\$ 7,011,362
14,740,695	14,258,649	17,358,623	18,753,263	19,415,960	16,756,956
8,260,487	7,189,802	2,560,006	2,823,250	2,981,588	2,490,468
1,161,434	1,100,186	1,183,353	1,283,179	1,425,851	1,357,417
9,483,618	7,546,936	4,866,264	5,125,705	5,345,157	4,938,515
<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>2,882,936</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>	<u>35,437,654</u>
15,146,621	15,214,564	17,807,093	16,757,059	17,055,816	18,496,707
1,869,860	1,972,553	1,987,027	2,054,396	2,004,342	2,040,218
-	-	<u>2,854,913</u>	<u>2,892,151</u>	<u>3,080,094</u>	<u>2,669,471</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>23,206,396</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>	<u>\$ 58,644,050</u>
\$ 15,200	\$ 11,354	\$ 35,207	\$ 39,828	\$ 56,267	\$ 79,719
3,172,091	3,166,420	329,768	283,440	628,121	915,060
3,215,505	3,622,406	3,442,865	3,501,127	4,004,921	4,891,778
2,400,191	2,358,986	5,300,350	2,301,766	2,751,993	3,590,362
<u>497,454</u>	<u>445,168</u>	<u>630,960</u>	<u>3,969,333</u>	<u>1,117,756</u>	<u>251,533</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>	<u>9,728,452</u>
17,785,742	17,301,977	21,461,471	20,316,352	20,518,382	21,546,501
929,902	1,507,699	1,484,183	1,505,930	1,540,590	1,569,419
-	-	3,002,013	3,026,909	3,087,021	3,029,667
-	-	-	-	-	-
<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>4,977,753</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>31,123,340</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>	<u>\$ 40,851,792</u>

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

	Fiscal Year			
	2005	2006	2007	2008
NET (EXPENSE) REVENUES				
Governmental activities	\$(20,537,189)	\$(23,863,410)	\$(26,045,030)	\$(26,318,313)
Business-type activities	<u>4,621,863</u>	<u>7,598,830</u>	<u>2,051,719</u>	<u>7,750,899</u>
Total primary government net expense	<u>\$(15,915,326)</u>	<u>\$(16,264,580)</u>	<u>\$(23,993,311)</u>	<u>\$(18,567,414)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS				
Governmental activities:				
Taxes				
Property	13,570,085	14,459,067	16,079,035	17,325,312
Sales	6,467,898	7,534,423	8,294,981	8,654,735
Franchise	2,616,898	3,089,399	3,182,681	2,579,383
Mixed beverage	37,802	49,460	53,482	52,475
Investment earnings	534,625	930,146	1,253,401	859,258
Miscellaneous	(27,869)	4,660	16,680	65,260
Gain (loss) on sale of capital assets	-	-	(155,856)	26,973
Litigation settlement	-	-	298,249	-
Transfers	<u>2,243,800</u>	<u>2,192,110</u>	<u>1,892,406</u>	<u>3,185,538</u>
Total governmental activities	<u>25,443,239</u>	<u>28,259,265</u>	<u>30,915,059</u>	<u>32,748,934</u>
Business-type activities:				
Investment earnings	422,389	715,250	947,920	611,410
Miscellaneous revenue (expense)	232,453	2,599	66,392	37,408
Gain (loss) on sale of capital assets	-	-	(7,652)	67,003
Transfers	<u>(2,243,800)</u>	<u>(2,192,110)</u>	<u>(1,892,406)</u>	<u>(3,185,538)</u>
Total business-type activities	<u>(1,588,958)</u>	<u>(1,474,261)</u>	<u>(885,746)</u>	<u>(2,469,717)</u>
Total primary government	<u>23,854,281</u>	<u>26,785,004</u>	<u>30,029,313</u>	<u>30,279,217</u>
CHANGE IN NET ASSETS				
Governmental activities	4,906,050	4,395,855	4,870,029	6,430,621
Business-type activities	<u>3,032,905</u>	<u>6,124,569</u>	<u>1,165,973</u>	<u>5,281,182</u>
Total primary government	<u>\$ 7,938,955</u>	<u>\$ 10,520,424</u>	<u>\$ 6,036,002</u>	<u>\$ 11,711,803</u>

**TABLE 2
(continued)**

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$(35,483,335)	\$(31,671,522)	\$(27,479,582)	\$(28,573,548)	\$(31,860,969)	\$(25,709,202)
<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>7,916,944</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>	<u>\$(17,792,258)</u>
19,156,565	20,250,125	19,794,916	20,036,667	20,691,721	21,526,556
8,045,471	7,939,671	8,087,781	8,615,790	9,184,887	9,817,716
2,520,961	2,788,527	2,988,616	2,830,981	2,850,968	3,157,388
55,350	60,935	64,242	61,567	92,029	128,832
565,181	232,082	280,809	192,931	153,767	180,677
128,425	292,685	295,808	270,763	295,807	240,932
-	-	-	18,508	104,855	98,274
-	-	-	-	-	-
<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>3,826,555</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>	<u>38,976,930</u>
395,290	92,367	137,567	122,036	102,252	121,260
40,255	30,943	59,619	46,276	51,511	42,688
17,345	(433,265)	-	-	-	-
<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>(3,826,555)</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>(3,662,607)</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>	<u>35,314,323</u>
(1,820,097)	3,304,093	7,685,035	7,003,129	5,500,005	13,267,728
<u>293,628</u>	<u>(581,448)</u>	<u>3,736,542</u>	<u>59,384</u>	<u>182,930</u>	<u>4,254,337</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>	<u>\$ 17,522,065</u>

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CITY OF KELLER, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDSLAST TEN FISCAL YEARS
(Accrual Basis)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund										
Reserved	\$ 233,919	\$ 366,151	\$ 477,043	\$ 505,169	\$ 713,187	\$ 852,300	\$ -	\$ -	\$ -	\$ -
Non-spendable	-	-	-	-	-	-	437,749	70,120	72,597	108,298
Assigned	-	-	-	-	-	-	655,573	941,993	5,646,441	6,849,905
Unreserved	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	9,380,730
Total general fund	<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>	<u>\$ 16,338,933</u>
All other governmental funds										
Reserved:										
Debt service	\$ -	\$ 1,064,520	\$ 869,096	\$ 1,020,122	\$ 752,552	\$ 626,785	\$ -	\$ -	\$ -	\$ -
Other	3,967,972	4,003,778	6,278,438	9,350,456	10,279,593	7,004,255	-	-	-	-
Unreserved, reported in:										
Special revenue	1,782,152	1,835,923	1,928,273	3,019,066	8,529,094	12,737,304	-	-	-	-
Capital projects	6,223,728	4,541,543	4,328,474	(2,501,535)	(3,001,569)	584,935	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	1,056,122	2,007,357
Non-spendable	-	-	-	-	-	-	1,251	1,771	125	-
Restricted:										
Debt service	-	-	-	-	-	-	564,353	545,493	690,229	931,773
Capital projects	-	-	-	-	-	-	12,410,163	9,985,464	11,114,335	12,480,371
Other	-	-	-	-	-	-	4,579,766	11,083,156	6,296,968	3,274,935
Unassigned	-	-	-	-	-	-	-	-	-	(156,535)
Total all other governmental funds	<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>	<u>\$ 18,537,901</u>

CITY OF KELLER, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Accrual Basis)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES										
Taxes	\$ 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	\$ 34,626,731
Licenses, fees and permits	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	2,300,895
Intergovernmental	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	3,611,678
Charges for services	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	1,498,686
Fines	1,019,732	1,174,530	1,177,651	1,059,808	996,203	946,204	883,816	923,809	901,147	1,326,291
Special assessments and impact fees	1,180,079	1,220,663	865,963	794,323	533,903	530,996	406,801	576,455	906,533	885,077
Donations	-	151,921	497,102	295,879	179,443	116,425	65,986	75,915	102,617	96,580
Interest income	535,806	930,146	1,253,401	859,258	565,181	232,082	280,479	192,931	153,767	180,496
Miscellaneous	1,637,881	556,088	902,062	368,711	411,048	345,339	350,563	325,397	350,608	295,074
Total revenues	<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>	<u>44,821,508</u>
EXPENDITURES										
Current:										
General government	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	6,269,082
Public safety	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	14,968,628
Public works	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	2,224,682
Community development	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	1,212,552
Recreation and leisure	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	4,411,469
Capital outlay	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	9,000,163
Debt service:										
Principal	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	7,156,404
Interest	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	2,871,535
Bond issue costs	293,135	30,638	-	-	-	428,737	-	331,775	-	-
Advance refunding escrow	-	-	-	-	-	108,360	-	14,549,637	-	-
Total expenditures	<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>	<u>48,114,515</u>

**TABLE 4
(continued)**

CITY OF KELLER, TEXAS

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<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>	<u>\$ (3,293,007)</u>
OTHER FINANCING SOURCES (USES)										
Sale of capital assets	-	-	-	26,973	24,826	44,599	53,670	80,100	110,724	103,861
Transfers in	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	5,200,474
Transfers out	(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)	(1,373,919)
Refunding bonds issued	17,400,000	-	-	-	-	-	-	-	-	-
Bonds issued	9,980,000	1,160,000	-	-	12,310,000	20,629,997	-	19,450,000	601,000	-
Bond premium	707,108	-	-	-	-	842,858	-	1,769,323	-	-
Bond discount	(175,114)	-	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	(27,597,225)	(937,743)	-	-	-	(14,370,938)	-	-	-	-
Long-term debt	-	-	-	-	-	-	-	-	-	-
Capital lease proceeds	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<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>	<u>3,930,416</u>
NET CHANGE IN FUND BALANCES	<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>	<u>\$ 637,409</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	31.3%	29.9%	35.0%	34.4%	23.7%	25.8%	29.2%	19.1%	26.3%	29.9%

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>
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
2014	21,522,795	9,817,716	3,157,388	128,832	34,626,731
2005 - 2014	59.4%	51.8%	69.4%	240.8%	58.3%

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
2005	\$ 2,277,216,550	\$ 449,816,289	\$ 211,683,100	\$ 44,408,735	\$ 2,894,307,204	\$ 0.44413	\$ 2,661,363,572	100%
2006	2,503,947,102	472,408,098	211,613,983	557,827,224	2,630,141,959	0.44413	2,894,770,545	100%
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%
2014	3,828,837,003	715,121,502	129,772,860	409,246,091	4,264,485,274	0.44219	4,264,485,274	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	
2005	\$ 0.29765	\$ 0.14648	\$ 0.44413	\$ -	\$ 1.69750	N/A	\$ 0.27250	\$ 0.27250	\$ 0.23540	\$ 2.92203
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
2014	0.32646	0.11573	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	2014			Rank	Taxpayer	2005	
	Market Value (000's)	Percentage of Total City Market Value				Market Value (000's)	Percentage of Total City Market Value
SC Dominion SPE	\$ 34,800	0.70%	1	Town Center LP	\$ 21,291	0.67%	
Art House	25,300	0.51%	2	Regency Centers LP	15,642	0.49%	
SC Stone Glen	23,000	0.46%	3	Lowe's Home Centers	14,791	0.46%	
Grand Peaks Estates @ Keller LP	18,150	0.37%	4	Keller Partners LP	13,150	0.41%	
Conservatory Senior Living	17,935	0.36%	5	Home Depot USA	11,736	0.37%	
Regency Centers LP	16,330	0.33%	6	TXU Electric Delivery	10,380	0.33%	
T Keller Crossing TX LLC	14,079	0.28%	7	Margaux Keller	10,057	0.32%	
TXU/Oncor electric	13,298	0.27%	8	General Telephone Co/Verizon	8,270	0.26%	
GTE Verizon	11,943	0.24%	9	Kohl's Department Store	7,461	0.23%	
Lowe's Home Centers	11,400	0.23%	10	WalMart Real Estate	7,074	0.22%	
Remaining Taxpayers	<u>4,766,674</u>	<u>96.24%</u>		Remaining Taxpayers	<u>3,068,119</u>	<u>96.24%</u>	
Total	\$ <u>4,952,909</u>	<u>100.00%</u>		Total	\$ <u>3,187,971</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 ¹	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 11,875,883	\$ 11,734,243	98.81%	\$ 137,441	\$ 11,871,684	99.96%
2006	12,905,665	12,744,905	98.75%	155,601	12,900,506	99.96%
2007	13,839,588	13,707,407	99.04%	128,081	13,835,488	99.97%
2008	15,276,846	15,142,043	99.12%	127,153	15,269,196	99.95%
2009	16,728,044	16,462,169	98.41%	252,569	16,714,738	99.92%
2010	17,750,802	17,514,326	98.67%	217,151	17,731,477	99.89%
2011	17,497,243	17,318,156	98.98%	155,071	17,473,227	99.86%
2012	17,632,268	17,538,272	99.47%	67,742	17,606,014	99.85%
2013	18,017,578	17,946,631	99.61%	34,507	17,981,138	99.80%
2014	18,675,325	18,595,909	99.57%	-	18,595,909	99.57%

Note: ¹Adjusted through September 30, 2014

CITY OF KELLER, TEXAS

TAXABLE SALES BY CATEGORY

LAST TEN CALENDAR YEARS (UNAUDITED)

	Fiscal Year			
	2005	2006	2007	2008
Agriculture	\$ -	\$ -	\$ -	\$ -
Construction	5,749,764	5,248,032	7,013,295	7,549,622
Transportation, communications	503,008	696,935	13,270,529	10,542,719
Utilities	-	20,503,791	26,447,297	30,128,038
Manufacturing	4,241,081	7,935,347	8,904,880	295,450
Wholesale trade	2,714,901	12,306,490	7,213,880	7,891,276
Retail trade	169,407,587	87,195,184	95,563,198	108,725,426
Information	-	29,277,212	17,947,316	38,930,359
Finance and insurance	-	566,094	1,021,182	4,141,296
Real estate, rental and leasing	-	1,421,852	1,408,433	11,665,675
Professional, scientific and technical services	-	5,053,089	17,275,861	4,667,602
Administrative and support services	26,594,896	15,605,492	6,569,325	12,374,811
Educational services	-	36,003	37,249	307,699
Arts, entertainment and recreation	-	3,365,641	3,539,286	3,681,219
Accommodation and food services	-	26,001,060	21,821,352	41,325,976
Other Services except PA ¹	5,721,496	4,618,231	5,296,379	7,756,203
Other	-	85,632,350	105,762,350	53,868,594
Total	\$ 214,932,733	\$ 305,462,803	\$ 339,091,812	\$ 343,851,965
Direct sales tax rate	2.000%	2.000%	2.000%	2.000%

Notes:

¹ PA - Public Administration, per naics.com.

² Information provided by State Comptroller's office

TABLE 10

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,653,377	5,644,566	7,487,590	5,690,397	8,628,139	7,891,854
-	123,993	6,981,819	11,695,882	12,048,822	12,219,719
-	39,979,714	38,586,553	523,381	34,432,043	32,061,719
2,940,779	6,419,863	320,998	523,381	337,657	273,857
5,890,013	8,956,140	7,824,042	7,861,903	9,018,601	9,763,717
159,769,554	100,766,160	108,724,134	116,508,313	124,257,630	129,472,431
1,309,930	53,397,031	40,204,903	41,788,728	44,491,839	42,655,529
1,344,111	1,361,454	3,418,573	4,544,921	4,732,909	4,114,482
6,712,679	4,594,903	9,610,727	12,667,771	13,332,200	12,632,715
4,095,448	4,017,325	4,585,668	5,642,146	5,334,402	5,987,358
6,347,933	9,821,471	11,397,517	11,689,606	14,142,641	14,024,258
78,540	466,628	437,575	269,071	351,655	406,363
8,810,317	3,915,255	4,379,237	4,522,275	4,207,107	3,086,830
47,316,633	40,617,242	38,757,393	42,932,278	47,229,686	49,744,779
9,806,464	10,843,370	6,876,945	8,273,649	8,864,231	9,012,614
<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>73,637,665</u>
<u>\$ 263,482,003</u>	<u>\$ 399,816,546</u>	<u>\$ 343,038,836</u>	<u>\$ 331,249,264</u>	<u>\$ 392,973,669</u>	<u>\$ 406,985,891</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>
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%
2014	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.

TABLE 12

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

Taxpayer	2014				2005			
	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 ⁽³⁾	205	4.88%	155,124	2.26%	60	2.59%	64,601	1.93%
Other	<u>839</u>	<u>19.98%</u>	<u>1,077,372</u>	<u>15.67%</u>	<u>739</u>	<u>31.92%</u>	<u>766,963</u>	<u>22.86%</u>
Total	<u>4,199</u>	100.00%	<u>\$ 6,877,040</u>	100.00%	<u>2,315</u>	100.00%	<u>\$ 3,355,313</u>	100.00%

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.

**CITY OF KELLER, TEXAS
TEN LARGEST WATER CUSTOMERS BY CONSUMPTION (USAGE)
AS OF SEPTEMBER 30, 2014**

2014				2005			
<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%
Hidden Lakes Home Owner Ass'n	20,293.4	110,167	0.65	Hidden Lakes Home Owner Ass'n	21,854.5	79,015	1.02%
Keller ENID, LTD	14,951.0	81,539	0.48	Whiteco Residential, LLC	15,822.9	57,454	0.74%
Capri W DTC, LLC	11,020.0	61,612	0.35	Meadow Glen Mobile Home Park	12,983.0	46,223	0.61%
Grand Estates at Keller, LP	9,280.5	52,215	0.30	Southstar Logistics	12,192.9	41,799	0.57%
Keller Senior Community, 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%
SC Stone Glen, LP	5,484.0	30,769	0.16	Mimosa Manor Nursing Home	6,909.0	23,528	0.32%
Kwik Kar Wash	<u>4,520.5</u>	<u>24,858</u>	<u>0.15</u>	Monterrey MHP Partners, LTD	<u>6,289.5</u>	<u>21,998</u>	<u>0.29%</u>
Subtotal	204,500.2	941,029	4.07	Subtotal	181,166.7	592,044	8.47%
Other customers	<u>2,912,945.7</u>	<u>13,466,453</u>	<u>93.44</u>	Other customers	<u>1,946,735.2</u>	<u>7,882,431</u>	<u>91.49</u>
TOTAL	<u>3,117,445.9</u>	<u>\$ 14,407,482</u>	<u>100.00%</u>	TOTAL	<u>2,127,901.9</u>	<u>\$ 8,474,475</u>	<u>100.00%</u>

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	Premiums / Discounts	General Obligation Bonds	Certificates of Obligation	Revenue Bonds	TRA - Other	Premiums / Discounts			
2005	\$ 22,927,061	\$ 73,210,000	\$ 1,035,000		\$ 10,198,030	\$ 11,785,000	\$ -	\$ 2,082,011		\$ 121,237,102	15.13%	\$ 4,840
2006	21,226,401	69,425,000	890,000		9,768,600	15,515,000	-	1,621,409		118,446,410	28.13%	11,252
2007	19,577,414	64,590,000	775,000		8,728,625	14,850,000	-	1,216,439		109,737,478	6.97%	2,926
2008	17,883,020	61,460,000	660,000		7,761,982	14,130,000	-	772,337		102,667,339	6.32%	2,687
2009	20,048,603	64,755,000	535,000		6,981,398	13,370,000	-	303,537		105,993,538	6.52%	2,695
2010	24,105,000	61,179,997	405,000		5,995,000	14,385,000	-	501,420		106,571,417	6.83%	2,698
2011	21,945,000	56,923,550	275,000		5,585,000	21,040,000	-	521,228		106,289,778	6.16%	2,669
2012	24,580,000	53,730,020	140,000		10,560,000	11,765,000	-	139,037		100,914,057	5.53%	2,460
2013	22,415,000	50,002,894	-	\$ 2,384,865	9,700,000	11,042,000	-	241,691	\$ 885,923	96,672,373	5.29%	2,355
2014	19,970,000	45,353,000	-	2,144,397	9,145,000	9,959,000	-	-	794,714	87,366,111	- %	-

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					Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Debt Service Fund	Certificates of Obligation	Debt Service	Total		
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	108,913	93,795,109	2.28%	2,283
2014	29,115,000	525,621	55,312,000	159,461	85,112,082	2.00%	2,025

Amounts should be net of related premiums/discounts

CITY OF KELLER, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2014

Government Unit	Debt Outstanding	Estimated Percentage Applicable ⁽¹⁾	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
Carroll Independent School District	\$ 226,024,791	0.18%	\$ 406,845
Keller Independent School District	654,308,399	33.55%	219,520,468
Northwest Independent School District	737,438,319	0.13%	958,670
Tarrant County General Obligation Debt	317,820,000	3.30%	10,488,060
Tarrant County College District	7,935,000	3.30%	261,855
Tarrant County Hospital District	24,425,000	3.30%	<u>806,025</u>
Subtotal, overlapping debt			232,441,923
City of Keller direct debt ⁽²⁾		100.00%	<u>65,323,000</u>
Total direct and overlapping debt			<u>\$ 297,764,923</u>

Source: www.mactexas.com

Note: ⁽¹⁾ Percentage of government unit's total property value located within the Keller City limits.

⁽²⁾ Includes both tax-supported self-supported debt of the 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			
	2005	2006	2007	2008
Debt limit	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000
Adopted tax rate	<u>0.44413</u>	<u>0.44413</u>	<u>0.43219</u>	<u>0.43219</u>
Additional rate available	<u>2.05587</u>	<u>2.05587</u>	<u>2.06781</u>	<u>2.06781</u>
Legal debt margin	<u>\$ 52,623,315</u>	<u>\$ 57,579,511</u>	<u>\$ 66,156,570</u>	<u>\$ 72,891,093</u>
Total net debt applicable to the limit as a percentage of debt limit	17.77%	17.77%	17.29%	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						
2009	2010	2011	2012	2013	2014	
\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000
<u>0.43219</u>	<u>0.44219</u>	<u>0.44219</u>	<u>0.44219</u>	<u>0.44219</u>	<u>0.44219</u>	<u>0.44219</u>
<u>2.06781</u>	<u>2.05781</u>	<u>2.05781</u>	<u>2.05781</u>	<u>2.05781</u>	<u>2.05781</u>	<u>2.05781</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>	<u>\$ 84,589,531</u>	
17.29%	17.69%	17.69%	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					Times Coverage
	Utility Services Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements		
				Principal	Interest	
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
2014	21,578,141	17,816,373	3,761,768	-	-	N/A

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

Calendar Year	Population ¹	Personal Income	Per Capita Personal Income	Median Age	School Enrollment (KISD) ²	National Unemployment Rate ⁴
2005	34,224	\$ 1,094,688,864	\$ 31,986 ³	35.0	25,644	4.9%
2006	36,508	1,460,320,000	40,000 ⁷	35.0	25,873	4.4%
2007	37,700	1,583,400,000	42,000 ⁷	35.0	27,905	5.0%
2008	38,402	1,632,085,000	42,500 ⁷	35.0 ⁵	29,424	7.3%
2009	39,450	1,558,827,300	39,514 ⁷	35.0 ⁵	30,299	9.9%
2010	39,627 ¹⁰	4,565,821,278	39,514 ⁷	35.0 ⁶	32,808	9.3%
2011	39,920	1,730,172,720	43,341 ⁸	32.0 ⁶	32,796	8.5%
2012	40,440	1,896,838,200	46,905 ⁸	36.9 ⁶	33,130	7.8%
2013	41,090	1,828,422,820	44,498 ³	39.9 ⁹	33,367	7.2%
2014	42,040	1,852,618,720	44,068 ³	41.1 ⁹	33,440	5.9%

Sources: ¹ North Central Texas Council of Governments (NCTCOG)

² Keller Independent School District (KISD)

³ Bureau of Census

⁴ Bureau of Labor Statistics

⁵ www.idcide.com, (©) 2008

⁶ U. S. Census 2007 Data and *American Community Survey*

⁷ Dallas Morning News, Business Section D, November 1, 2010

⁸ BEA.gov

⁹ IndexMundi

¹⁰ U. S. Census 2010

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

2014				2005		
Employer	Employees	Percentage of Total City Employment	Rank	Employer	Employees	Percentage of Total City Employment
Keller ISD	3,600	72.52%	1	Keller ISD	2,103	58.35%
City of Keller (FTE's)	341	6.87%	2	Southstar Logistics	311	8.63%
Southstar Logistics	335	6.75%	3	City of Keller (FTE's)	307	8.52%
Kroger	213	4.29%	4	Corning Cable	300	8.32%
Home Depot	139	2.80%	5	Kroger	190	5.27%
Kohl's Department Store	120	2.42%	6	Home Depot	143	3.97%
Lowe's	110	2.22%	7	Kohl's Department Store	140	3.88%
Tom Thumb Grocery	<u>106</u>	<u>2.14%</u>	8	Lowe's	<u>110</u>	<u>3.05%</u>
Total	<u>4,964</u>	<u>100.00%</u>		Total	<u>3,604</u>	<u>100.00%</u>

Source: Information provided by city staff; 2005 information is not available.

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Administration	6.25	7.00	7.00	8.50	10.00	10.00	8.00	8.00	8.00	8.00
Finance	7.00	7.00	7.00	7.50	7.50	6.50	6.50	7.00	7.00	7.00
Planning	13.11	14.25	14.25	14.50	14.50	11.00	11.00	11.00	12.00	11.96
Town Hall operations	1.00	1.00	1.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00
Other	19.16	17.73	17.73	22.83	22.83	20.83	25.00	16.14	15.50	15.40
Police										
Officers	66.50	67.00	71.00	78.00	78.00	77.00	79.00	50.50	51.50	50.00
Civilians	4.00	4.00	4.00	4.00	4.00	4.00	4.00	34.00	34.00	35.48
Fire										
Firefighters and officers	44.50	44.50	44.50	60.50	60.50	54.00	57.00	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	5.50	5.50	3.00	3.00	3.00
Other	10.83	11.33	11.33	11.33	11.33	8.83	8.83	11.73	12.10	12.10
Parks and recreation	71.32	87.24	87.24	83.08	84.05	77.65	71.64	74.16	76.22	76.40
Library	14.97	15.97	15.97	15.97	15.97	15.42	15.42	15.42	15.42	15.42
Water	34.92	34.92	35.92	35.92	37.92	33.67	33.67	30.30	30.67	30.67
Wastewater	7.50	7.50		10.50	9.50	9.50	9.50	9.50	9.50	9.50
Drainage	<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>	<u>8.50</u>
Total	<u>316.81</u>	<u>335.19</u>	<u>333.69</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>	<u>345.43</u>

Source: ¹ Information provided by City staff

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

Function/Program	Fiscal Year ¹									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Council and work sessions held	35	32	51	45	48	42	45	32	33	32
Cable broadcasts	594	594	658	3,582	5,109	7,118	7,338	406	7,305	7,305
Birth/death certificates issued	1,113	1,308	1,218	1,495	935	396	833		364	436
Building permits issued	390	473	255	277	183	248	250	250	250	300
New construction plan review	450	480	360	165	256	346	350	350	315	385
Police										
Physical arrests	1,396	1,754	1,631	1,813	1,800	1,600	1,625	1,550	1,190	1,540
Total citations issued	12,274	15,517	12,755	12,755	11,750	11,438	11,800	10,000	9,300	10,500
Total emergency 911 calls*	13,160	13,160	13,160	30,350	30,029	32,500	36,400	39,000	30,000	39,764
Calls for service*	75,217	76,103	77,329	88,559	174,669	155,124	220,000	232,180	245,484	257,664
Animal control										
Animals adopted/redeemed	631	834	619	885	819	552	556	724	811	720
Stray animal complaints	7,250	10,462	9,935	14,926	12,704	10,204	12,715	15,268	15,268	15,190
Animals impounded	1,251	1,504	1,152	1,511	1,334	1,108	1,293	1,114	970	850
Nuisance wildlife trapped	397	336	187	233	365	272	500	294	643	504
Animal bite investigations	72	61	65	74	63	63	70	68	68	82
Fire										
Emergency responses	2,204	2,500	1,625	1,785	2,706	2,844	2,980	2,180	2,124	3,288
Calls for service, excludes EMS	763	928	970	1,175	914	1,018	1,139	1,225	1,217	1,244
Fire hydrants maintained	1,844	1,824	1,875	2,026	2,050	2,065	2,063	2,077	2,077	2,150
Inspections	384	420	584	516	697	731	720	300	300	1,316
Finance										
Accounts payable checks processed	4,443	5,819	5,107	5,269	5,476	5,269	5,600	3,500	4,400	4,400
Payroll checks processed	9,107	4,986	10,442	11,320	11,624	11,320	11,800	10,200	11,700	11,650
Journal entries posted	2,972	4,499	5,189	5,813	5,795	5,510	5,500	5,000	5,000	4,450
Purchase orders processed	274	316	346	336	323	336	357	300	300	300
Human resources										
Applications processed	3,530	1,704	2,200	1,899	1,190	730	750	1,550	1,350	1,800
Vacancies filled	154	42	44	57	26	25	130	147	153	200
Turnover rate	9.60%	13.18%	12.50%	10.75%	7.49%	9.30%	10.00%	15.00%	14.00%	18.00%
Safety classes conducted	8	9	9	6	6	5	5	5	5	4
Worker compensation claims	53	53	60	43	49	55	40	40	40	34

**TABLE 22
(continued)**

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

Function/Program	Fiscal Year ¹									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Municipal court										
Citations processed	12,766	15,613	12,755	10,500	10,524	11,438	11,800	11,000	10,800	10,400
Warrants processed	2,744	2,370	2,938	2,400	1,967	2,000	2,000	2,000	2,275	2,000
Court sessions ⁴	240	204	212	212	212	189	189	208	100	47
Defendant requests for court date	3,548	7,809	4,915	3,981	6,915	6,950	6,950	6,300	4,350	4,200
Public works										
Review CIP designed by others	14	14	14	20	14	10	12	12	12	12
Street resurfacing (miles)	12.96	6.87	12.00	16.00	12.00	12.00	14.00	14.00	14.00	16.00
Sidewalks repaired (linear feet)	80	620	300	56	725	750	750	1,000	1,700	1,500
Parks and recreation										
Park acreage	436	442	442	456	456	456	456	456	491	491
Facility reservations	518	495	492	646	814	825	840	975	1,000	975
Program attendance (incl. Sr. programs)	30,604	27,308	27,901	34,091	27,359	21,200	22,000	18,307	15,007	34,226
Athletic field permits issued	3,750	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Recreation programs provided (incl. Sr. programs)	359	367	900	960	975	975	1,050	1,012	410	1,658
Library										
Library customer visits	234,474	249,455	251,327	253,000	191,739	280,000	300,000	232,000	231,500	238,000
Total volumes borrowed	411,783	412,000	380,258	398,633	317,834	411,930	450,000	579,500	563,000	562,000
Volumes in collection	108,108	110,000	119,232	129,154	128,979	139,954	84,358 ²	100,363 ²	114,363 ²	127,663
Water										
New customers (net)	452	(265)	308	322	127	242	201	179	254	326
Water main breaks	84	101	44	45	31	29	42	29	22	27
Average daily consumption (gallons) ³	8,039	9,697	6,353	8,216	7,804	7,482	9,784	8,838	8,297	8,400
Peak daily consumption (million gallons) ³	17.858	19.300	15.371	18.785	18.973	18.204	22.565	20.551	23.465	22.000
Water purchased (million gallons)	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	3,029.4
Wastewater										
Average daily sewage treatment (million gallons) ⁵	2.620	2.877	3.150	2.542	2.800	2.975	2.865	2.866	2.876	2.972

Sources:

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

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

³Decrease due to verification on the calculation of wholesale treatment costs.

⁴FY2012 includes attorney dockets

⁵Trinity River Authority - annual audits

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	18	28	25	25	23	21	21	23	23	23
Fire										
Stations	3	3	3	3	4	4	3	3	3	3
Engines/trucks	3	3	3	6	5	5	4	5	5	5
Public works										
Streets (miles)	250	182	393	410	414	418	418	477	477	475
Street lights	1,710	2,055	2,075	2,369	2,405	2,408	2,500	2,505	2,585	2,487
Traffic signals	4	4	4	5	6	6	6	10	10	-
Parks and recreation										
Acreage	433	442	442	456	456	456	456	456	491	491
Playgrounds	8	8	9	9	9	9	9	9	9	9
Baseball/softball fields	8	8	11	11	11	11	11	11	11	11
Soccer/football fields	8	8	9	9	9	9	9	9	9	9
Community centers ¹	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles) ²	256	256	256	256	256	258	260	190	290	288
Storage capacity (million gallons)	6	9	9	10	10	10	10	10	10	10
Wastewater										
Sanitary sewers (miles) ²	183	183	183	183	183	183	193	193	192	192
Storm sewers (miles) ²	43.00	45.00	46.85	50.08	50.15	50.15	50.15	50.15	50.15	50.15
Treatment capacity (million gallons)	9	10	10	10	10	10	10	10	10	10

Notes:

- ¹ Increase includes purchases as well as three leased motorcycle units.
- ² City staff correction to prior year estimates due to upgrades to GIS technology and new federal tracking requirements; numbers are estimates.
- ³ Water System transfer from City of Keller to City of Fort Worth.
- ⁴ 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

COMPLIANCE SECTION

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PATTILLO, 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, 2014, 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 April 9, 2015.

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.

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
April 9, 2015



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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Keller, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Keller, Texas' major federal programs for the year ended September 30, 2014. The City of Keller, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Keller, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Keller, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Keller, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Keller, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Keller, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Keller, Texas' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Waco, Texas
April 9, 2015

CITY OF KELLER, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Justice</u>			
Direct Programs:			
Bulletproof Vest Partnership FY 2014	16.607		\$ <u>2,809</u>
Total Direct Programs			<u>2,809</u>
<u>U. S. Department of Transportation</u>			
Passed through Texas Department of Transportation:			
Automated Transportation System Grant	20.205	1603-03-033	70,481
Safe Routes to School	20.205	0902-48-780	332,790
Bicycle/Pedestrian Path	20.205	0902-48-867	80,898
STEP Wave Grant 2014	20.600	2014-KellerPD-S-1YG-0061	<u>26,391</u>
Total Passed through Texas Department of Transportation			<u>510,560</u>
Total U. S. Department of Transportation			<u>510,560</u>
<u>Environmental Protection Agency</u>			
Passed through Texas Water Development Board:			
Clean Water State Revolving Fund	66.458	73680	112,330
Total Passed through Texas Water Development Board			<u>112,330</u>
Total Environmental Protection Agency			<u>112,330</u>
 Total Federal Awards			\$ <u>625,699</u>

CITY OF KELLER, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major programs:

CFDA Number(s) #20.205	Name of Federal Program or Cluster: Highway Planning and Construction
Dollar threshold used to distinguish between type A and type B programs for federal single audit:	\$300,000
Auditee qualified as low-risk auditee for federal single audit?	No
Auditee qualified as low-risk auditee for federal single audit?	No

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for Federal Funds

None