



COMPREHENSIVE ANNUAL FINANCIAL REPORT FY 2015-2016

Mark Mathews, Mayor

Debbie Bryan, Place 1 Armin Mizani, Place 2

Ed Speakmon, Place 3 Eric Schmidt, Place 4

Bill Hodnett, Place 5 Rick Barnes, Mayor Pro Tem

Mark Hafner, City Manager Aaron Rector, Director of Finance

Big-City Comforts, Small-Town Charm

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**CITY OF KELLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2016**

**AS PREPARED BY THE
FINANCE DEPARTMENT**

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**CITY OF KELLER, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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INTRODUCTORY SECTION

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March 31, 2017

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, 2016, is hereby submitted. Article VII, 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. This report is intended to meet that requirement, and the independent auditor's report has been included in this report. 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.

Weaver and Tidwell L.L.P, Certified Public Accountants, has issued an unmodified ("clean") opinion on the City's financial statements for the fiscal year ended September 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

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

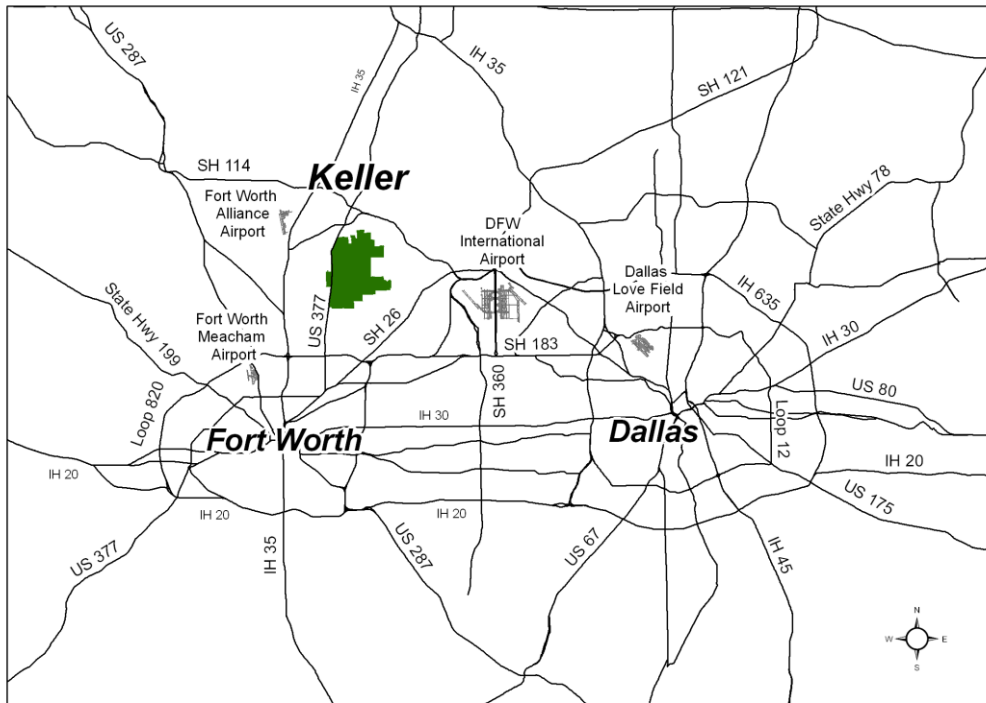
basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

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 2018). City Council members, places 1 and 2, were elected in 2015 (terms expire May 2015), and Council places 3 and 4 were elected in 2016 (terms expire May 2019). 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 in the 12 county MPA exceeding 6.92 million in January 2016. 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.

According to the Texas Workforce Commission, the City's civilian labor force was 23,114 in December 2016, compared to a total civilian labor force for Tarrant County of 1,021,062. Keller's unemployment rate in December 2016 was 3.3%, compared to the Tarrant County rate

of 3.8%, a statewide rate of 4.6% and a nationwide rate of 4.5%. The unemployment rates for 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 2016 population estimate was 44,050, representing an increase of 4,423 (11.2%) since the 2010 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%
2016 Estimate	44,050	4,423	11.2%

Since 1970, the total population increase has exceeded 42,576. 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, and an increase of more than 167%. According to the North Central Texas Council of Governments' population projections, the population of Tarrant County in 2016 is anticipated to be 1,928,300, an increase of 119,266 or 6.6% since the 2010 Census.

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 2006.

<u>Fiscal Year Ended September 30</u>	<u>Total Appraised Value (000's)</u>	<u>Percent Change</u>
2006	3,076,640.1	4.7
2007	3,368,539.5	9.5
2008	3,865,714.0	14.8
2009	4,207,711.0	8.8
2010	4,374,148.4	4.0
2011	4,314,578.8	(1.4)
2012	4,394,974.5	1.9
2013	4,506,113.0	2.5
2014	4,668,702.9	3.6
2015	4,950,461.4	6.0
2016	5,112,265.0	3.3

As shown, the rates of change in the City's total appraised value are continually growing, including a 3.3 percent increase in 2016 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 46% 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.

The value of new construction is included in both market and net taxable values. The net taxable value of new construction for calendar year 2015 (fiscal year 2016) was \$129.8 million, compared to \$97.8 million for calendar year 2014 (fiscal year 2015).

The net assessed taxable value for calendar year 2015 (fiscal year 2016) increased by 13.9%, compared to an increase of 7.4% in calendar year 2014 (fiscal year 2015). 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 2015 and 2016 goals of the City Council; lower the property tax rate at \$0.43469 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 2016 represent the largest calendar year amount in the City's history, with collections totaling more than \$11.3 million; up from 2015 collections totaling \$10.7 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 2015-16 through 2019-20 was developed by City staff and reviewed and adopted by the City Council as a part of the fiscal year 2015-16 budget. The total five-year program for FY 2016 identified \$59.3 million of proposed improvements.

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 140 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 2015-16, no specific provisions of the Contingency Plan were enacted.

In May 2012, the City's financial management policies were amended to increase the required unassigned fund balance 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. In July 2016, the City Council adopted revisions to the financial management policies which included creating a General Fund minimum of 19.2% (70 days) and a maximum fund balance of 50% (182 days).

Major Initiatives

During 2015-16, \$10,019,595 of one-time expenditures were appropriated from fund balance in the General Fund for the following purposes: 1) economic development incentives \$2,139,045, 2) Keller-Hicks quiet zone and street improvements design \$200,000, 3) vehicle and equipment replacement \$175,550, 4) Old Town Keller-West Improvements \$2,505,000, 5) Primary Portal Signs \$200,000, 6) FM 1709 Keller-Smithfield/Rufe Snow street improvements \$500,000, 7) Old Town Keller pedestrian connection \$4,000,000¹, 8) Transfer to fleet replacement fund for future vehicles \$300,000 (year three of three)².

1 – Project is currently on hold pending expansion of railroad tracks by Union Pacific.

2 – In FY 2016-17, the funding was moved into the Fire Department for future replacement of fire engines, and is considered an on-going expenditure

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 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. The legal level of control for budgeted expenditures is at the fund level. 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. With the adoption of updated financial policies, all encumbrances related to operating funds end at the end of the fiscal year, unless re-appropriated in the budget adoption. In addition, the updated financial policies placed capital projects and grants on a project life budget, rather than annual, and therefore encumbrances related to capital projects and grants are appropriated until related funds are spent or end of the project, which occurs first.

In prior years,, the City Council would traditionally adopts a current year revised budget by ordinance at the same time it was adopting the upcoming budget., This revised budget was not required by City Charter or policy and generally had the budget match to year-end projections. However, the use of a revised budget did not provide a good comparison of budget to actuals and minimized the impact of conservative budgeting. For the fiscal year that ended September 30, 2016, budget amendments were presented to Council and adopted in accordance of the financial policies. The amendments represent required changes to the budget determined either thru budget monitoring or required project funding changes. While future budgets will use amendments to make revisions to the budget, a comparison of budget to actuals will be used internally when developing budgets to help determine accurate funding levels and potential savings.

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.

Finance Committee

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, 2015; a reproduction of the certificate accompanies this report.

The City has received a Certificate of Achievement for twenty-six (27) consecutive fiscal years (FY1989 through FY2015). 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 2015 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 nineteen (20) consecutive fiscal years (FY1997 through FY2015). 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 2015, the City received the Texas State Comptroller's Leadership Gold Circle Award for financial transparency for the fifth 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 Aa1, while Standard and Poor's bond rating is AAA. Both rating categories classify the City's debt obligations as high-quality investment grade. In December 2014, 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 Weaver and Tidwell, L.L.P., Certified Public Accountants, for their dedicated assistance in producing this report.

Finally, our appreciation is extended to the Mayor, City Council, and 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,



Aaron Rector
Director of Finance



Pamela McGee
Assistant Director of Finance



Government Finance Officers Association

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

Presented to

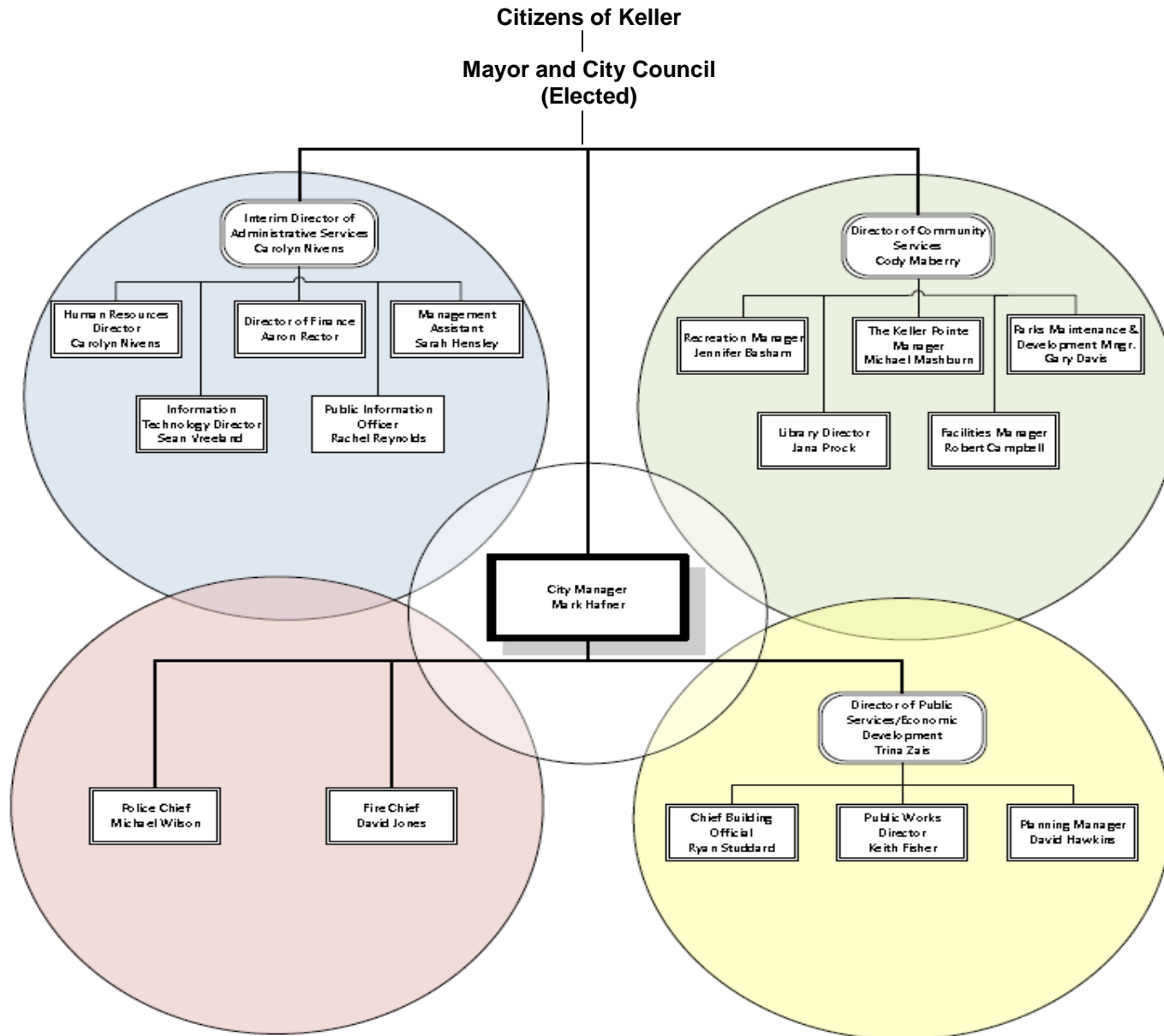
**City of Keller
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

Organization Chart





PRINCIPAL OFFICIALS

September 2016

ELECTED OFFICIALS

<i>Position</i>	<i>Incumbent</i>	<i>Elected</i>	<i>Term Expires</i>
Mayor	Mark Mathews	May 2014	2017
Council, Place 1	Debbie Bryan	May 2013	2018
Council, Place 2	Armin Mizani	Dec 2014	2018
Council, Place 3	Ed Speakmon	Jun 2016	2019
Council, Place 4	Eric Schmidt	May 2016	2019
Council, Place 5	Bill Hodnett	May 2014	2017
Council, Place 6	Rick Barnes	May 2014	2017

APPOINTED OFFICIALS

City Manager	Mark Hafner
Director of Community Services	Cody Maberry
Interim Director of Administrative Services	Carolyn Nivens
Director of Public Services/Economic Development.....	Trina Zais
Public Works Director.....	Keith Fisher
Fire Chief.....	David Jones
Human Resources Director.....	Carolyn Nivens
Library Director.....	Jana Prock
City Secretary.....	Sheila Stephens
Information Technology Director.....	Sean Vreeland
Police Chief.....	Michael Wilson

FINANCE DEPARTMENT

Director of Finance.....	Aaron Rector
Assistant Director of Finance	Pamela McGee
Senior Accountant.....	Vacant
Accountant	Camie Orth
Sr. Accounting Technician	Geneva Dunn
Accounting/Records Tech.....	Crystal MacNeil
Purchasing Agent.....	Karla Parker
Budget Analyst.....	Debbie Penaluna
Accounting/Purchasing Tech	Diancy Adkins

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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 (the City) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1P. to the financial statements, beginning net position of the governmental activities and business-type activities and beginning fund balance of the general, non-major governmental and proprietary funds has been restated to correct errors in accounting for capital assets and bonds payable; and to account for activities in internal service funds that were previously accounted for in governmental funds. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Texas Municipal Retirement System pension, and other post employment benefit funding schedules on pages 5 through 11, 62 through 64, and 65 through 67, respectively, 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's 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 financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 31, 2017

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City of Keller, Texas Management's Discussion and Analysis September 30, 2016

As management of the City of Keller, Texas (the "City") 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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The unassigned portion of the General Fund fund balance at the end of the year was \$11,891,652 or 39% of total General Fund expenditures. This includes the 70 days of General Fund expenditures which is required to be held in General Fund fund balance per the City Council approved Financial Management Policies. That amount is \$7,626,869. The remainder represents funds which may be used for one-time expenditures or unforeseen needs which the Council allocates for a specific purpose. The unassigned General Fund fund balance can be seen on page 18 of this report on the Balance Sheet-Governmental Funds. It is part of the total General Fund fund balances, September 30, 2016, shown on page 22 of this report on the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended September 30, 2016, by \$216,372,270 (net position). Of this amount, \$15,078,569 (unrestricted portion of net position) may be used to meet the government's ongoing obligations to citizens and creditors. Included in the unrestricted portion of net position are monies from all the City's various funds which are not either committed to or restricted for other purposes.
- The City's total net position increased by \$9,831,985. The increase is also attributable to increases in revenues, particularly property tax revenues, sales tax revenues and licenses and permits revenues.
- The City's governmental funds reported combined ending fund balances of \$44,850,082, an increase of \$3,107,506 in comparison to the previous year.
- Total debt of the City decreased by \$9,338,725 during the fiscal year due to payments on bonded debt.
- Net position decreased in the Enterprise Funds by \$185,786 and decreased for the business-type activities by \$140,432 in comparison to the previous year. Business-type activities include an internal allocation for their portion of the internal service fund activity of \$45,354. Increases in water and aquatics center operational costs were the primary reasons for decreases.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) 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. This is done in a manner similar to a private-sector business. Two statements, the Statement of Net Position and the Statement of Activities, are utilized to provide this financial overview.

City of Keller, Texas
Management's Discussion and Analysis
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The Statement of Net Position presents information on all of the City's assets and liabilities deferred inflows and outflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flow. 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).

Both of the government-wide statements distinguish between governmental activities and business-type activities. Governmental activities basically account for those activities supported by taxes and intergovernmental revenues. On the other hand, business-type activities are basically supported by user fees and charges. Most City services are reported in governmental activities while business-type activities are reported in the Enterprise Funds.

The City's internal service fund assets and liabilities are reported within Governmental activities. A portion of the City's internal service fund activities is allocated to business-type activities. This allocation is based on the services that the internal service fund provides to the Enterprise Funds.

Fund financial statements. The City, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fifteen individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the General Obligation Debt Service Fund, Crime Control Prevention District, and Capital Projects Fund. Data from the other non-major funds are also combined and reported in a single column. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City maintains two types of proprietary funds, enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and wastewater operations, drainage utility operations, and non-major aquatic center activity. The City uses internal service funds to account for maintenance and replacement costs of technology, vehicles, and equipment. These services benefit both the governmental and business-type activity functions and therefore, the internal service fund allocates a portion of its activities to the business-type activities.

**City of Keller, Texas
Management's Discussion and Analysis
September 30, 2016**

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the financial statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found after the notes to the financial statements.

Government-Wide Financial Analysis

At the end of fiscal year 2016, the City's net position totaled \$216,372,270. This analysis focuses on the net position (Table 1) and changes in net position (Table 2).

Net Position. The largest portion of the City's net position, \$164,204,163, or 76%, reflects its investment in capital assets (land, buildings, improvements other than buildings, machinery and equipment, construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City reports its capital assets net of related debt, 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, \$37,089,538, or 17% represents resources that are subject to external restrictions on how they may be used. The unrestricted portion of net position which is \$15,078,569 (7%) may be used to meet the government's ongoing obligations to citizens and creditors.

**Table 1
Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 51,243,068	\$ 47,478,810	\$ 23,214,466	\$ 30,584,145	\$ 74,457,534	\$ 78,062,955
Capital assets	153,905,987	153,559,499	81,023,518	77,259,883	234,929,505	230,819,382
Total Assets	205,149,055	201,038,309	104,237,984	107,844,028	309,387,039	308,882,337
Deferred outflow s of resources	6,995,957	3,381,247	1,303,930	619,160	8,299,887	4,000,407
Long term liabilities	70,720,936	73,644,962	21,188,544	22,190,930	91,909,480	95,835,892
Other liabilities	3,876,802	3,242,462	4,653,494	6,439,932	8,530,296	9,682,394
Total liabilities	74,597,738	76,887,424	25,842,038	28,630,862	100,439,776	105,518,286
Deferred inflow s of resources	735,442	692,717	139,438	131,456	874,880	824,173
Net Position:						
Net investment in capital assets	100,930,811	94,005,152	63,273,352	61,280,272	164,204,163	155,285,424
Restricted for debt service	3,541,871	1,490,084	-	-	3,541,871	1,490,084
Restricted for capital projects	21,088,314	21,326,928	4,777,236	1,169,197	25,865,550	22,496,125
Restricted for other	7,682,117	7,056,675	-	-	7,682,117	7,056,675
Unrestricted	3,568,719	2,960,576	11,509,850	17,251,401	15,078,569	20,211,977
Total Net Position	\$ 136,811,832	\$ 126,839,415	\$ 79,560,438	\$ 79,700,870	\$ 216,372,270	\$ 206,540,285

**City of Keller, Texas
Management's Discussion and Analysis
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Changes in Net Position. The net position of the City increased by \$9,831,985 for the fiscal year ended September 30, 2016.

Governmental Activities. Governmental activities increased the City's net position by \$9,972,417 from the prior year. This was due in part to an increase in ad valorem tax revenues, sales tax revenues and licenses and permits revenues and a decrease in expenditures on capital items.

Business-type Activities. Net position from business-type activities decreased by \$140,432 from the prior year. Increased operational costs for water and wastewater and recreation aquatics services was the primary reason for the increase. However, there was an increase in business-type activity revenue due to contributions of capital assets.

**Table 2
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 6,741,138	\$ 4,961,205	\$ 25,387,962	\$ 26,076,198	\$ 32,129,100	\$ 31,037,403
Operating grants and contributions	3,878,523	3,373,672	-	-	3,878,523	3,373,672
Capital grants and contributions	1,881,643	285,924	3,994,015	1,243,665	5,875,658	1,529,589
General revenues:						
Ad valorem taxes	24,046,908	22,777,252	-	-	24,046,908	22,777,252
Sales taxes	11,312,683	10,660,047	-	-	11,312,683	10,660,047
Other taxes and fees	4,545,656	3,614,430	-	-	4,545,656	3,614,430
Interest	153,866	160,938	61,385	80,990	215,251	241,928
Gain (loss) disposal of capital assets	727,056	15,891	896	-	727,952	15,891
Miscellaneous	208,575	164,711	153,955	54,614	362,530	219,325
Total revenues	53,496,048	46,014,070	29,598,213	27,455,467	83,094,261	73,469,537
Expenses:						
General government	6,606,428	7,764,505	-	-	6,606,428	7,764,505
Public safety	20,789,609	20,941,821	-	-	20,789,609	20,941,821
Public works	5,715,323	4,598,731	-	-	5,715,323	4,598,731
Community development	3,073,034	1,870,887	-	-	3,073,034	1,870,887
Recreation and Leisure	6,130,399	5,855,468	-	-	6,130,399	5,855,468
Interest on long-term debt	2,068,775	1,841,830	-	-	2,068,775	1,841,830
Water and wastewater operations	-	-	23,446,287	20,294,433	23,446,287	20,294,433
Drainage utility	-	-	2,391,244	2,172,976	2,391,244	2,172,976
Recreation aquatics center	-	-	3,041,177	2,600,639	3,041,177	2,600,639
Total expenses	44,383,568	42,873,242	28,878,708	25,068,048	73,262,276	67,941,290
Increase (decrease) in net position						
before transfers	9,112,480	3,140,828	719,505	2,387,419	9,831,985	5,528,247
Transfers	859,937	3,342,990	(859,937)	(3,342,990)	-	-
Increase (decrease) in net position	9,972,417	6,483,818	(140,432)	(955,571)	9,831,985	5,528,247
Net position - October 1	126,839,415	120,355,597	79,700,870	80,656,441	206,540,285	201,012,038
Net position - September 30	\$136,811,832	\$126,839,415	\$79,560,438	\$79,700,870	\$216,372,270	\$206,540,285

Government-Wide Financial Analysis

Governmental funds. The focus of the City'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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**City of Keller, Texas
Management's Discussion and Analysis
September 30, 2016**

As of year-end of the current fiscal year, the City's governmental funds reported combined fund balances of \$44,850,082.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$11,891,652. There was a decrease in General Fund fund balance by \$6,080,591 during the current fiscal year. This decrease is primarily due to a transfer to the capital projects fund for future capital projects.

The General Obligation Debt Service Fund had an increase of \$207,516 in fund balance. This was due to the increase in ad valorem property tax revenue. These funds are specifically restricted for the payment of debt service. The Crime Control Prevention District Fund increased \$219,196 due to the more sales tax revenue than expenditures. The capital projects fund had an increase of \$10,957,810 due to transfers from other funds for capital projects. Other governmental funds' combined fund balances decreased \$2,196,425.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide statements, but in more detail.

The net position of the Water and Wastewater Utilities Fund at the end of the year was \$62,862,960. This represents a decrease of \$482,361 which was the result of increases in operational costs to maintain quality services within the City. This year's operating loss was \$2,005,982. This decrease is attributable to a decrease in water sales.

The net position of the Drainage Utility Fund at the end of the year was \$15,525,957. This represents an increase of \$226,439 which was primarily due capital contributions. This year's operating loss was \$758,000. This decrease is attributable to an increase in operational costs.

The proprietary funds also included an increase in net positions for the Non-Major Recreation/Aquatic Center and internal service fund. The Recreation/Aquatic Center fund had an increase of \$70,136 due to more use. The internal service fund had an increase of \$112,230 due to more equipment replacement and a transfer from the General Fund.

General Fund Budgetary Highlights. In FY2016, the General Fund expenditure budget was decreased by \$-4,321 over the 2016 original budget. Each year the City performs a mid-year review of the budget. If the City Manager determines that funds are available certain amendments are proposed to the City Council for their review and approval. Expenditures were amended throughout the year with the majority occurring during mid-year reviews. These amendments decreased General Fund appropriations by -0.01%.

In the General Fund, the actual revenue received in comparison to the final budget was under by \$146,719. This negative variance is most noticeable in property taxes and intergovernmental revenues. General Fund expenditures had a final budget to actual positive variance of \$2,213,909 prior to other financing sources/uses. This amount is attributable to intentional savings made by all departments.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$234,929,505 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, and construction in progress. The total increase in the City's investment in capital assets for the current year was 1.78%.

**City of Keller, Texas
Management's Discussion and Analysis
September 30, 2016**

**Table 3
Capital Assets at Year-end
Net of Accumulated Depreciation (000's)**

Asset	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 33,955	\$ 33,955	\$ 1,535	\$ 1,535	\$ 35,490	\$ 35,490
Capacity rights	-	-	2,284	2,441	2,284	2,441
Buildings	40,622	42,493	-	-	40,622	42,493
Improvements	65,371	68,635	69,485	66,776	134,856	135,411
Machinery and equipment	6,183	6,586	599	391	6,782	6,977
Construction in progress	7,775	1,978	7,120	6,029	14,895	8,007
	<u>\$ 153,906</u>	<u>\$ 153,647</u>	<u>\$ 81,023</u>	<u>\$ 77,172</u>	<u>\$ 234,929</u>	<u>\$ 230,819</u>

Additional information on the City's capital assets can be found in the notes to the financial statements on pages 44-46.

Debt Administration. At the end of the current fiscal year, the City had total debt outstanding of \$72,237,403 which was backed by the full faith and credit of the City in addition to unamortized premiums.

**Table 4
Outstanding Debt at Year End (000's)**

Type of Debt	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation	\$ 27,300	\$ 31,034	\$ 11,299	\$ 12,476	\$ 38,599	\$ 43,510
Certificates/Contractual Obligations	24,945	28,485	6,080	6,654	31,025	35,139
Unamortized bond premium	1,763	1,965	850	962	2,613	2,927
Total	<u>\$ 54,008</u>	<u>\$ 61,484</u>	<u>\$ 18,229</u>	<u>\$ 20,092</u>	<u>\$ 72,237</u>	<u>\$ 81,576</u>

The City continues to maintain favorable ratings from bond rating agencies. The current General Obligation, Combination Tax and Revenue Certificates of Obligation, and Revenue Bonds ratings are as follows.

	Moody's	Standard
	Investors Service	& Poor's
General obligation bonds	Aa1	AA
Certificates of obligation	Aa1	AA

Additional information on the City's long-term debt can be found in the notes to the financial statements on pages 47-51.

**City of Keller, Texas
Management's Discussion and Analysis
September 30, 2016**

Economic Factors and Next Year's Budgets and Rates

In the next year's adopted fiscal year (FY) 2016-17 budget, total General Fund revenues (including transfers-in) are budgeted to increase by \$630,198 (1.9%) from the final FY 2015-16 Budget and by \$416,974 (1.2%) from the FY 2015-16 year-end projection, with general property taxes comprising about 45.2% of General Fund budgeted revenues and transfers-in. Certified taxable assessed valuations (after adjustments) increased 11.3% over the prior year, compared to an increase of 4.2% prior year. Due to the increased valuations and conservative budgeting, the city was able to reduce the FY 2016-17 tax rate to \$0.4300 per \$100 of valuation from \$0.43469 per \$100 of valuation which is the lowest rate in over twenty years. In addition, the city increased the homestead exemption from 1% to 4% which is the first adjustment to the exemption since 1987.

A small increase of 3.0% was projected for sales tax receipts in FY 2016-17 as monthly sales tax receipts were relatively flat or only showed slightly increases during FY 2015-16. While retail sales tax activity has remained strong, a drop in overall utility pricing has resulted in a decrease in utility-based sales tax. FY 2016-17 sales tax projections assumed the lower utility prices would continue. In FY 2016-17, a big box retailer will be open mid fiscal year and should provide significant taxable sales activity.

Expenditures for the 2016-17 adopted budget represents a decrease of \$9,446,285, or 21.9% from the FY 2015-16 budget which included approximately \$10,019,595 in one-time expenditures for various capital improvements. With the one-time expenditures removed, the FY 2016-17 adopted budget represents an increase of \$573,309 or 1.7%. Beginning with the FY 2016-17 budget, the city will transfer \$300,000 annually to the Equipment Replacement Fund for future fire apparatus replacements which allows for cash funding of equipment rather than either issuing debt or delaying the replacement. The city also plans to create a Facility Equipment Replacement Fund to plan for future replacements of items such as roofs, air conditioners, and generators at various facilities during FY 2016-17. Funding for the Facility Equipment Replacement Fund will come from the General Fund and is estimated to be \$400,000 for the first few years of the fund. A mid-year amendment will be presented to Council after replacement cost analysis is complete. In addition, the FY 2016-17 adopted budget includes \$1,030,636 in one-time expenditures including \$714,000 in economic incentives and \$220,750 for an asphalt paver.

Conservative revenue and expenditure projections, combined with an effort to maintain ending fund balances as required by the city's financial policies, resulted in an estimated increase in the general fund projected ending unassigned fund balance at September 30, 2017 of approximately \$925,000. After the Facility Equipment Replacement Fund creation and funding transfer of \$400,000, the unassigned fund balance increase at year-end would be approximately \$525,000. The FY 2016-17 estimated ending unassigned fund balance at September 30, 2017 is \$11,662,535 which equals 35.7% or 124.6 days of on-going expenditures. After the Facility Equipment Replacement Fund amendment, the FY 2016-17 estimated the ending unassigned fund balance at September 30, 2017 is \$11,262,535 which equals 34.5% or 120.3 days of on-going expenditures. Both estimated fund balances are above the policy required minimum balance of 19.2% (70 days of on-going expenditures) and is below the policy maximum of 50.0% (182 days of on-going expenditures).

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 FY 2016-17 ranks as one of the lowest among neighboring Tarrant County area cities.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the 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, 2016**

EXHIBIT A-1

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 47,086,869	\$ 7,752,088	\$ 54,838,957
Receivables (net of allowance for uncollectibles)	3,713,866	4,239,501	7,953,367
Inventories	101,184	270,888	372,072
Prepaid items	386,503	273,381	659,884
Internal balances	(45,354)	45,354	-
Restricted assets:			
Cash and cash equivalents	-	10,633,254	10,633,254
Capital assets (net of accumulated depreciation):			
Land	33,954,758	1,535,270	35,490,028
Construction in progress	7,775,031	7,120,235	14,895,266
Buildings	40,621,544	-	40,621,544
Improvement other than buildings	65,371,019	69,485,265	134,856,284
Capacity rights	-	2,283,902	2,283,902
Machinery and equipment	6,183,635	598,846	6,782,481
Total Assets	205,149,055	104,237,984	309,387,039
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	1,033,094	183,555	1,216,649
Deferred inflows related to pensions	5,962,863	1,120,375	7,083,238
Total deferred outflows of resources	6,995,957	1,303,930	8,299,887
LIABILITIES			
Accounts payable and other current liabilities	2,810,844	2,741,561	5,552,405
Accrued interest payable	244,582	72,326	316,908
Due to other governments	3,083	-	3,083
Customer deposits	679,719	1,172,851	1,852,570
Unearned revenue	138,574	666,756	805,330
Non current liabilities:			
Due within one year	8,668,860	1,964,104	10,632,964
Due in more than one year:	62,052,076	19,224,440	81,276,516
Total Liabilities	74,597,738	25,842,038	100,439,776
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	735,442	139,438	874,880
Total deferred inflows of resources	735,442	139,438	874,880
NET POSITION			
Net investment in capital assets	100,930,811	63,273,352	164,204,163
Restricted for:			
Debt service	3,541,871	-	3,541,871
Capital projects	21,088,314	4,777,236	25,865,550
Other	7,682,117	-	7,682,117
Unrestricted	3,568,719	11,509,850	15,078,569
Total Net Position	\$ 136,811,832	\$ 79,560,438	\$ 216,372,270

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

**CITY OF KELLER, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 6,606,428	\$ 1,893,793	\$ 144,227	
Public safety	20,789,609	2,387,906	2,765,707	
Public works	5,715,323	93,881	964,589	1,881,643
Community development	3,073,034	1,799,446	-	-
Recreation and cultural	6,130,399	566,112	4,000	-
Interest on long-term debt	2,068,775	-	-	-
Total governmental activities	44,383,568	6,741,138	3,878,523	1,881,643
Business-type activities:				
Water and wastewater utility	23,446,287	20,659,409	-	2,641,699
Drainage utility	2,391,244	1,633,244	-	1,352,316
Recreation/Aquatic Center	3,041,177	3,095,309	-	-
Total business-type activities	28,878,708	25,387,962	-	3,994,015
Total primary government	\$ 73,262,276	\$ 32,129,100	\$ 3,878,523	\$ 5,875,658

General revenues:

Ad valorem taxes
Sales taxes
Franchise taxes
Mixed drink taxes
Investment earnings
Miscellaneous income
Gain on disposal of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position - Beginning of year (as restated)

Net position - Ending

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (4,568,408)	\$ -	\$ (4,568,408)
(15,635,996)	-	(15,635,996)
(2,775,210)	-	(2,775,210)
(1,273,588)	-	(1,273,588)
(5,560,287)	-	(5,560,287)
(2,068,775)	-	(2,068,775)
<u>(31,882,264)</u>	<u>-</u>	<u>(31,882,264)</u>
-	(145,179)	(145,179)
-	594,316	594,316
-	54,132	54,132
<u>-</u>	<u>503,269</u>	<u>503,269</u>
<u>\$ (31,882,264)</u>	<u>\$ 503,269</u>	<u>\$ (31,378,995)</u>
24,046,908	-	24,046,908
11,312,683	-	11,312,683
4,369,222	-	4,369,222
176,434	-	176,434
153,866	61,385	215,251
208,575	153,955	362,530
727,056	896	727,952
859,937	(859,937)	-
<u>41,854,681</u>	<u>(643,701)</u>	<u>41,210,980</u>
9,972,417	(140,432)	9,831,985
<u>126,839,415</u>	<u>79,700,870</u>	<u>206,540,285</u>
<u>\$ 136,811,832</u>	<u>\$ 79,560,438</u>	<u>\$ 216,372,270</u>

**CITY OF KELLER, TEXAS
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	<u>General Fund</u>	<u>General Obligation Debt Service</u>	<u>Crime Control Prevention District</u>
ASSETS			
Cash and cash equivalents	\$ 13,035,625	\$ 380,803	\$ 3,465,104
Receivables (net of allowance for uncollectibles):			
Ad valorem taxes	198,525	77,011	-
Franchise taxes	654,112	-	-
Sales taxes	1,001,055	-	221,085
Accounts	564,336	-	-
Interest and Other	59,011	675	-
Due from other governments	96,836	-	-
Inventories, at cost	101,184	-	-
Prepaid items	386,164	-	-
Total assets	<u>\$ 16,096,848</u>	<u>\$ 458,489</u>	<u>\$ 3,686,189</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 1,294,437	\$ -	\$ 16,330
Other payables and accruals	502,816	-	-
Due to other governments	-	-	-
Customer deposits	679,719	-	-
Unearned revenue	86,962	-	16,186
Total liabilities	<u>2,563,934</u>	<u>-</u>	<u>32,516</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable resources	638,566	77,011	-
Total deferred inflows of resources	<u>638,566</u>	<u>77,011</u>	<u>-</u>
FUND BALANCES:			
Nonspendable			
Inventory and prepaids	487,348	-	-
Restricted			
Debt service	-	381,478	-
Capital projects	-	-	-
Park Development	-	-	-
Municipal court	-	-	-
Law Enforcement	-	-	3,653,673
Recreation and Cultural	324,839	-	-
Public information and broadcasting	-	-	-
Community clean up	190,509	-	-
Unassigned	11,891,652	-	-
Total fund balances	<u>12,894,348</u>	<u>381,478</u>	<u>3,653,673</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,096,848</u>	<u>\$ 458,489</u>	<u>\$ 3,686,189</u>

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

EXHIBIT A-3

<u>Capital Projects Fund</u>	<u>Non major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 13,608,984	\$ 14,431,023	\$ 44,921,539
-	8,791	284,327
-	-	654,112
-	788,270	2,010,410
-	8,992	573,328
7,791	18,230	85,707
-	6,470	103,306
-	-	101,184
-	-	386,164
<u>\$ 13,616,775</u>	<u>\$ 15,261,776</u>	<u>\$ 49,120,077</u>
\$ 325,276	\$ 580,205	\$ 2,216,248
-	4,195	507,011
-	3,083	3,083
-	-	679,719
-	35,426	138,574
<u>325,276</u>	<u>622,909</u>	<u>3,544,635</u>
-	9,783	725,360
-	9,783	725,360
-	-	487,348
-	3,319,173	3,700,651
13,291,499	7,796,815	21,088,314
-	2,624,603	2,624,603
-	139,697	139,697
-	68,063	3,721,736
-	79,241	404,080
-	601,492	601,492
-	-	190,509
-	-	11,891,652
<u>13,291,499</u>	<u>14,629,084</u>	<u>44,850,082</u>
<u>\$ 13,616,775</u>	<u>\$ 15,261,776</u>	<u>\$ 49,120,077</u>

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**CITY OF KELLER, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

EXHIBIT A-4

Total fund balance-governmental funds balance sheet	\$ 44,850,082
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 the governmental funds balance sheet. Excludes governmental portion of the internal service funds of \$3,446,392.	150,459,595
Deferred losses on refunding are reported as deferred outflows of resources in the government-wide statement of net position.	1,033,094
Revenues earned but not available within sixty days of the fiscal year-end are not recognized as revenue in the fund financial statements.	725,360
Deferred outflows, \$5,962,863, and inflows, (\$735,442), of resources related to the City's net pension liability results in an increase in net position in the government-wide financial statements (including internal service fund activity). This amount excludes the internal service funds' deferred outflows of \$196,469 and inflows of (\$24,267).	5,055,219
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(244,582)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the fund financial statements.	(54,008,270)
Pension liability, \$14,567,241, compensated absences, \$1,568,740, and other post employment benefit obligation, \$576,685, are not due and payable in the current period, and therefore are not reported in the fund financial statements. This amount excludes governmental portion of the internal service fund pension liability of \$480,362.	(16,232,304)
Internal service funds are used by management to charge the costs of capital assets to individual funds. A portion of the assets and liabilities of the internal service funds are included in the governmental activities.	<u>5,173,638</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - statement of net position	<u><u>\$ 136,811,832</u></u>

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

**CITY OF KELLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT A-5

	General Fund	General Obligation Debt Service	Crime Control Prevention District	Capital Projects Fund	Non major Governmental Funds	Total Governmental Funds
REVENUES						
Ad valorem taxes	\$ 14,682,864	\$ 5,071,717	\$ -	\$ -	\$ 4,396,633	\$ 24,151,214
Sales taxes	5,705,047	-	1,328,919	-	4,278,717	11,312,683
Franchise fees	4,203,062	-	-	-	166,160	4,369,222
Mixed drink tax	176,434	-	-	-	-	176,434
Licenses and permits	1,646,560	-	-	-	125,034	1,771,594
Intergovernmental	2,829,568	-	-	-	179,699	3,009,267
Charges for services	3,385,998	-	-	-	8,412	3,394,410
Fines and forfeitures	1,183,988	-	-	-	129,756	1,313,744
Special assessments and impact fees	-	-	-	-	964,589	964,589
Donations	62,726	-	-	-	70,218	132,944
Interest income	58,874	5,273	21,849	16,725	43,639	146,360
Miscellaneous income	176,109	-	-	-	32,466	208,575
Total revenues	34,111,230	5,076,990	1,350,768	16,725	10,395,323	50,951,036
EXPENDITURES						
Current:						
General government	4,836,508	-	-	-	103,432	4,939,940
Public safety	15,343,904	-	101,007	-	102,122	15,547,033
Public works	2,488,151	-	-	1,111,391	864,169	4,463,711
Community development	2,279,163	-	-	-	48,079	2,327,242
Recreation and cultural	4,580,043	-	-	-	47,674	4,627,717
Capital outlay	979,708	-	515,157	1,409,613	4,567,004	7,471,482
Debt service:						
Principal	-	3,236,414	335,000	-	3,701,890	7,273,304
Interest and fiscal charges	-	1,018,480	191,600	-	926,460	2,136,540
Total expenditures	30,507,477	4,254,894	1,142,764	2,521,004	10,360,830	48,786,969
Excess (deficiency) of revenues under expenditures	3,603,753	822,096	208,004	(2,504,279)	34,493	2,164,067
OTHER FINANCING SOURCES (USES)						
Transfers in	-	72,720	-	13,462,089	3,254,600	16,789,409
Transfers out	(10,405,781)	(687,300)	-	-	(5,485,518)	(16,578,599)
Proceeds from sale of property	721,437	-	11,192	-	-	732,629
Total other financing sources (uses)	(9,684,344)	(614,580)	11,192	13,462,089	(2,230,918)	943,439
Net change in fund balances	(6,080,591)	207,516	219,196	10,957,810	(2,196,425)	3,107,506
Fund balances, October 1, 2015, as restated	18,974,939	173,962	3,434,477	2,333,689	16,825,509	41,742,576
Fund balances, September 30, 2016	\$ 12,894,348	\$ 381,478	\$ 3,653,673	\$ 13,291,499	\$ 14,629,084	\$ 44,850,082

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

**CITY OF KELLER, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT A-6

Net change in fund balances- total governmental funds.	\$ 3,107,506
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. Excludes capital asset additions in the internal service fund of \$747,118.	8,959,186
Contributions of capital assets from enterprise funds are not reported in governmental funds.	349,127
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. Excludes depreciation expense of \$801,726 from internal service fund.	(8,908,985)
Gain on sale of capital assets increases net position in the government-wide financial statements, but only the proceeds of the sale are recorded in the fund level statements. This amount is the netted with the reduction of capital assets.	(86,160)
The repayment of the principal of long term debt consumes the current financial resources of governmental funds, but has no effect on net position. The amortization of bond premiums and deferred gain/loss on refunding of long term debt is reported in statement of activities but does not require the use of current financial resources. Therefore the effect of the amortization of these various items are not reported in the statement of revenues, expenses, and changes in fund balance. This amount represents the net effect of the following items:	
o Repayments	7,273,304
o Amortization of premium on bonds	202,318
o Amortization of deferred loss on refunding	(169,967)
Implementation of GASB 68 requires certain expenditures to be de-expended and recorded as deferred The following is the net effect of current year pension expense and contributions made after the measurement date. Excludes changes in pension activity of \$24,634 that are from the internal service funds.	(723,665)
Current year changes in accrued interest payable does not require the use of current financial resources; and therefore, are not reported as expenditures in governmental funds.	35,414
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; and therefore, are not reported as expenditures in governmental funds.	34,647
Current changes in OPEB liability do not require the use of current financial resources; and therefore, are not reported as expenditures in governmental funds.	(95,991)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	(71,193)
Internal service funds are used by management to share the costs of capital assets to individual funds. The net revenue (expense) is reported with governmental activities.	<u>66,876</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - statement of activities	<u>\$ 9,972,417</u>

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

**CITY OF KELLER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016**

	Water and Wastewater Utilities	Drainage Utility	Non-Major Recreation/ Aquatic Center	Total Enterprise Funds	Non-Major Total Internal Service Funds
ASSETS					
Current assets					
Cash and cash equivalents	\$ 2,940,389	\$ 2,757,014	\$ 2,054,685	\$ 7,752,088	\$ 2,165,330
Accounts receivables (net of allowances for uncollectibles)	4,119,809	71,902	31,563	4,223,274	388
Interest receivable	11,263	2,822	2,142	16,227	2,288
Inventories, at cost	270,888	-	-	270,888	-
Prepaid items	273,284	46	51	273,381	339
Restricted assets					
Investments	10,633,254	-	-	10,633,254	-
Total current assets	18,248,887	2,831,784	2,088,441	23,169,112	2,168,345
Non-current assets					
Capital assets:					
Land	1,473,998	61,272	-	1,535,270	-
Water and sewer system	99,478,920	30,639,261	-	130,118,181	-
Machinery and equipment	1,433,418	385,489	185,410	2,004,317	9,643,070
Capacity rights	6,281,781	-	-	6,281,781	-
Construction in progress	6,356,101	764,134	-	7,120,235	-
Accumulated depreciation	(47,225,756)	(18,806,826)	(3,684)	(66,036,266)	(6,196,678)
Total capital assets (net of accumulated depreciation)	67,798,462	13,043,330	181,726	81,023,518	3,446,392
Total non-current assets	67,798,462	13,043,330	181,726	81,023,518	3,446,392
Total assets	86,047,349	15,875,114	2,270,167	104,192,630	5,614,737
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	183,555	-	-	183,555	-
Pensions	787,906	148,793	183,676	1,120,375	196,469
Total deferred outflows of resources	971,461	148,793	183,676	1,303,930	196,469

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

EXHIBIT A-7

LIABILITIES

Current liabilities:

Accounts payable	\$ 2,336,397	\$ 75,775	\$ 228,686	\$ 2,640,858	\$ 63,263
Other payables and accruals	67,226	11,045	22,432	100,703	24,322
Unearned revenue	107,057	-	559,699	666,756	-
Compensated absences payable - current	172,470	35,814	-	208,284	-
General obligation bonds payable - current	1,430,820	-	-	1,430,820	-
Certificates of obligations - current	325,000	-	-	325,000	-
Accrued interest payable	72,326	-	-	72,326	-
Customer deposits	1,131,347	-	41,504	1,172,851	-
Total current liabilities	<u>5,642,643</u>	<u>122,634</u>	<u>852,321</u>	<u>6,617,598</u>	<u>87,585</u>

Non-current liabilities:

General obligation bonds payable	10,718,313	-	-	10,718,313	-
Certificate of obligations	5,755,000	-	-	5,755,000	-
Net pension liability	1,941,253	357,499	452,375	2,751,127	480,362
Total noncurrent liabilities	<u>18,414,566</u>	<u>357,499</u>	<u>452,375</u>	<u>19,224,440</u>	<u>480,362</u>

Total liabilities

<u>24,057,209</u>	<u>480,133</u>	<u>1,304,696</u>	<u>25,842,038</u>	<u>567,947</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	98,641	17,817	22,980	139,438	24,267
Total deferred inflows of resources	<u>98,641</u>	<u>17,817</u>	<u>22,980</u>	<u>139,438</u>	<u>24,267</u>

NET POSITION

Net investment in capital assets	50,048,296	13,043,330	181,726	63,273,352	3,446,392
Restricted for construction	4,777,236	-	-	4,777,236	-
Unrestricted	8,037,428	2,482,627	944,441	11,464,496	1,772,600
Total net position	<u>\$ 62,862,960</u>	<u>\$ 15,525,957</u>	<u>\$ 1,126,167</u>	<u>79,515,084</u>	<u>\$ 5,218,992</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

45,354

Total Net Position per Government-Wide Financial Statements

\$ 79,560,438

**CITY OF KELLER, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT A-8

	Water and Wastewater Utilities	Drainage Utility	Non-Major Recreation/ Aquatic Center	Total Enterprise Funds	Non-Major Total Internal Service Funds
OPERATING REVENUES					
Water	\$ 14,151,641	\$ -	\$ -	\$ 14,151,641	\$ -
Sewer	6,416,279	-	-	6,416,279	-
Drainage revenue	-	1,633,244	-	1,633,244	-
Recreation/Aquatic center revenue	-	-	3,095,309	3,095,309	-
Tap and connection fees	91,489	-	-	91,489	-
Intergovernmental	183,991	-	-	183,991	-
Miscellaneous	145,535	-	8,420	153,955	2,101,863
Total operating revenues	20,988,935	1,633,244	3,103,729	25,725,908	2,101,863
OPERATING EXPENSES					
Personnel services	3,149,630	607,696	1,333,745	5,091,071	736,158
Supplies and maintenance	239,678	28,150	347,475	615,303	222,586
Services and other	5,311,719	494,024	1,356,273	7,162,016	617,256
Wholesale water purchases	8,036,036	-	-	8,036,036	-
Wastewater services contracted	3,189,054	-	-	3,189,054	-
Depreciation and amortization	3,068,800	1,261,374	3,684	4,333,858	801,726
Total operating expenses	22,994,917	2,391,244	3,041,177	28,427,338	2,377,726
Operating income (loss)	(2,005,982)	(758,000)	62,552	(2,701,430)	(275,863)
NON-OPERATING REVENUES (EXPENSES)					
Investment revenue	46,504	7,297	7,584	61,385	7,506
Gain on sale of property	-	896	-	896	80,587
Interest expense	(496,724)	-	-	(496,724)	-
Total non-operating revenues (expenses)	(450,220)	8,193	7,584	(434,443)	88,093
Net income (loss) before transfers and contributions	(2,456,202)	(749,807)	70,136	(3,135,873)	(187,770)
TRANSFERS AND CONTRIBUTIONS					
Developers Contributions	2,457,708	1,352,316	-	3,810,024	-
Transfers in	-	30,700	-	30,700	300,000
Transfers out	(483,867)	(406,770)	-	(890,637)	-
Total transfers and contributions	1,973,841	976,246	-	2,950,087	300,000
Change in net position	(482,361)	226,439	70,136	(185,786)	112,230
Net position, October 1	63,345,321	15,299,518	1,056,031		5,106,762
Net position, September 30	\$ 62,862,960	\$ 15,525,957	\$ 1,126,167		\$ 5,218,992
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				45,354	
Change in Net Position Business-type Activities				(140,432)	

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

**CITY OF KELLER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT A-9

	Water and Wastewater Utilities	Drainage Utility	Non-Major Recreation/ Aquatic Center	Total Enterprise Funds	Non-Major Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 22,284,287	\$ 1,627,040	\$ 3,104,653	\$ 27,015,980	\$ 2,119,642
Cash payments to employees for services	(3,127,816)	(600,232)	(1,346,621)	(5,074,669)	(737,715)
Cash payments to other suppliers for goods and services	(16,695,877)	(426,641)	(1,093,626)	(18,216,144)	(502,592)
Net cash provided by operating activities	2,460,594	600,167	664,406	3,725,167	879,335
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	30,700	-	30,700	300,000
Transfers to other funds	(326,510)	(215,000)	-	(541,510)	-
Net cash provided by (used in) non-capital financing activities	(326,510)	(184,300)	-	(510,810)	300,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal and interest paid	(2,350,191)	-	-	(2,350,191)	-
Acquisition or construction of capital assets net of contributions	(4,075,548)	(471,312)	(185,410)	(4,732,270)	(747,118)
Proceeds from sale of capital assets	-	8,643	-	8,643	80,587
Net cash used in capital and related financing activities	(6,425,739)	(462,669)	(185,410)	(7,073,818)	(666,531)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase or sale of restricted investments	(832,604)	-	-	(832,604)	-
Interest and dividends on investments	46,504	7,297	7,584	61,385	7,506
Net cash provided by (used in) investing activities	(786,100)	7,297	7,584	(771,219)	7,506
Net increase (decrease) in cash and cash equivalents	(5,077,755)	(39,505)	486,580	(4,630,680)	520,310
Cash and cash equivalents at beginning of year	8,018,144	2,796,519	1,568,105	12,382,768	1,645,020
Cash and cash equivalents at end of year	\$ 2,940,389	\$ 2,757,014	\$ 2,054,685	\$ 7,752,088	\$ 2,165,330
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (2,005,982)	\$ (758,000)	\$ 62,552	\$ (2,701,430)	\$ (275,863)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	3,068,800	1,261,374	3,684	4,333,858	801,726
Effects of changes in assets and liabilities:					
Decrease (increase) in receivables	1,237,435	654	(4,617)	1,233,472	18,900
Decrease (increase) in inventories and prepaid items	19,448	-	6	19,454	(300)
Decrease (increase) in interest receivables	2,478	(1,316)	(1,096)	66	(1,121)
Decrease (increase) in due from other funds	1,787,864	159,273	504,755	2,451,892	327,109
Decrease (increase) in deferred outflows	(495,321)	(96,185)	(115,519)	(707,025)	(124,587)
Increase (decrease) in accounts payable	(1,726,702)	(63,740)	105,361	(1,685,081)	10,441
Increase (decrease) in other payables and accruals	(95,441)	(19,656)	(35,717)	(150,814)	(26,191)
Increase (decrease) in compensated absences	19,320	8,102	-	27,422	-
Increase (decrease) in customer deposits	62,709	(5,542)	35,643	92,810	-
Increase (decrease) in unearned revenue	(7,270)	-	(29,006)	(36,276)	-
Increase (decrease) in pension liability	587,664	114,117	137,056	838,837	147,814
Increase (decrease) in deferred inflows	5,592	1,086	1,304	7,982	1,407
Total adjustments	4,466,576	1,358,167	601,854	6,426,597	1,155,198
Net cash provided by operating activities	\$ 2,460,594	\$ 600,167	\$ 664,406	\$ 3,725,167	\$ 879,335
NONCASH ITEMS					
Transfers of capital assets	\$ (157,357)	\$ (191,770)	\$ -	\$ (349,127)	\$ -
Developer contributions of capital assets	\$ 2,457,708	\$ 1,352,316	\$ -	\$ 3,810,024	\$ -

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

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Keller (the City) was incorporated in 1955. The City operates under a Council-Manager form of government as a duly incorporated home rule charter approved in 1982. The City provides the following services: public safety (police and fire), streets, water, sewer and storm water drainage, public improvements, culture, planning and zoning, parks and recreation, and general administrative services.

The City reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide concise explanations, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses, and other information considered important to gaining a clear picture of the City's financial activities for the fiscal year ended September 30, 2016.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component unit on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City also presents Management's Discussion and Analysis, which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented that compares the original adopted and final amended General Fund budget with actual results.

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. The City is a home-rule municipality governed by an elected Mayor and six-member City Council, who appoint a City Manager. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. All of the City's component units are presented as a blended component unit.

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Reporting Entity – Continued

Blended Component Unit

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.

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Reporting Entity – Continued

Separate financial statements for the component units are not prepared.

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund, the general obligation debt service fund, the Crime Control Prevention District, and the capital projects fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. 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 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. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

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

Property taxes, franchise fees, 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. Sales taxes collected and held by the State and merchants at year-end on behalf of the City are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Accounting

The following major funds are used by the City:

1. Governmental Funds:

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of changes in financial position, rather than on net income determination. The following is a description of the major Governmental Funds of the City:

- a. The **General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.
- b. 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.
- c. 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.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

- d. The **Capital Projects Fund** is used to account for construction and progress capital outlay or long term repair contract expenditures.

In addition, the City reports the following non-major governmental funds.

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

Library Fund – This fund accounts for public donations and revenues restricted 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 restricted by state law for court technology and security.

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 restricted for specific uses or purposes.

Public Information and Broadcasting – This fund is used to account for collection of franchise taxes from cable fees. Expenditures are restricted for the use of communications throughout the City.

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.

Nonmajor Debt Service Fund are used to account for the accumulation of resources for, and payment of, general obligation principal and interest.

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

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

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

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

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

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

Governmental funds with legally adopted annual budgets include the General Fund, the General Obligation Debt Service Fund, Crime Control Prevention District, Keller Development Corporation, the TIF#1 Interest and Sinking Fund, Library Fund, Municipal Court fund, and the Street/Sidewalk Improvement fund.

2. Proprietary Funds:

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

The proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City reports proprietary funds that are considered to be enterprise and internal service funds.

The following proprietary funds are reported as enterprise funds:

Water and Wastewater Utilities Fund – This fund is used to account for the operations of the water distribution system, wastewater pumping stations and collection systems. The City reports the water and wastewater utilities fund as a major fund.

Drainage Utility Fund – This fund is used to account for the operations of the City's drainage system for storm water control. The City reports the drainage utility fund as a major fund.

Recreation/Aquatic Center Fund – This fund is considered a non-major fund for reporting purposes and is used to account for customer activity at the City's recreation and pool facilities.

The City's enterprise funds are reported in the business-type activities on the governmental-wide financial statements.

The City reports the following non-major internal service funds:

Information Technology Fund – This fund is used to account for replacements of computers and software for the City's departments.

Equipment Replacement Fund – This fund is used to account for replacement of vehicles and other equipment that are City owned.

The City's internal service funds account for the financing of goods and services provided by one department to other City departments or to other governmental units on a cost-reimbursement basis. The City's internal service funds are reported with the governmental activities with an allocation to the business-type activities on the government-wide financial statements.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Substantially all operating cash and cash equivalents are maintained in consolidated cash accounts or individual fund investment accounts.

State statutes authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligation, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (B) secured by obligations that are described by (1), pledged with third party selected or approved by the City, and placed through a primary government securities dealer.

Investments, except for the investment pools and money market mutual funds are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market mutual funds are accessible at any time and therefore are also reported at amortized cost.

F. Inventories and Prepaid Items

Inventory is valued at cost (first-in, first-out). The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by non-spendable fund balance, which indicates that they do not constitute "available, spendable resources" even though they are a component of fund balance. The City is not required to maintain a minimum level of inventory. Inventories in the Proprietary Funds consist of supplies and are recorded at the lower of cost or market.

Prepaid balances are for payments made by the City for which benefits extend beyond September 30, 2016, and the non-spendable fund balance has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

G. 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."

Advances between funds, as reported in the fund financial statements, are offset by non-spendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

Customer deposits received for water and wastewater service are, by law, considered to be restricted assets. These balances are included in the proprietary funds.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

Capital assets 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 improvements	20 - 40
Improvements other than buildings	20 - 40
Water, sewer, and drainage system	20 - 40
Capacity rights	40
Machinery, vehicle, and other equipment	3 - 20

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation is accrued depending on level of employment and years of service. Vacation can be accrued up to 240 to 400 hours depending on years of service with the City. Accrued vacation is paid upon retirement or termination. Sick leave is accrued at 8 hours per month with no limitations. Accrued sick leave expires and is not paid upon retirement or termination. Unused compensatory time for nonexempt employees is paid upon 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.

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. 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. Losses on refunding are deferred and amortized over the life of the new issuance or the existing debt using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

M. Deferred Outflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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 has the following items that qualify for reporting in this category:

Deferred Loss on Refunding – these deferred outflows result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Pensions – these deferred outflows result from pension contributions after the measurement date (deferred and recognized in the following fiscal year) and/or differences in projected and actual earnings on pension assets (deferred and amortized over a closed five year period).

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Fund Equity

The City has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the City classifies governmental fund balances as follows:

Nonspendable fund balance – includes amounts that are not in a spendable form or are required to be maintained intact. (i.e. inventories, prepaid items)

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. (i.e. debt service, capital projects, economic development, municipal court security, municipal court technology, tourism)

Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority (City Council). Commitments may be changed or lifted only by the government taking the same formal action (resolution) that imposed the constraint originally (i.e. park acquisition and improvement, recreation, fire training, fire development, public arts).

Assigned fund balance – comprises amounts intended to be used by the government for specific purposes. Per the fund balance policy, Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. The City Council has authorized the City Manager as the official authorized to assign fund balance to a specific purpose as approved by the fund balance policy.

Unassigned fund balance – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Order of Expenditure of Funds – When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. New Accounting Pronouncement

The GASB issued Statement No. 72, Fair Value Measurement and Application, which is effective for periods beginning after June 15, 2015. The objective of this Statement is to provide guidance for determining fair value measurement for financial reporting purposes and provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement applies to all state and governmental entities.

P. Prior Period Adjustment

There was a restatement due to City management voluntarily changing from one generally accepted accounting principal to another and correcting allocation inaccuracies of long-term debt and capital asset allocations between the governmental and business-type activities.

Reclassification of Information Technology and Equipment Replacement Activities

The City previously recorded activities related to charges for information technology and equipment replacement in the general fund and nonmajor governmental funds, respectively. These activities have been reclassified as internal service funds as of October 1, 2015.

As a result of the restatement to report internal service funds, the City's proprietary funds were also restated in order to remove certain capital assets and accumulated depreciation in the Water and Wastewater Utilities and Drainage Funds to the non-major internal service funds.

The Public Information and Broadcasting fund was added as a non-major fund. This fund was reported within the general fund in prior years.

Allocation Inaccuracies

The City corrected its capital asset balances in the governmental and business-type activities. The City determined that certain capital assets and related accumulated depreciation reported in the business-type activities should be reported in governmental-type activities.

Long term debt was also restated between the governmental and business-type activities to correct the allocation which was previously in error.

Governmental Fund funds balance and proprietary funds net position were restated as follows:

	Governmental Fund Balance		Proprietary Fund		
	General	Non Major Funds	Internal Service Funds	Water and Sewer Fund	Drainage Fund
Beginning fund balance/net position before restatement	\$ 20,132,549	\$ 17,557,188	\$ -	\$ 65,002,629	\$ 15,336,140
Changes in fund balance and net position due to:					
Public Information and Broadcasting established	(508,240)	508,240			
Internal Service Funds established	(649,370)	(1,239,919)	5,106,762 *	(51,305)	(36,622)
Correct allocation of long-term debt	-	-	-	(1,606,003)	-
Beginning fund balance/net position as restated	<u>\$ 18,974,939</u>	<u>\$ 16,825,509</u>	<u>\$ 5,106,762</u>	<u>\$ 63,345,321</u>	<u>\$ 15,299,518</u>

*See beginning internal service fund statement of net position beginning balances below.

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

P. Prior Period Adjustment – Continued

Governmental and business-type activities net position balances were restated as follows:

	Governmental Activities	Business-Type Activities
Beginning net position before restatement	\$ 125,145,485	\$ 81,394,800
Correct allocation of long-term debt:		
Bond series 2010B	1,711,223	(1,711,223)
Bond series 2015	5,840	(5,840)
Bond series 2013	(111,060)	111,060
Correct machinery and equipment	87,927	(87,927)
Beginning net position as restated	<u>\$ 126,839,415</u>	<u>\$ 79,700,870</u>

Non-major internal service funds statement of net position beginning balances is as follows:

	Statement of Net Position
Current assets and liabilities	\$ 1,889,289
Pension liability	(332,549)
Net deferred inflow/outflow	49,022
Capital assets net of Accumulated depreciation	<u>3,501,000</u>
Total beginning net position	<u>\$ 5,106,762</u>

Q. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2016 up through March 31, 2017, the date the financial statements were issued. During this period, there were no subsequent events requiring disclosure.

R. Property Taxes

Property taxes are levied for appropriation for the fiscal year beginning on October 1, are due October 1, attach as an enforceable lien on property as of January 1, and become delinquent on February 1. Property taxes are accrued based on the period for which they are levied and available. Delinquent taxes estimated not to be available are treated as deferred revenue in the governmental fund financial statements. Property taxes for cities, including those applicable to debt service, are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The City's current tax rate is \$0.43469 per \$100 of assessed valuation and assessed valuation is approximately 100% of estimated value.

S. Use of Estimates

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

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 2. CASH, INVESTMENTS, AND DEPOSITS

At year end, the carrying amount of the City's interests bearing bank deposits and money market funds was \$13,669,416 and the bank balance was \$13,749,774. All of the bank balances was covered by federal deposit insurance and collateralized by the pledging financial institution's City's safekeeping account at the Federal Reserve or held by a third party custodian. The custodian serves contractually as the City's agent.

Additionally, the City has an account under a safekeeping agreement with Frost Bank, TX. The U.S. Government Treasury and Agency investments clear via the Federal Reserve System through this account upon purchase, sale, or maturity. All assets in the account are held in the City's name.

The table below identifies the investment types that are authorized for the City by the Public Funds Investment Act. (Government Code Chapter 2256) The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S Treasury Obligations	3 years	100%	None
U.S. Agency Obligations	3 years	80%	None
State Agency Obligations	3 years	40%	None
Certificate of Deposits	3 years	80%	None
Investment Pools	3 years	80%	None
Repurchase Agreement	3 years	40%	None
Money Market Mutual Funds	3 years	40%	None
Money Market Accounts	3 years	80%	None

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Investment Pools and LOGIC are measured at amortized cost and are exempt for fair value reporting.

Money Market Mutual Funds are always available and measured at cost.

U.S. Government Agency Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 2. CASH, INVESTMENTS, AND DEPOSITS – CONTINUED

U.S. Treasury Bonds and Certificate of Deposits classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

The City has recurring fair value measurements as presented in the table below. The City's investment balances and weighted average maturity of such investments (excluding the OPEB Liability Trust) are as follows:

	Fair Value Measurements			Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk	Rating Agency
	Fair Value	Level 1 Inputs	Level 2 Inputs				
Investments measured at amortized cost							
Investment Pools							
TexPool	\$ 4,037,251	\$ -	\$ -	7.79%	44	AAAm	S&P
LOGIC	4,327,757	-	-	8.35%	42	AAAm	S&P
Investments by fair value level							
U.S. Agency Bonds	11,508,932	-	11,508,932	22.22%	128	AA+/Aaa	S&P
U.S. Treasury Bonds	1,499,135	1,499,135	-	2.90%	166	AA+/Aaa	S&P
Certificates of Deposit	30,429,720	30,429,720	-	58.74%	265	AA+/Aaa	S&P
Total	<u>\$ 51,802,795</u>	<u>\$ 31,928,855</u>	<u>\$ 11,508,932</u>	<u>100.00%</u>			
Portfolio Weighted Average Maturity					<u>196</u>		

Weighted average maturity of the portfolio by investment type reflected in the table is stated in days. For investment pools, the recent weighted average maturity is presented based on the statewide investment pool. Interest bearing bank deposits is not included in the portfolio's weighted average maturity presented.

Interest Rate Risk

In compliance with the City's Investment Policy, as of September 30, 2016, the City minimized the interest rate risk, the risk relating to the decline in market value of securities in the portfolio, by: limiting the weighted average maturity to 365 days and the stated maturity to two years or less, with the exception of securities purchases related to reserve funds; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the PFIA; and investing funds primarily in money market mutual funds, government investment pools, and shorter-term securities with a weighted average maturity of less than 200 days.

The following table details the maturity schedule for the City's investments as of September 30, 2016:

Maturity Schedule	Book Value	Fair Value	% of Portfolio
Less than 1 Month	\$ 3,616,388	\$ 3,616,388	7%
1 to 6 Months	22,567,096	22,567,096	44%
6 to 9 Months	9,080,401	9,080,401	18%
9 to 12 Months	9,019,044	9,019,044	16%
12 to 18 Months	7,519,876	7,519,876	15%
Total	<u>\$ 51,802,805</u>	<u>\$ 51,802,805</u>	<u>100%</u>

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 2. CASH, INVESTMENTS, AND DEPOSITS – CONTINUED

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to limit its investment types with an investment quality rating not less than AAA or its equivalent by a national recognized statistical rating organization.

The City's investment policy does not allow for an investment in any one issuer (other than investment pools) that is in excess of five percent of the fair value of the City's total investments.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

The City requires all deposits to be covered by Federal Depository Insurance Corporation (FDIC) insurance and/or collateralized by qualified securities pledged by the City's depository in the City's name and held by the depository's agent.

The City is a voluntary participant in TexPool and Local Government Investment Cooperative (LOGIC). TexPool and LOGIC operates in a manner consistent with the SEC's Rule 2A7 of the Investment Company Act of 1940.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than the market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

There is no regulatory oversight by the State of Texas over LOGIC. The investment activities of LOGIC are administered by third party advisors. 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.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 3. RECEIVABLES

Year-end receivable balances for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Funds	Governmental Funds					Total
	General	General Obligation Debt Service	Crime Control Prevention District	Capital Projects Fund	Non Major Governmental Funds	
Receivables						
Property taxes	\$ 226,886	\$ 88,012	\$ -	\$ -	\$ 8,791	\$ 323,689
Franchise taxes	654,112	-	-	-	-	654,112
Sales taxes	1,001,055	-	221,085	-	788,270	2,010,410
Accounts	1,278,330	-	-	-	8,992	1,287,322
Other	59,011	675	-	7,791	18,230	85,707
Due from other Governments	96,836	-	-	-	6,470	103,306
Gross receivables	3,316,230	88,687	221,085	7,791	830,753	4,464,546
Less: allowance	(742,355)	(11,001)	-	-	-	(753,356)
Net total receivables	<u>\$ 2,573,875</u>	<u>\$ 77,686</u>	<u>\$ 221,085</u>	<u>\$ 7,791</u>	<u>\$ 830,753</u>	<u>\$ 3,711,190</u>

Year-end receivable balances for the government's individual proprietary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Proprietary Funds	Proprietary Funds				
	Water and Wastewater Utilities	Drainage Utility	Non-Major Recreation Aquatic Center	Total Enterprise Funds	Non-Major Internal Service Fund
Receivables					
Accounts	\$ 4,230,004	\$ 90,869	\$ 31,563	\$ 4,352,436	\$ 388
Interest	11,263	2,822	2,142	16,227	2,288
Gross receivables	4,241,267	93,691	33,705	4,368,663	2,676
Less: allowance	(110,195)	(18,967)	-	(129,162)	-
Net total receivables	<u>\$ 4,131,072</u>	<u>\$ 74,724</u>	<u>\$ 33,705</u>	<u>\$ 4,239,501</u>	<u>\$ 2,676</u>

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 33,954,758		\$ -	\$ -	\$ 33,954,758
Construction in progress	1,978,291	5,785,416	-	11,324	7,775,031
Total capital assets, not being depreciated	<u>35,933,049</u>	<u>5,785,416</u>	<u>-</u>	<u>11,324</u>	<u>41,729,789</u>
Capital assets being depreciated:					
Buildings	63,552,620	100,889	(5,600)	-	63,647,909
Improvements other than buildings	186,091,451	2,495,326	-	336,466	188,923,243
Machinery and equipment	19,393,794	1,324,673	(590,621)	1,337	20,129,183
Total capital assets being depreciated	<u>269,037,865</u>	<u>3,920,888</u>	<u>(596,221)</u>	<u>337,803</u>	<u>272,700,335</u>
Less accumulated depreciation for:					
Buildings	(21,059,567)	(1,972,398)	5,600	-	(23,026,365)
Improvements other than buildings	(117,456,870)	(6,095,354)	-	-	(123,552,224)
Machinery and equipment	(12,807,050)	(1,642,959)	504,461	-	(13,945,548)
Total accumulated depreciation	<u>(151,323,487)</u>	<u>(9,710,711)</u>	<u>510,061</u>	<u>-</u>	<u>(160,524,137)</u>
Total capital assets being depreciated, net	<u>117,714,378</u>	<u>(5,789,823)</u>	<u>(86,160)</u>	<u>337,803</u>	<u>112,176,198</u>
Governmental activities capital assets, net	<u>\$ 153,647,427</u>	<u>\$ (4,407)</u>	<u>\$ (86,160)</u>	<u>\$ 349,127</u>	<u>\$ 153,905,987</u>

Governmental activities include internal service fund machinery and equipment of \$9,643,070 with accumulated depreciation of \$6,196,678 as of September 30, 2016.

Depreciation expense was charged to governmental activity functions as follows:

Governmental Activities:	
General government	\$ 1,656,642
Public safety	4,731,851
Public works	1,205,426
Community development	708,313
Recreation and cultural	1,408,479
Total depreciation expense - governmental activities	<u>\$ 9,710,711</u>

Governmental activities portion of the internal service fund depreciation expense of \$801,726 is allocated within each function.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 4. CAPITAL ASSETS – CONTINUED

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,535,270	\$ -	\$ -	\$ -	\$ 1,535,270
Construction in progress	6,028,899	3,738,029	-	(2,646,693)	7,120,235
Total capital assets, not being depreciated	<u>7,564,169</u>	<u>3,738,029</u>	<u>-</u>	<u>(2,646,693)</u>	<u>8,655,505</u>
Capital assets being depreciated:					
Improvements other than building	123,346,801	4,472,477	-	2,298,903	130,118,181
Machinery and equipment	1,909,291	331,788	(235,425)	(1,337)	2,004,317
Capacity rights	6,281,781	-	-	-	6,281,781
Total capital assets being depreciated	<u>131,537,873</u>	<u>4,804,265</u>	<u>(235,425)</u>	<u>2,297,566</u>	<u>138,404,279</u>
Less accumulated depreciation for:					
Improvements other than building	(56,570,930)	(4,061,986)	-	-	(60,632,916)
Machinery and equipment	(1,518,322)	(114,827)	227,678	-	(1,405,471)
Capacity rights	(3,840,834)	(157,045)	-	-	(3,997,879)
Total accumulated depreciation	<u>(61,930,086)</u>	<u>(4,333,858)</u>	<u>227,678</u>	<u>-</u>	<u>(66,036,266)</u>
Total capital assets being depreciated, net	<u>69,607,787</u>	<u>470,407</u>	<u>(7,747)</u>	<u>2,297,566</u>	<u>72,368,013</u>
Business-type activities capital assets, net	<u>77,171,956</u>	<u>4,208,436</u>	<u>(7,747)</u>	<u>(349,127)</u>	<u>81,023,518</u>

Business-type activities depreciation expense as follows:

Business-type activities:	
Water and wastewater utilites	\$ 3,068,800
Drainage utility	1,261,374
Recreation / aquatic center	<u>3,684</u>
Total depreciation expense - business-type activities	<u>\$ 4,333,858</u>

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 4. CAPITAL ASSETS – CONTINUED

Construction Commitments

The City has active construction projects as of September 30, 2016. The projects include construction, park improvements, and drainage improvements.

Significant Commitments for construction in progress are composed of the following:

Project Description	Authorized Project Amount	Project Expenditures To Date	Remaining Project Balance
Big Bear East Collectors	\$ 3,080,639	\$ 2,348,966	\$ 731,673
Keller Pointe Expansion	1,955,052	1,918,329	36,723
FM1938 Waterline & SS Relocation Project	2,354,898	2,322,592	32,306
KSP Aarena Road Culvert Improvement	2,354,898	1,757,244	597,654
Bandit Trail Drainage Improvement	2,354,898	2,218,775	136,123
Old Town Keller West Improvement	4,650,557	1,694,107	2,956,450
	<u>\$ 16,750,942</u>	<u>\$ 12,260,013</u>	<u>\$ 4,490,929</u>

NOTE 5. TRANSFERS AND INTERFUND RECEIVABLES AND PAYABLES

Transfers are used to provide funds for debt service, contributions for capital construction or reimbursement for capital asset purchases, cost allocations and other operational costs as determined by the City's annual budget. Transfers between funds during the year were as follows:

Transfers In	Transfers Out	Amount	Purpose
General Obligation Debt	Nonmajor Governmental Funds	\$ 72,720	Debt service payment
Capital Projects Fund	General Fund	9,594,021	Street projects
Capital Projects Fund	Nonmajor Governmental Funds	3,326,558	Street maintenance
Capital Projects Fund	Water and Wastewater	326,510	Street projects related to water and wastewater
Capital Projects Fund	Drainage	215,000	Drainage for Old Town Keller Project
Drainage	General Fund	30,700	Drainage engineering costs
Internal Service Fund	General Fund	300,000	General fund replacement fleet
Nonmajor Governmental Funds	General Fund	481,060	Project for Mt Gilead Trail
Nonmajor Governmental Funds	General Obligation Debt	687,300	TIF debt service transfer
Nonmajor Governmental Funds	Nonmajor Governmental Funds	2,086,240	Park improvement
	Total Transfers	<u>\$ 17,120,109</u>	

The City's water and wastewater utilities and drainage fund also transferred capital assets totaling \$349,127 to governmental activities.

The City's internal balances reported on the statement of net positions are the allocation of internal service fund balance to business-type activities.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 6. DEFERRED INFLOWS OF RESOURCES

Governmental funds report *deferred inflows of resources* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. At year-end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	General Fund	General Obligation Debt Service	Nonmajor Governmental Funds	Total
Deferred inflows of resources:				
Property taxes	\$ 198,525	\$ 77,011	\$ 8,791	\$ 284,327
Court fines	38,071	-	\$ 992	39,063
Emergency services	401,970	-	-	401,970
Total	<u>\$ 638,566</u>	<u>\$ 77,011</u>	<u>\$ 9,783</u>	<u>\$ 725,360</u>

NOTE 7. LONG-TERM DEBT

General Obligation Bonds, Certificates of Obligation and Contractual Obligations

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

General Obligation Bonds	Final Maturity	Interest Rates	Component Unit Portion	City Portion	Total Governmental	Business- Type
\$4,000,000 Series 2009 Improvements	2029	4.00 - 4.65%	\$ -	\$ 3,070,000	\$ 3,070,000	\$ -
\$6,299,997 Series 2010** Refunding	2028	1.00 - 4.13%	5,875,000	-	5,875,000	-
\$3,290,000 Series 2010A Refunding	2020	2.00 - 3.50%	-	510,000	510,000	340,000
\$5,620,000 Series 2010B Refunding	2022	2.00 - 4.00%	-	1,990,533	1,990,533	1,494,467
\$9,860,000 Series 2011* Refunding	2023	0.55 - 5.00%	8,440,000	565,000	9,005,000	-
\$11,465,000 Series 2012 Refunding	2024	2.00 - 5.00%	-	3,405,000	3,405,000	5,520,000
\$10,475,000 Series 2015 Refunding	2026	2.00 - 4.00%	-	3,445,000	3,445,000	3,945,000
Total General Obligation Bonds			<u>\$ 14,315,000</u>	<u>\$ 12,985,533</u>	<u>\$ 27,300,533</u>	<u>\$ 11,299,467</u>

*Component Unit Portion is with Keller Development Corp.

**Component Unit Portion is with the Keller TIF

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 7. LONG-TERM DEBT – CONTINUED

General Obligation Bonds, Certificates of Obligation and Contractual Obligations – Continued

<u>Certificate of Obligations</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Component Unit Portion</u>	<u>City Portion</u>	<u>Total Governmental</u>	<u>Business-Type</u>
\$8,310,000 Series 2009 Improvements	2029	3.00 - 4.70%	\$ -	\$ 6,160,000	\$ 6,160,000	
\$8,310,000 Series 2010 Improvements	2030	2.00 - 4.00%	-	5,270,000	5,270,000	1,255,000
\$5,835,000 Series 2012 Improvements (CWSRF)	2032	0.05 - 2.20%	-	-	-	4,825,000
\$6,000,000 Series 2012 Improvement	2027	2.00 - 5.00%	-	4,739,940	4,739,940	-
\$9,545,000 Series 2015** Refunding	2018	4.00 - 5.00%	4,890,000	-	4,890,000	-
\$3,870,000 Series 2015* Improvements	2034	2.00 - 3.13%	<u>3,530,000</u>	<u>-</u>	<u>3,530,000</u>	<u>-</u>
Total Certificate of Obligations			<u>\$ 8,420,000</u>	<u>\$ 16,169,940</u>	<u>\$ 24,589,940</u>	<u>\$ 6,080,000</u>

*Component Unit Portion is with Keller Development Corp.

**Component Unit Portion is with the Keller TIF

<u>Contractual Obligations</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Component Unit Portion</u>	<u>City Portion</u>	<u>Total Governmental</u>	<u>Business-Type</u>
\$873,000 Series 2013 Improvements	2018	0.56 - 1.63%	\$ -	\$ 355,060	\$ 355,060	\$ -
Total Contractual Obligation Bonds			<u>\$ -</u>	<u>\$ 355,060</u>	<u>\$ 355,060</u>	<u>\$ -</u>

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 7. LONG-TERM DEBT – CONTINUED

Changes in Long-term Liabilities:

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2016, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Governmental activities:					
General obligation bonds	\$ 31,033,777	\$ -	\$ (3,733,244)	\$ 27,300,533	\$ 3,369,180
Certificate of obligations	28,010,000	-	(3,420,060)	24,589,940	3,554,940
Contractual obligation	475,060	-	(120,000)	355,060	176,000
Unamortized bond premium (discount)	1,965,055	-	(202,318)	1,762,737	-
Total bonds payable	61,483,892	-	(7,475,622)	54,008,270	7,100,120
Compensated absences	1,603,387	1,642,349	(1,676,996)	1,568,740	1,568,740
Net pension liability*	10,076,989	4,490,252	-	14,567,241	-
OPEB liability	480,694	95,991	-	576,685	-
Total governmental activities	<u>\$ 73,644,962</u>	<u>\$ 6,228,592</u>	<u>\$ (9,152,618)</u>	<u>\$ 70,720,936</u>	<u>\$ 8,668,860</u>

*Net pension liability from the internal service fund is reported within governmental activities.

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Business-type activities:					
General obligation bonds	\$ 12,476,223	\$ -	\$ (1,176,756)	\$ 11,299,467	\$ 1,430,820
Certificate of obligations	6,600,000	-	(520,000)	6,080,000	325,000
Contractual obligation	53,940	-	(53,940)	-	-
Unamortized bond premium (discount)	962,073	-	(112,407)	849,666	-
Total bonds payable	20,092,236	-	(1,863,103)	18,229,133	1,755,820
Compensated absences	186,404	270,783	(248,903)	208,284	208,284
Net pension liability	1,912,290	838,837	-	2,751,127	-
Total business-type activities	<u>\$ 22,190,930</u>	<u>\$ 1,109,620</u>	<u>\$ (2,112,006)</u>	<u>\$ 21,188,544</u>	<u>\$ 1,964,104</u>

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 7. LONG-TERM DEBT – CONTINUED

Changes in Long-term Liabilities - Continued

General Obligation Bonds

Fiscal Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 3,369,180	\$ 936,013	\$ 4,305,193	\$ 1,430,820	\$ 412,292	\$ 1,843,112
2018	3,319,076	839,594	4,158,670	1,495,924	369,749	1,865,673
2019	3,089,046	732,629	3,821,675	1,545,954	316,106	1,862,060
2020	3,196,207	625,442	3,821,649	1,623,793	251,607	1,875,400
2021	2,888,564	520,829	3,409,393	1,211,436	190,815	1,402,251
2022-2026	9,053,460	1,255,845	10,309,305	3,991,540	287,856	4,279,396
2027-2031	2,385,000	156,010	2,541,010	-	-	-
Total	<u>\$ 27,300,533</u>	<u>\$ 5,066,362</u>	<u>\$ 32,366,895</u>	<u>\$ 11,299,467</u>	<u>\$ 1,828,425</u>	<u>\$ 13,127,892</u>

Certificate of Obligations

Fiscal Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 3,554,940	\$ 946,389	\$ 4,501,329	\$ 325,000	\$ 142,630	\$ 467,630
2018	3,685,000	802,421	4,487,421	330,000	116,876	446,876
2019	1,225,000	652,871	1,877,871	335,000	133,624	468,624
2020	1,270,000	602,371	1,872,371	340,000	110,227	450,227
2021	1,330,000	549,620	1,879,620	350,000	131,484	481,484
2022-2026	7,585,000	1,887,605	9,472,605	1,920,000	481,925	2,401,925
2027-2031	5,185,000	491,571	5,676,571	2,110,000	204,422	2,314,422
2022-2034	755,000	36,022	791,022	370,000	5,272	375,272
Total	<u>\$ 24,589,940</u>	<u>\$ 5,968,870</u>	<u>\$ 30,558,810</u>	<u>\$ 6,080,000</u>	<u>\$ 1,326,460</u>	<u>\$ 7,406,460</u>

Contractual Obligations

Fiscal Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 176,000	\$ 4,062	\$ 180,062	\$ -	\$ -	\$ -
2018	179,060	2,918	181,978	-	-	-
Total	<u>\$ 355,060</u>	<u>\$ 6,980</u>	<u>\$ 362,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Current Year Debt Activity

The City did not issue any debt during the fiscal year-end September 30, 2016. Defeased debt that remained outstanding in an irrevocable trust with an escrow agent in prior year was paid as of September 30, 2016.

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 7. LONG-TERM DEBT – CONTINUED

Conduit Debt

Certain revenue bonds have been issued in the past to provide financial assistance to nonprofit and public entities for 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, 2016, there was one series of revenue bonds outstanding. The aggregate principal amount payable for the issues was \$26,265,000.

Compensated Absences

Compensated absences represent the estimated liability for employees' vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund and Enterprise Funds based on the assignment of an employee at termination.

NOTE 8. PENSION PLAN

A. Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

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

	<u>Plan Year 2015</u>	<u>Plan Year 2014</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 : 1	2 : 1
Years required for vesting	5 yrs	5 yrs
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	50% of CPI Repeating	50% of CPI Repeating

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 8. PENSION PLAN – CONTINUED

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

C. Employees Covered by Benefit Terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	118
Inactive employees entitled to but not yet receiving benefits	168
Activity employees	<u>290</u>
Total	<u><u>576</u></u>

D. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.67% and 15.07% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$2,828,969, and were equal to the required contributions.

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 8. PENSION PLAN – CONTINUED

E. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2011 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation. After the Asset Allocation Study Analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 8. PENSION PLAN – CONTINUED

E. Net Pension Liability – Continued

At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation, this allocation and best estimates of real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.5%	4.55%
International equity	17.5%	6.10%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.65%
Real return	10.0%	4.03%
Real estate	10.0%	5.00%
Absolute return	10.0%	4.00%
Private equity	5.0%	8.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Allocations

The City's net pension liability, pension expense, and deferred outflows of resources related to TMRS have been allocated between governmental activities, business-type activities, and the internal service fund using a contribution-based method. The internal service fund portion of the pension activity is recorded within governmental activities at the governmental wide financial statements.

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 8. PENSION PLAN – CONTINUED

E. Net Pension Liability – Continued

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$ 79,254,755	\$ 67,265,476	\$ 11,989,279
Changes for the year:			
Service Cost	2,979,303	-	2,979,303
Interest	5,555,939	-	5,555,939
Change of benefit terms	-	-	-
Difference between expected and actual experience	(270,677)	-	(270,677)
Changes of assumptions	-	-	-
Contributions - employer	-	2,732,236	(2,732,236)
Contributions - employee	-	1,233,387	(1,233,387)
Net investment income	-	99,266	(99,266)
Changes in assumptions	1,065,970	-	1,065,970
Benefit payments, including refunds of employee contributions	(2,747,691)	(2,747,691)	-
Administrative expense	-	(60,456)	60,456
Other changes	-	(2,987)	2,987
Net Changes	6,582,844	1,253,755	5,329,089
Balance at 12/31/15	\$ 85,837,599	\$ 68,519,231	\$ 17,318,368

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension (asset) liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (5.75%) or 1% higher (7.75%) that the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	\$ 30,860,727	\$ 17,318,368	\$ 6,323,369

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained at www.tmr.com.

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 8. PENSION PLAN – CONTINUED

F. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$3,715,888.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 874,880
Changes in actuarial assumptions	866,723	-
Difference between projected and actual investment earnings	4,161,559	-
Contributions subsequent to the measurement date	<u>2,054,956</u>	<u>-</u>
Total	<u>\$ 7,083,238</u>	<u>\$ 874,880</u>

The \$2,054,956 reported as deferred outflows of resources related to pensions result from contributions subsequent to the measurement date and will reduce the net pension liability during the fiscal year ended September 30, 2017. The other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended Sept. 30:	
2017	\$ 1,059,174
2018	1,059,174
2019	1,059,174
2020	923,852
Thereafter	<u>52,028</u>
Total	<u>\$ 4,153,402</u>

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 9. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City provides other postemployment benefits (OPEB) in the form of health insurance benefits through a single-employer defined benefit medical plan. Regular full-time employees retiring from the City with 20 years of service or 5 years of service if over 60, have the option to continue medical insurance coverage for themselves and their families until the retiree becomes eligible for Medicare or is eligible to be covered under another medical plan. The retired employee pays 100% of the premium. A third-party administrator is utilized to provide claims administration and payment of claims.

The Plan does not issue a separate financial report.

Funding Policy

The City has elected not to subsidize premiums and only pays for claims as they relate to the retirees on the City's health care plan. Because the cost of claims for providing health care benefits to retirees under age 65 is typically higher than the cost of claims from active employees on the health care plan, there is an implicit employer obligation from claims for retirees on the City's health care plan. Payment of health care claims from retirees on the City's health insurance plan is provided on a pay-as-you-go basis (PAYGO).

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) 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 amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years on an open basis. The City's annual OPEB cost and net OPEB obligation (asset) for the prior three years is shown below:

	<u>2016</u>
Annual required contribution	\$ 144,231
Interest on prior year Net OPEB obligation	19,228
Adjustment to annual required contribution	<u>(18,731)</u>
Annual OPEB cost	144,728
Contributions made	<u>(48,737)</u>
Increase (decrease) in net OPEB obligation	95,991
Net Obligation (asset) - beginning of year	<u>480,694</u>
Net Obligation (asset) - end of year	<u>\$ 576,685</u>
Percentage of OPEB costs contributed	33.79%

**CITY OF KELLER, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2016**

NOTE 9. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

Funded Status and Funding Progress

The City's annual OPEB cost, the percentage of annual OPEB cost contributed on the Plan, and the net OPEB obligation for fiscal year 2016 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2014	\$ 107,412	\$ 4,192	3.90%	\$ 397,514
9/30/2015	119,912	36,732	30.63%	480,694
9/30/2016	144,728	48,737	33.67%	576,685

As of December 31, 2015, the most recent actuarial valuation date, the Plan was 0.00 percent funded. The actuarial accrued liability for the benefits was \$1,216,632, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,216,632. The annual covered payroll is \$17,556,291 and the UAAL as a percentage of covered payroll is 6.93 percent.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan 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 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. Key actuarial assumptions include: (a) level dollar contribution amortization method; (b) a 1.5% net real rate of investment return is used for an unfunded PAYGO basis and 4.50% on a funding policy basis; (c) actuarial value of assets is set to equal to the reported market value; (d) a sliding scale of medical inflation from 7.50% in 2016 to 4.25% by 2031 and later; and (e) general inflation assumed to be 2.50%.

NOTE 10. OTHER INFORMATION

A. Contingent Liabilities

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 periodically is a defendant in various lawsuits. At September 30, 2016, after consultation with the City's attorney, the City is not aware of any pending litigation.

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.

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 10. OTHER INFORMATION – CONTINUED

B. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City purchases commercial insurance to indemnify it in event of loss. For the past three years, settlements did not exceed coverage.

C. TMRS Supplemental Death Benefit Fund

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by 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 post-employment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. For the year ended September 30, 2016, the City offered the supplemental death benefit to both active and retired employees.

Contributions

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 annual required and actual contributions to the TMRS SDBF were based on .13% in fiscal year 2014 and .14% in fiscal years 2015 and 2016 of covered payroll. The actual contributions for the fiscal years ended 2016, 2015, and 2014 totaled \$26,005, \$22,676, and \$22,676, respectively, which equaled the annual required contribution.

The rate of annual required contributions to actual contributions made as a percentage is as follows:

Fiscal Year Ended	Annual Required Contribution (Rate)	Actual Contribution (Rate)	Percentage of ARC Contributed
9/30/2014	0.13%	0.13%	100.00%
9/30/2015	0.14%	0.14%	100.00%
9/30/2016	0.14%	0.14%	100.00%

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KELLER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT A-10

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Ad valorem taxes	\$ 15,560,148	\$ 15,560,148	\$ 14,682,864	\$ (877,284)
Sales taxes	5,668,946	5,668,946	5,705,047	36,101
Franchise fees	4,263,320	4,263,320	4,203,062	(60,258)
Mixed drink tax	144,000	144,000	176,434	32,434
Licenses and permits	1,684,200	1,709,200	1,646,560	(62,640)
Intergovernmental	2,784,800	2,784,800	2,829,568	44,768
Charges for services	3,080,055	3,080,055	3,385,998	305,943
Fines and forfeitures	842,000	842,000	1,183,988	341,988
Donations	36,250	36,250	62,726	26,476
Interest income	99,830	99,830	58,874	(40,956)
Miscellaneous income	69,400	69,400	176,109	106,709
Total revenues	34,232,949	34,257,949	34,111,230	(146,719)
EXPENDITURES				
Current				
Administration	2,326,201	2,328,543	2,143,098	185,445
Town Hall Operations	720,400	733,990	618,214	115,776
Mayor and Council	33,945	33,945	22,445	11,500
Finance and Municipal Court	1,334,754	1,356,734	1,336,488	20,246
Human Resources	821,240	822,372	740,661	81,711
Police Department	8,938,547	8,940,247	8,572,261	367,986
Fire Department	7,498,161	7,516,916	6,771,643	745,273
Street Maintenance	3,612,225	3,522,497	3,247,157	275,340
Library	1,541,690	1,542,445	1,382,608	159,837
Parks and Recreation	3,790,188	3,798,983	3,300,991	497,992
Economic Development	595,844	595,844	508,467	87,377
Community Development	1,503,870	1,528,870	1,863,444	(334,574)
Total expenditures	32,717,065	32,721,386	30,507,477	2,213,909
Excess (deficiency) of revenues over expenditures	1,515,884	1,536,563	3,603,753	2,067,190
OTHER FINANCING SOURCES (USES)				
Transfers out	(9,419,595)	(10,405,781)	(10,405,781)	-
Proceeds from sale of property	-	-	721,437	721,437
Total other financing sources (uses)	(9,419,595)	(10,405,781)	(9,684,344)	721,437
Net change in fund balances	(7,903,711)	(8,869,218)	(6,080,591)	2,788,627
Fund balances, October 1, as restated	18,974,939	18,974,939	18,974,939	-
Fund balances, September 30	\$ 11,071,228	\$ 10,105,721	\$ 12,894,348	\$ 2,788,627

**CITY OF KELLER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
CRIME CONTROL PREVENTION DISTRICT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT A-11

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales Taxes	\$ 1,284,690	\$ 1,284,690	\$ 1,328,919	\$ 44,229
Intergovernmental	20,000	20,000	-	(20,000)
Interest income	9,380	9,380	21,849	12,469
Total revenues	1,314,070	1,314,070	1,350,768	36,698
EXPENDITURES				
Current:				
Police Department	517,895	632,905	616,164	16,741
Debt service:				
Principal	335,000	335,000	335,000	-
Interest and other charges	192,850	192,850	191,600	1,250
Total expenditures	1,045,745	1,160,755	1,142,764	17,991
Excess of revenues over expenditures	268,325	153,315	208,004	54,689
Other financing sources				
Proceeds from sale of capital assets	10,000	10,000	11,192	1,192
Total other financing sources	10,000	10,000	11,192	1,192
Net change in fund balances	278,325	163,315	219,196	55,881
Fund balances, October 1	3,434,477	3,434,477	3,434,477	-
Fund balances, September 30	<u>\$ 3,712,802</u>	<u>\$ 3,597,792</u>	<u>\$ 3,653,673</u>	<u>\$ 55,881</u>

**CITY OF KELLER, TEXAS
NOTES TO BUDGET COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City follows the following procedures in establishing the budgetary date reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1, the budget is legally enacted through passage of an ordinance.
3. The City Council must authorize amendments to budgeted amounts between departments within any fund. Therefore the department level is the legal level of control and budget to actual expenditure comparisons is reported at the department level.
4. All transfers to and from budgeted funds must be approved by the City Council.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2016, individual amendments were not material in relation to the original appropriations for expenditures. All budget appropriations automatically lapse at year-end.
6. Formal budgetary integration is employed as a management control device during the year. The legally adopted budget is adopted on a basis consistent with generally accepted accounting principles.

**CITY OF KELLER, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TWO MEASUREMENT YEARS
(UNAUDITED)**

EXHIBIT A-12

	Measurement Year 2015*	Measurement Year 2014
Total pension liability:		
Service cost	\$ 2,979,303	\$ 2,982,697
Interest	5,555,939	5,216,622
Changes of benefit terms	-	-
Difference between expected and actual experience	(270,677)	(993,549)
Change in assumptions	1,065,970	-
Benefit payments, including refunds of employee contributions	(2,747,691)	(1,953,842)
Net change in total pension liability	6,582,844	5,251,928
Total pension liability - beginning	79,254,755	74,002,827
Total pension liability - ending (a)	85,837,599	79,254,755
Plan fiduciary net position:		
Contributions - employer	2,732,236	2,678,823
Contributions - employee	1,233,387	1,223,684
Net investment income	99,266	3,537,194
Benefit payments, including refunds of employee contributions	(2,747,691)	(1,953,842)
Administrative expense	(60,456)	(36,922)
Other	(2,987)	(3,036)
Net change in plan fiduciary net position	1,253,755	5,445,901
Plan fiduciary net position - beginning	67,265,476	61,819,575
Plan fiduciary net position - ending (b)	68,519,231	67,265,476
Net pension liability - ending (a) - (b)	<u>\$ 17,318,368</u>	<u>\$ 11,989,279</u>
Plan fiduciary net position as a percentage of total pension liability	79.82%	84.87%
Covered employee payroll	\$ 17,556,292	\$ 17,462,991
Net pension liability as a percentage of covered employee payroll	98.64%	68.66%

Note: Only two years of data is presented in accordance with GASB #68. Paragraph 138. "The information for all period for the 10-year schedules that are required to be presented as required supplementary information may be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available. The schedules should not include information that is not measured in accordance with requirements of this statement. Additional years' information will be displayed as it becomes available."

**CITY OF KELLER, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TWO FISCAL YEARS
(UNAUDITED)**

EXHIBIT A-13

	Fiscal Year 2016*	Fiscal Year 2015
Actuarially determined contribution	\$ 2,828,969	\$ 2,711,603
Contribution in relation of the actuarially determined contribution	<u>2,828,969</u>	<u>2,711,603</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 18,575,332	\$ 17,520,409
Contributions as a percentage of covered employee payroll	15.23%	15.48%

Note: GASB #68, paragraph 81.2.b requires that the data in this schedule be presented as of the City's fiscal year as opposed to the time period covered by the measurement date.

Note: Only two years of data is presented in accordance with GASB #68. Paragraph 138. "The information for all period for the 10-year schedules that are required to be presented as required supplementary information may be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available. The schedules should not include information that is not measured in accordance with requirements of this statement. Additional years' information will be displayed as it becomes available."

**CITY OF KELLER, TEXAS
NOTES TO TEXAS MUNICIPAL RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY
INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

VALUATION DATE:

Actuarial determined contribution rates are calculated as of December 31 each year and become effective in January, 12 months and one day later.

METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other information: There were no benefit changes during the year.

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**COMBINING STATEMENTS AND BUDGETARY COMPARISON
SCHEDULES**

**CITY OF KELLER, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
GENERAL OBLIGATION DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT A-14

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 4,556,420	\$ 4,556,420	\$ 5,071,717	\$ 515,297
Interest income	7,500	7,500	5,273	(2,227)
Total revenues	<u>4,563,920</u>	<u>4,563,920</u>	<u>5,076,990</u>	<u>513,070</u>
EXPENDITURES				
Debt service				
Principal	3,354,060	3,354,060	3,236,414	117,646
Interest and fiscal charges	1,077,420	1,077,420	1,018,480	58,940
Total debt service	<u>4,431,480</u>	<u>4,431,480</u>	<u>4,254,894</u>	<u>176,586</u>
Excess of revenue over expenditures	<u>132,440</u>	<u>132,440</u>	<u>822,096</u>	<u>689,656</u>
Other financing sources (uses):				
Transfers in	603,185	72,720	72,720	-
Transfers out	(687,300)	(687,300)	(687,300)	-
Total other financing sources (uses)	<u>(84,115)</u>	<u>(614,580)</u>	<u>(614,580)</u>	<u>-</u>
Net change in fund balances	<u>48,325</u>	<u>(482,140)</u>	<u>207,516</u>	<u>689,656</u>
Fund balances, October 1	<u>173,962</u>	<u>173,962</u>	<u>173,962</u>	<u>-</u>
Fund balances, September 30	<u>\$ 222,287</u>	<u>\$ (308,178)</u>	<u>\$ 381,478</u>	<u>\$ 689,656</u>

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

LIBRARY FUND

This fund accounts for public donations and revenues designed 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.

PUBLIC INFORMATION AND BROADCASTING

This fund is used to account for revenue received from PEG fees and expenditures to enhance public communication.

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

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 PROJECT FUNDS

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 FEE 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 engineering.

PARKS CAPITAL IMPROVEMENT 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, 2016**

	Special Revenue Funds					
	Library	Municipal Court	Public Safety	Contributions and Donations	Public Information and Broadcasting	Keller Development Corporation
ASSETS						
Cash and cash equivalents	\$ 45,464	\$ 145,004	\$ 118,108	\$ 36,562	\$ 627,872	\$ 2,117,751
Receivables: (net of allowances for uncollectibles)						
Ad valorem taxes	-	-	-	-	-	-
Sales taxes	-	-	-	-	38,261	500,528
Accounts	-	992	-	-	-	8,000
Other	1,226	564	4,081	36	626	2,547
Due from other governments	-	6,470	-	-	-	-
Total assets	\$ 46,690	\$ 153,030	\$ 122,189	\$ 36,598	\$ 666,759	\$ 2,628,826
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Accounts payable	\$ 4,047	\$ 12,341	\$ 18,700	\$ -	\$ 65,267	\$ 28
Other payables and accruals	-	-	-	-	-	4,195
Due to other governments	-	-	-	-	-	-
Unearned revenue	-	-	35,426	-	-	-
Total liabilities	4,047	12,341	54,126	-	65,267	4,223
DEFERRED INFLOWS OF RESOURCES:						
Unavailable resources	-	992	-	-	-	-
Total deferred inflows of resources	-	992	-	-	-	-
FUND BALANCES						
Restricted						
Debt service	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Park Development	-	-	-	-	-	2,624,603
Municipal court	-	139,697	-	-	-	-
Law Enforcement	-	-	68,063	-	-	-
Recreation and Cultural	42,643	-	-	36,598	-	-
Public information and broadcasting	-	-	-	-	601,492	-
Total fund balances	42,643	139,697	68,063	36,598	601,492	2,624,603
Total liabilities and deferred inflows of resources and fund balances	\$ 46,690	\$ 153,030	\$ 122,189	\$ 36,598	\$ 666,759	\$ 2,628,826

EXHIBIT B-1

Debt Service Fund		Capital Projects				Total Nonmajor Governmental Funds
TIF #1 Interest and Sinking	Roadway Impact Fee	Park Development Fee	Street/Sidewalk Improvements	Parks Capital Improvements		
\$ 3,319,360	\$ 6,340,745	\$ 280,552	\$ 48,779	\$ 1,350,826	\$	14,431,023
8,791	-	-	-	-		8,791
-	-	-	249,481	-		788,270
-	-	-	-	-		8,992
2,896	6,254	-	-	-		18,230
-	-	-	-	-		6,470
<u>\$ 3,331,047</u>	<u>\$ 6,346,999</u>	<u>\$ 280,552</u>	<u>\$ 298,260</u>	<u>\$ 1,350,826</u>	<u>\$</u>	<u>15,261,776</u>
\$ -	\$ 2,999	\$ 112,303	\$ 235,501	\$ 129,019	\$	580,205
-	-	-	-	-		4,195
3,083	-	-	-	-		3,083
-	-	-	-	-		35,426
<u>3,083</u>	<u>2,999</u>	<u>112,303</u>	<u>235,501</u>	<u>129,019</u>		<u>622,909</u>
<u>8,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>9,783</u>
<u>8,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>9,783</u>
3,319,173	-	-	-	-		3,319,173
-	6,344,000	168,249	62,759	1,221,807		7,796,815
-	-	-	-	-		2,624,603
-	-	-	-	-		139,697
-	-	-	-	-		68,063
-	-	-	-	-		79,241
-	-	-	-	-		601,492
<u>3,319,173</u>	<u>6,344,000</u>	<u>168,249</u>	<u>62,759</u>	<u>1,221,807</u>		<u>14,629,084</u>
<u>\$ 3,331,047</u>	<u>\$ 6,346,999</u>	<u>\$ 280,552</u>	<u>\$ 298,260</u>	<u>\$ 1,350,826</u>	<u>\$</u>	<u>15,261,776</u>

**CITY OF KELLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Special Revenue Funds					
	Library	Municipal Court	Public Safety	Contributions and Donations	Public Information and Broadcasting	Keller Development Corporation
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	2,852,332
Franchise taxes	-	-	-	-	166,160	-
Permits, licenses, and fees	-	-	-	-	-	-
Intergovernmental	510	-	80,366	-	-	95,333
Charges for services	2,663	-	-	5,749	-	-
Fines and forfeitures	-	129,756	-	-	-	-
Special assessments and impact fees	-	-	-	-	-	-
Donations	59,011	-	11,207	-	-	-
Interest income	186	2,340	383	117	1,833	5,217
Miscellaneous income	-	-	16,466	-	-	16,000
Total revenues	62,370	132,096	108,422	5,866	167,993	2,968,882
EXPENDITURES						
Current:						
General government	-	78,691	-	-	24,741	-
Public safety	-	-	102,122	-	-	-
Public works	-	-	-	-	-	-
Community development	-	-	-	-	-	48,079
Recreation and cultural	45,459	-	-	-	-	-
Capital outlay	-	32,654	-	-	50,000	59,075
Debt service						
Principal	-	-	-	-	-	1,271,890
Interest and fiscal charges	-	-	-	-	-	369,981
Total expenditures	45,459	111,345	102,122	-	74,741	1,749,025
Excess (deficiency) of revenues over (under) expenditures	16,911	20,751	6,300	5,866	93,252	1,219,857
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	(1,255,720)
Total other financing sources (uses)	-	-	-	-	-	(1,255,720)
Net change in fund balances	16,911	20,751	6,300	5,866	93,252	(35,863)
Fund balances, October 1	25,732	118,946	61,763	30,732	508,240	2,660,466
Fund balances, September 30	\$ 42,643	\$ 139,697	\$ 68,063	\$ 36,598	\$ 601,492	\$ 2,624,603

EXHIBIT B-2

Debt Service Fund		Capital Projects Funds				
TIF #1 Interest and Sinking	Roadway Impact Fee	Park Development Fee	Street/Sidewalk Improvements	Parks Capital Improvements	Total Nonmajor Governmental Funds	
\$ 4,396,633	\$ -	\$ -	\$ -	\$ -	\$ 4,396,633	
-	-	-	1,426,385	-	4,278,717	
-	-	-	-	-	166,160	
-	-	125,034	-	-	125,034	
-	-	-	-	3,490	179,699	
-	-	-	-	-	8,412	
-	-	-	-	-	129,756	
-	935,904	-	28,685	-	964,589	
-	-	-	-	-	70,218	
12,746	18,152	701	614	1,350	43,639	
-	-	-	-	-	32,466	
<u>4,409,379</u>	<u>954,056</u>	<u>125,735</u>	<u>1,455,684</u>	<u>4,840</u>	<u>10,395,323</u>	
-	-	-	-	-	103,432	
-	-	-	-	-	102,122	
-	-	-	864,169	-	864,169	
-	-	-	-	-	48,079	
-	-	2,215	-	-	47,674	
-	-	-	18,617	4,406,658	4,567,004	
2,430,000	-	-	-	-	3,701,890	
556,479	-	-	-	-	926,460	
<u>2,986,479</u>	<u>-</u>	<u>2,215</u>	<u>882,786</u>	<u>4,406,658</u>	<u>10,360,830</u>	
1,422,900	954,056	123,520	572,898	(4,401,818)	34,493	
687,300	-	-	-	2,567,300	3,254,600	
-	-	(903,240)	(3,326,558)	-	(5,485,518)	
<u>687,300</u>	<u>-</u>	<u>(903,240)</u>	<u>(3,326,558)</u>	<u>2,567,300</u>	<u>(2,230,918)</u>	
2,110,200	954,056	(779,720)	(2,753,660)	(1,834,518)	(2,196,425)	
1,208,973	5,389,944	947,969	2,816,419	3,056,325	16,825,509	
<u>\$ 3,319,173</u>	<u>\$ 6,344,000</u>	<u>\$ 168,249</u>	<u>\$ 62,759</u>	<u>\$ 1,221,807</u>	<u>\$ 14,629,084</u>	

**CITY OF KELLER, TEXAS
 BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
 LIBRARY FUND
 SPECIAL REVENUE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-1

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 510	\$ 510
Charges for services	2,500	2,500	2,663	163
Donations	17,500	17,500	59,011	41,511
Interest income	560	560	186	(374)
Total revenues	20,560	20,560	62,370	41,810
EXPENDITURES				
Current				
Library	7,500	7,500	45,459	(37,959)
Total expenditures	7,500	7,500	45,459	(37,959)
Net change in fund balances	13,060	13,060	16,911	3,851
Fund balances, October 1	25,732	25,732	25,732	-
Fund balances, September 30	<u>\$ 38,792</u>	<u>\$ 38,792</u>	<u>\$ 42,643</u>	<u>\$ 3,851</u>

**CITY OF KELLER, TEXAS
 BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
 MUNICIPAL COURT FUND
 SPECIAL REVENUE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-2

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Fines and forfeitures	\$ 121,250	\$ 121,250	\$ 129,756	\$ 8,506
Interest income	2,440	2,440	2,340	(100)
Total revenues	<u>123,690</u>	<u>123,690</u>	<u>132,096</u>	<u>8,406</u>
EXPENDITURES				
Current				
Finance Department and Municipal Court	<u>123,942</u>	<u>125,767</u>	<u>111,345</u>	<u>14,422</u>
Total expenditures	<u>123,942</u>	<u>125,767</u>	<u>111,345</u>	<u>14,422</u>
Net change in fund balances	(252)	(2,077)	20,751	22,828
Fund balances, October 1	<u>118,946</u>	<u>118,946</u>	<u>118,946</u>	-
Fund balances, September 30	<u>\$ 118,694</u>	<u>\$ 116,869</u>	<u>\$ 139,697</u>	<u>\$ 22,828</u>

**CITY OF KELLER, TEXAS
 BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
 KELLER DEVELOPMENT CORPORATION
 SPECIAL REVENUE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-3

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales taxes	\$ 2,890,581	\$ 2,890,581	\$ 2,852,332	\$ (38,249)
Intergovernmental	-	-	95,333	95,333
Interest income	4,380	4,380	5,217	837
Miscellaneous income	12,000	385,000	16,000	(369,000)
Total revenues	<u>2,906,961</u>	<u>3,279,961</u>	<u>2,968,882</u>	<u>(311,079)</u>
EXPENDITURES				
Current				
Parks and Recreation	234,090	358,425	107,154	251,271
Debt service				
Principal	1,282,365	1,282,365	1,271,890	10,475
Interest and other charges	376,485	376,485	369,981	6,504
Total expenditures	<u>1,892,940</u>	<u>2,017,275</u>	<u>1,749,025</u>	<u>268,250</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,014,021</u>	<u>1,262,686</u>	<u>1,219,857</u>	<u>(42,829)</u>
Other financing sources (uses)				
Transfers (out)	(553,185)	(1,255,720)	(1,255,720)	\$ -
Total other financing sources (uses)	<u>(553,185)</u>	<u>(1,255,720)</u>	<u>(1,255,720)</u>	<u>-</u>
Net change in fund balances	460,836	6,966	(35,863)	(42,829)
Fund balances, October 1	<u>2,660,466</u>	<u>2,660,466</u>	<u>2,660,466</u>	<u>-</u>
Fund balances, September 30	<u>\$ 3,121,302</u>	<u>\$ 2,667,432</u>	<u>\$ 2,624,603</u>	<u>\$ (42,829)</u>

**CITY OF KELLER, TEXAS
 BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
 TIF#1 INTEREST AND SINKING
 SPECIAL REVENUE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-4

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 3,047,100	\$ 3,047,100	\$ 4,396,633	\$ 1,349,533
Interest income	11,250	11,250	12,746	1,496
Total revenues	<u>3,058,350</u>	<u>3,058,350</u>	<u>4,409,379</u>	<u>1,351,029</u>
EXPENDITURES				
Debt service				
Principal	2,430,000	2,430,000	2,430,000	-
Interest and other charges	555,795	555,795	556,479	(684)
Total expenditures	<u>2,985,795</u>	<u>2,985,795</u>	<u>2,986,479</u>	<u>(684)</u>
Excess of revenues over expenditures	<u>72,555</u>	<u>72,555</u>	<u>1,422,900</u>	<u>1,350,345</u>
Other financing sources (uses)				
Transfers in	687,300	687,300	687,300	-
Total other financing sources (uses)	<u>687,300</u>	<u>687,300</u>	<u>687,300</u>	<u>-</u>
Net change in fund balances	<u>759,855</u>	<u>759,855</u>	<u>2,110,200</u>	<u>1,350,345</u>
Fund balances, October 1	<u>1,208,973</u>	<u>1,208,973</u>	<u>1,208,973</u>	<u>-</u>
Fund balances, September 30	<u>\$ 1,968,828</u>	<u>\$ 1,968,828</u>	<u>\$ 3,319,173</u>	<u>\$ 1,350,345</u>

**CITY OF KELLER, TEXAS
 BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
 STREET/SIDEWALK IMPROVEMENT FUND
 CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-5

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Sales taxes	\$ 1,445,291	\$ 1,445,291	\$ 1,426,385	\$ (18,906)
Special assessments and impact fees	30,000	30,000	28,685	(1,315)
Interest income	7,670	7,670	614	(7,056)
Total revenues	<u>1,482,961</u>	<u>1,482,961</u>	<u>1,455,684</u>	<u>(27,277)</u>
EXPENDITURES				
Current				
Street Maintenance	4,315,398	5,089,913	882,786	4,207,127
Total expenditures	<u>4,315,398</u>	<u>5,089,913</u>	<u>882,786</u>	<u>4,207,127</u>
Net change in fund balances	(2,832,437)	(3,606,952)	572,898	4,179,850
Other financing sources (uses)				
Transfers (out)	-	(3,326,558)	(3,326,558)	-
Total other financing sources (uses)	<u>-</u>	<u>(3,326,558)</u>	<u>(3,326,558)</u>	<u>-</u>
Net change in fund balances	(2,832,437)	(6,933,510)	(2,753,660)	4,179,850
Fund balances, October 1	<u>2,816,419</u>	<u>2,816,419</u>	<u>2,816,419</u>	<u>-</u>
Fund balances, September 30	<u>\$ (16,018)</u>	<u>\$ (4,117,091)</u>	<u>\$ 62,759</u>	<u>\$ 4,179,850</u>

NONMAJOR INTERNAL SERVICE FUNDS

INFORMATION TECHNOLOGY FUND

This fund is used to account for replacement costs of City owned computer equipment/software.

EQUIPMENT REPLACEMENT FUND

This fund is used to account for maintenance and replacement costs of City owned vehicles and heavy equipment.

**CITY OF KELLER, TEXAS
STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2016**

EXHIBIT D-1

	<u>Information Technology</u>	<u>Equipment Replacement</u>	<u>Total Internal Service Funds</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 897,818	\$ 1,267,512	\$ 2,165,330
Accounts receivables	388	-	388
Interest receivable	1,026	1,262	2,288
Prepaid items	339	-	339
Total current assets	<u>899,571</u>	<u>1,268,774</u>	<u>2,168,345</u>
Non-current assets			
Capital assets:			
Machinery and equipment	5,019,775	4,623,295	9,643,070
Accumulated depreciation	<u>(4,012,708)</u>	<u>(2,183,970)</u>	<u>(6,196,678)</u>
Total capital assets (net of accumulated depreciation)	<u>1,007,067</u>	<u>2,439,325</u>	<u>3,446,392</u>
Total assets	<u>1,906,638</u>	<u>3,708,099</u>	<u>5,614,737</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	196,469	-	196,469
Total deferred outflows of resources	<u>196,469</u>	<u>-</u>	<u>196,469</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 63,263	\$ -	\$ 63,263
Other payables and accruals	24,322	-	24,322
Total current liabilities	<u>87,585</u>	<u>-</u>	<u>87,585</u>
Non-current liabilities:			
Net pension liability	480,362	-	480,362
Total noncurrent liabilities	<u>480,362</u>	<u>-</u>	<u>480,362</u>
Total liabilities	<u>567,947</u>	<u>-</u>	<u>567,947</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	24,267	-	24,267
Total deferred inflows of resources	<u>24,267</u>	<u>-</u>	<u>24,267</u>
NET POSITION			
Net investment in capital assets	1,007,067	2,439,325	3,446,392
Unrestricted	<u>503,826</u>	<u>1,268,774</u>	<u>1,772,600</u>
Total net position	<u>\$ 1,510,893</u>	<u>\$ 3,708,099</u>	<u>\$ 5,218,992</u>

**CITY OF KELLER, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT D-2

	<u>Information Technology</u>	<u>Equipment Replacement</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES			
Fees	\$ 1,808,140	\$ 293,723	\$ 2,101,863
Total operating revenues	<u>1,808,140</u>	<u>293,723</u>	<u>2,101,863</u>
OPERATING EXPENSES			
Personell	736,158	-	736,158
Supplies and maintenance	222,586	-	222,586
Services and other	614,876	2,380	617,256
Depreciation and amortization	439,661	362,065	801,726
Total operating expenses	<u>2,013,281</u>	<u>364,445</u>	<u>2,377,726</u>
Operating income (loss)	<u>(205,141)</u>	<u>(70,722)</u>	<u>(275,863)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment revenue	3,699	3,807	7,506
Gain on sale of property	-	80,587	80,587
Total non-operating revenues (expenses)	<u>3,699</u>	<u>84,394</u>	<u>88,093</u>
Net income before transfers and contributions	<u>(201,442)</u>	<u>13,672</u>	<u>(187,770)</u>
TRANSFERS AND CONTRIBUTIONS			
Transfers in	-	300,000	300,000
Total transfers and contributions	<u>-</u>	<u>300,000</u>	<u>300,000</u>
Change in net position	(201,442)	313,672	112,230
Net position, October 1	<u>1,712,335</u>	<u>3,394,427</u>	<u>5,106,762</u>
Net position, September 30	<u>\$ 1,510,893</u>	<u>\$ 3,708,099</u>	<u>\$ 5,218,992</u>

**CITY OF KELLER, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT D-3

	<u>Information Technology</u>	<u>Equipment Replacement</u>	<u>Total Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,807,516	\$ 312,126	\$ 2,119,642
Cash payments to employees for services	(737,715)	-	(737,715)
Cash payments to other suppliers for goods and services	(827,321)	324,729	(502,592)
Net cash provided by operating activities	<u>242,480</u>	<u>636,855</u>	<u>879,335</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	300,000	300,000
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>300,000</u>	<u>300,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition or construction of capital assets	(100,235)	(646,883)	(747,118)
Proceeds from sale of capital assets	-	80,587	80,587
Net cash used in capital and related financing activities	<u>(100,235)</u>	<u>(566,296)</u>	<u>(666,531)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	3,699	3,807	7,506
Net cash provided by investing activities	<u>3,699</u>	<u>3,807</u>	<u>7,506</u>
Net increase in cash and cash equivalents	145,944	374,366	520,310
Cash and cash equivalents at beginning of year	<u>751,874</u>	<u>893,146</u>	<u>1,645,020</u>
Cash and cash equivalents at end of year	<u>\$ 897,818</u>	<u>\$ 1,267,512</u>	<u>\$ 2,165,330</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (205,141)	\$ (70,722)	\$ (275,863)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	439,661	362,065	801,726
Effects of changes in assets and liabilities:			
Decrease (increase) in receivables	-	18,900	18,900
Decrease (increase) in inventories and prepaid items	(300)	-	(300)
Decrease (increase) in interest receivables	(624)	(497)	(1,121)
Decrease (increase) in due from other funds	-	327,109	327,109
Decrease (increase) in deferred outflows	(124,587)	-	(124,587)
Increase (decrease) in accounts payable	10,441	-	10,441
Increase (decrease) in other payables and accruals	(26,191)	-	(26,191)
Increase (decrease) in pension liability	147,814	-	147,814
Increase (decrease) in deferred inflows	1,407	-	1,407
Total adjustments	<u>447,621</u>	<u>707,577</u>	<u>1,155,198</u>
Net cash provided by operating activities	<u>\$ 242,480</u>	<u>\$ 636,855</u>	<u>\$ 879,335</u>

STATISTICAL SECTION

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**CITY OF KELLER, TEXAS
STATISTICAL SECTION
TABLE OF CONTENTS**

This part of the City of Keller's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

<u>Contents</u>	<u>Table #s</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-5
Revenue Capacity These tables contain information to help the reader assess the City's two most significant local revenue sources, the property and sales taxes.	6-14
Debt Capacity These tables 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.	15-19
Economic and Demographic Information These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	20-21
Operating Information These tables 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.	22-24

Source: Unless otherwise noted, the information in these labels is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2003: tables pressing government-wide information include information beginning in that year.

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

	Fiscal Year			
	2007	2008	2009	2010
Governmental Activities				
Net Investment in Capital Assets	\$ 64,573,383	\$ 74,502,492	\$ 70,395,104	\$ 71,137,063
Restricted	11,798,349	10,921,916	10,502,026	10,707,393
Unrestricted	9,624,564	7,002,508	9,709,689	12,066,456
Total Governmental Activities Net Position	\$ 85,996,296	\$ 92,426,916	\$ 90,606,819	\$ 93,910,912
Business-type Activities				
Net Investment in Capital Assets	\$ 53,805,294	\$ 58,364,350	\$ 59,189,455	\$ 58,426,495
Restricted	518,135	9,453,952	9,453,952	9,287,306
Unrestricted	16,403,823	8,190,132	7,658,655	8,006,813
Total Business-type Activities Net Position	\$ 70,727,252	\$ 76,008,434	\$ 76,302,062	\$ 75,720,614
Primary Government				
Net Investment in Capital Assets	\$118,378,677	\$132,866,842	\$ 129,584,559	\$ 129,563,558
Restricted	12,316,484	20,375,868	19,955,978	19,994,699
Unrestricted	26,028,387	15,192,640	17,368,344	20,073,269
Total Primary Government Net Position	\$156,723,548	\$168,435,350	\$ 166,908,881	\$ 169,631,526

Note: The city began to report pension liability after implementing GASB Statement 68 in fiscal year 2015.

TABLE 1

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 75,942,510	\$ 77,053,091	\$ 81,997,316	\$ 96,268,556	\$ 94,005,152	\$100,930,811
17,554,282	20,931,028	22,640,243	22,061,750	29,873,687	32,312,302
7,784,575	10,160,534	9,007,099	7,672,607	2,960,576	3,568,719
<u>\$101,281,367</u>	<u>\$108,144,653</u>	<u>\$113,644,658</u>	<u>\$126,002,913</u>	<u>\$126,839,415</u>	<u>\$136,811,832</u>
\$ 61,139,904	\$ 60,610,385	\$ 60,654,886	\$ 58,172,320	\$ 61,280,272	\$ 63,273,352
9,453,952	8,219,575	8,219,575	7,781,518	1,169,197	4,777,236
9,177,880	11,001,160	11,139,589	18,030,492	17,251,401	11,509,850
<u>\$ 79,771,736</u>	<u>\$ 79,831,120</u>	<u>\$ 80,014,050</u>	<u>\$ 83,984,330</u>	<u>\$ 79,700,870</u>	<u>\$ 79,560,438</u>
\$137,082,414	\$137,663,476	\$142,652,202	\$154,440,876	\$155,285,424	\$164,204,163
27,008,234	29,150,603	30,859,818	29,843,268	31,042,884	37,089,538
16,962,455	21,161,694	20,146,688	25,703,099	20,211,977	15,078,569
<u>\$181,053,103</u>	<u>\$187,975,773</u>	<u>\$193,658,708</u>	<u>\$209,987,243</u>	<u>\$206,540,285</u>	<u>\$216,372,270</u>

**CITY OF KELLER, TEXAS
EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental Activities:				
General Government	\$ 5,495,707	\$ 5,630,782	\$ 7,413,655	\$ 7,389,603
Public Safety	12,162,131	13,969,085	14,740,695	14,258,649
Public Works	7,800,979	9,067,983	8,260,487	7,189,802
Community Development	1,231,365	1,291,819	1,161,434	1,100,186
Recreation and Leisure	8,449,576	8,592,564	9,483,618	7,546,936
Interest and Fiscal Charges	3,909,308	3,794,400	3,723,887	3,790,680
Total Governmental Activities Expenses	<u>39,049,066</u>	<u>42,346,633</u>	<u>44,783,776</u>	<u>41,275,856</u>
Business-type Activities				
Water and Wastewater utilities	14,664,225	15,056,060	15,146,621	15,214,564
Drainage Utility	1,819,672	1,839,441	1,869,860	1,972,553
Recreation / Aquatic Center	-	-	-	-
Total Business-type Activities Expenses	<u>16,483,897</u>	<u>16,895,501</u>	<u>17,016,481</u>	<u>17,187,117</u>
Total Primary Government Expenses	<u>\$ 55,532,963</u>	<u>\$ 59,242,134</u>	<u>\$ 61,800,257</u>	<u>\$ 58,462,973</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
Public Works	\$ 920,400	\$ 42,787	\$ 15,200	\$ 11,354
Recreation and Leisure	3,484,293	3,247,187	3,172,091	3,166,420
Other Activities	5,717,426	3,957,986	3,215,505	3,622,406
Operating Grants and Contributions	241,636	2,483,052	2,400,191	2,358,986
Capital Grants and Contributions	2,640,281	6,297,308	497,454	445,168
Total Governmental Activities Program Revenues	<u>13,004,036</u>	<u>16,028,320</u>	<u>9,300,441</u>	<u>9,604,334</u>
Business-type Activities:				
Charges for Services:				
Water and Wastewater Utilities	15,100,194	18,403,123	17,785,742	17,301,977
Drainage Utility	855,817	891,424	929,902	1,507,699
Recreation / Aquatic Center	-	-	-	-
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	2,579,605	5,351,853	1,332,860	1,517,538
Total Business-type Activities Program Revenues	<u>18,535,616</u>	<u>24,646,400</u>	<u>20,048,504</u>	<u>20,327,214</u>
Total Primary Government Programs Revenues	<u>31,539,652</u>	<u>40,674,720</u>	<u>29,348,945</u>	<u>29,931,548</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (26,045,030)	\$ (26,318,313)	\$ (35,483,335)	\$ (31,671,522)
Business-type Activities	2,051,719	7,750,899	3,032,023	3,140,097
Total Primary Government Net Expense	<u>(23,993,311)</u>	<u>(18,567,414)</u>	<u>(32,451,312)</u>	<u>(28,531,425)</u>

Note: The city began to report pension liability after implementing GASB Statement 68 in fiscal year 2015.

TABLE 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 7,618,197	\$ 7,470,050	\$ 7,973,740	\$ 7,011,362	\$ 9,224,860	\$ 6,606,428
17,358,623	18,753,263	19,415,960	16,756,956	20,941,821	20,789,609
2,560,006	2,823,250	2,981,588	2,490,468	3,138,376	5,715,323
1,183,353	1,283,179	1,425,851	1,357,417	1,870,887	3,073,034
4,866,264	5,125,705	5,345,157	4,938,515	5,855,468	6,130,399
3,632,289	3,213,594	3,277,731	2,882,936	1,841,830	2,068,775
<u>37,218,732</u>	<u>38,669,041</u>	<u>40,420,027</u>	<u>35,437,654</u>	<u>42,873,242</u>	<u>44,383,568</u>
17,807,093	16,757,059	17,055,816	18,496,707	20,294,433	23,446,287
1,987,027	2,054,396	2,004,342	2,040,218	2,172,976	2,391,244
2,854,913	2,892,151	3,080,094	2,669,471	2,600,639	3,041,177
<u>22,649,033</u>	<u>21,703,606</u>	<u>22,140,252</u>	<u>23,206,396</u>	<u>25,068,048</u>	<u>28,878,708</u>
<u>\$ 59,867,765</u>	<u>\$ 60,372,647</u>	<u>\$ 62,560,279</u>	<u>\$ 58,644,050</u>	<u>\$ 67,941,290</u>	<u>\$ 73,262,276</u>
\$ 35,207	\$ 39,828	\$ 56,267	\$ 79,719	\$ 82,024	\$ 93,881
329,768	283,440	628,121	915,060	544,882	566,112
3,442,865	3,501,127	4,004,921	4,891,778	4,334,299	6,081,145
5,300,350	2,301,766	2,751,993	3,590,362	3,373,672	3,878,523
630,960	3,969,333	1,117,756	251,533	285,924	1,881,643
<u>9,739,150</u>	<u>10,095,494</u>	<u>8,559,058</u>	<u>9,728,452</u>	<u>8,620,801</u>	<u>12,501,304</u>
21,461,471	20,316,352	20,518,382	21,546,501	21,483,165	20,659,409
1,484,183	1,505,930	1,540,590	1,569,419	1,610,683	1,633,244
3,002,013	3,026,909	3,087,021	3,029,667	2,982,350	3,095,309
3,902,205	294,957	1,010,366	4,977,753	1,243,665	3,994,015
<u>29,849,872</u>	<u>25,144,148</u>	<u>26,156,359</u>	<u>31,123,340</u>	<u>27,319,863</u>	<u>29,381,977</u>
<u>39,589,022</u>	<u>35,239,642</u>	<u>34,715,417</u>	<u>40,851,792</u>	<u>35,940,664</u>	<u>41,883,281</u>
\$ (27,479,582)	\$ (28,573,547)	\$ (31,860,969)	\$ (25,709,202)	\$ (34,252,441)	\$ (31,882,264)
7,200,839	3,440,542	4,016,107	7,916,944	2,251,815	503,269
<u>(20,278,743)</u>	<u>(25,133,005)</u>	<u>(27,844,862)</u>	<u>(17,792,258)</u>	<u>(32,000,626)</u>	<u>(31,378,995)</u>

**CITY OF KELLER, TEXAS
GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	2007	2008	2009	2010
Net (Expense)/Revenue				
Governmental Activities	\$ (26,045,030)	\$ (26,318,313)	\$ (35,483,335)	\$ (31,671,522)
Business-type Activities	\$ 2,051,719	\$ 7,750,899	\$ 3,032,023	\$ 3,140,097
Total Primary Government Net Expense	\$ (23,993,311)	\$ (18,567,414)	\$ (32,451,312)	\$ (28,531,425)
Governmental Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes				
Property Taxes	16,079,035	17,325,312	19,156,565	20,250,125
Sales Taxes	8,294,981	8,654,735	8,045,471	7,939,671
Franchise Taxes	3,182,681	2,579,383	2,520,961	2,788,527
Mixed Beverage	53,482	52,475	55,350	60,935
Unrestricted Investment Earnings	1,253,401	859,258	565,181	232,082
Miscellaneous Income	16,680	65,260	128,425	292,685
Gain (loss) on disposal of capital assets	(155,856.00)	26,973	-	-
Litigation Settlement	298,249.00	-	-	-
Transfers	1,892,406	3,185,538	3,191,285	3,411,590
Total Governmental Activities	30,915,059	32,748,934	33,663,238	34,975,615
Business-type Activities:				
Investment Earnings	947,920	611,410	395,290	92,367
Miscellaneous Revenue (Expense)	66,392	37,408	40,255	30,943
Gain (loss) on sale of capital assets	(7,652.00)	67,003.00	17,345.00	(433,265.00)
Transfers	(1,892,406)	(3,185,538)	(3,191,285)	(3,411,590)
Total Business-type Activities	(885,746)	(2,469,717)	(2,738,395)	(3,721,545)
Total Primary Government	\$ 30,029,313	\$ 30,279,217	\$ 30,924,843	\$ 31,254,070
Change in Net Position				
Governmental Activities	\$ 4,870,029	\$ 6,430,621	\$ (1,820,097)	\$ 3,304,093
Business-type Activities	1,165,973	5,281,182	293,628	(581,448)
Total Primary Government	\$ 6,036,002	\$ 11,711,803	\$ (1,526,469)	\$ 2,722,645

Note: The city began to report pension liability after implementing GASB Statement 68 in fiscal year 2015.

TABLE 3

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ (27,479,582)	\$ (28,573,547)	\$ (31,860,969)	\$ (25,709,202)	\$ (34,252,441)	\$ (31,882,264)
\$ 7,200,839	\$ 3,440,542	\$ 4,016,107	\$ 7,916,944	\$ 2,251,815	\$ 503,269
\$ (20,278,743)	\$ (25,133,005)	\$ (27,844,862)	\$ (17,792,258)	\$ (32,000,626)	\$ (31,378,995)
19,794,916	20,036,667	20,691,721	21,526,556	22,777,252	24,046,908
8,087,781	8,615,790	9,184,887	9,817,716	10,660,047	11,312,683
2,988,616	2,830,981	2,850,968	3,157,388	3,421,518	4,369,222
64,242	61,567	92,029	128,832	192,912	176,434
280,809	192,931	153,767	180,677	160,938	153,866
295,808	270,763	295,807	240,932	164,711	208,575
-	18,508	104,855	98,274	15,891	727,056
-	-	-	-	-	-
3,652,445	3,549,470	3,986,940	3,826,555	3,342,990	859,937
<u>35,164,617</u>	<u>35,576,677</u>	<u>37,360,974</u>	<u>38,976,930</u>	<u>40,736,259</u>	<u>41,854,681</u>
137,567	122,036	102,252	121,260	80,990	61,385
59,619	46,276	51,511	42,688	54,614	153,955
-	-	-	-	-	896
(3,661,483)	(3,549,470)	(3,986,940)	(3,826,555)	(3,342,990)	(859,937)
<u>(3,464,297)</u>	<u>(3,381,158)</u>	<u>(3,833,177)</u>	<u>(3,662,607)</u>	<u>(3,207,386)</u>	<u>(643,701)</u>
<u>\$ 31,700,320</u>	<u>\$ 32,195,519</u>	<u>\$ 33,527,797</u>	<u>\$ 35,314,323</u>	<u>\$ 37,528,873</u>	<u>\$ 41,210,980</u>
\$ 7,685,035	\$ 7,003,130	\$ 5,500,005	\$ 13,267,728	\$ 6,483,818	\$ 9,972,417
3,736,542	59,384	182,930	4,254,337	(955,571)	(140,432)
<u>\$ 11,421,577</u>	<u>\$ 7,062,514</u>	<u>\$ 5,682,935</u>	<u>\$ 17,522,065</u>	<u>\$ 5,528,247</u>	<u>\$ 9,831,985</u>

**CITY OF KELLER, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Reserved	\$ 477,043	\$ 505,169	\$ 713,187	\$ 852,300
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unreserved	6,620,147	7,779,047	8,356,777	9,951,738
Unassigned	-	-	-	-
Total General Fund	<u>\$ 7,097,190</u>	<u>\$ 8,284,216</u>	<u>\$ 9,069,964</u>	<u>\$ 10,804,038</u>
 All Other Governmental Funds				
Reserved				
Debt Service	\$ 869,096	\$ 1,020,122	\$ 752,552	\$ 626,785
Other	6,278,438	9,350,456	\$ 10,279,593	\$ 7,004,255
Unreserved, Reported in:				
Special Revenue Funds	1,928,273	3,019,066	8,529,094	12,737,304
Capital Projects Funds	4,328,474	(2,501,535)	(3,001,569)	584,935
Assigned	-	-	-	-
Nonspendable	-	-	-	-
Restricted				
Debt service	-	-	-	-
Capital Projects	-	-	-	-
Other	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 13,404,281</u>	<u>\$ 10,888,109</u>	<u>\$ 16,559,670</u>	<u>\$ 20,953,279</u>

(1) The City implemented GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which impacted both the classifications of funds and classification of and balances within funds.

TABLE 4

Fiscal Year					
(1)					
2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
437,749	70,120	72,597	108,298	127,462	487,348
655,573	941,993	5,646,441	6,849,905	10,081,509	-
-	-	-	-	-	515,348
<u>11,596,853</u>	<u>11,375,745</u>	<u>9,362,608</u>	<u>9,380,730</u>	<u>9,923,578</u>	<u>11,891,652</u>
<u>\$ 12,690,175</u>	<u>\$ 12,387,858</u>	<u>\$ 15,081,646</u>	<u>\$ 16,338,933</u>	<u>\$ 20,132,549</u>	<u>\$ 12,894,348</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,056,122	2,007,357	2,660,466	-
1,251	1,771	125	-	-	-
564,353	545,493	690,229	931,773	1,382,935	3,700,651
12,410,163	9,985,464	11,114,335	12,480,371	15,784,265	21,088,314
4,579,766	11,083,156	6,296,968	3,274,935	3,671,650	7,166,769
-	-	-	(156,535)	-	-
<u>\$ 17,555,533</u>	<u>\$ 21,615,884</u>	<u>\$ 19,157,779</u>	<u>\$ 18,537,901</u>	<u>\$ 23,499,316</u>	<u>\$ 31,955,734</u>

**CITY OF KELLER, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Taxes	27,436,311	28,984,792	29,764,912	30,875,274
Licenses, fees and permits	1,981,637	1,753,197	1,119,177	1,492,765
Intergovernmental	1,584,392	2,433,675	2,220,113	2,243,917
Charges for services	3,642,795	4,009,487	4,068,661	4,225,420
Fines	1,177,651	1,059,808	996,203	946,204
Special assessments and impact fees	865,963	794,323	533,903	530,996
Donations	497,102	295,879	179,433	116,425
Interest income	1,253,401	859,258	565,181	232,082
Miscellaneous income	902,062	368,711	411,048	345,339
Total Revenues	39,341,314	40,559,130	39,858,631	41,008,422
Expenditures				
General government	5,097,346	4,865,176	5,664,989	5,912,363
Public safety	11,111,382	12,888,788	13,464,699	13,245,554
Public works	1,944,150	2,147,931	2,078,623	2,167,078
Community development	1,208,865	1,265,371	1,148,647	1,082,844
Recreation and leisure	6,512,392	6,648,619	6,901,084	6,594,491
Capital Outlay	2,866,487	7,809,160	9,769,903	5,649,594
Debt Service				
Principal	6,681,820	3,594,567	3,418,491	6,597,743
Interest and fiscal charges	3,832,434	5,677,177	6,481,007	3,648,886
Bond issuance costs	-	-	-	428,737
Advance refunding escrow	-	-	-	108,360
Total Expenditures	39,254,876	44,896,789	48,927,443	45,435,650
Excess of Revenues				
Over (Under) Expenditures	86,438	(4,337,659)	(9,068,812)	(4,427,228)
Other Financing Sources (Uses)				
Sale of capital assets	-	26,973	24,826	44,599
Transfers In	4,773,096	5,681,956	5,131,231	5,462,515
Transfers Out	(2,880,690)	(2,510,416)	(1,939,946)	(2,054,120)
Bonds issued	-	-	12,310,000	20,629,997
Bond premium	-	-	-	842,858
Payment to refunded bond escrow agent	-	-	-	(14,370,938)
Total Other Financing				
Sources (Uses)	1,892,406	3,198,513	15,526,111	10,554,911
Net Change in Fund Balances	\$ 1,978,844	\$ (1,139,146)	\$ 6,457,299	\$ 6,127,683
Debt Service as a Percentage of Noncapital Expenditures	28.9%	25.0%	25.3%	25.8%

TABLE 5

Fiscal Year					
2011	2012	2013	2014	2015	2016
30,917,467	31,604,211	32,846,813	34,626,731	37,018,059	40,009,553
1,271,576	1,313,373	2,214,199	2,300,895	2,079,019	1,771,594
5,521,904	5,752,557	2,915,931	3,611,678	3,101,589	3,009,267
1,473,354	1,429,532	1,409,324	1,498,686	1,565,049	3,394,410
883,816	923,809	901,147	1,326,291	1,143,499	1,313,744
406,801	576,455	906,533	885,077	576,321	964,589
65,986	75,915	102,617	96,580	108,456	132,944
280,479	192,931	153,767	180,496	861,762	146,360
350,563	325,397	350,608	295,074	224,804	208,575
<u>41,171,946</u>	<u>42,194,180</u>	<u>41,800,939</u>	<u>44,821,508</u>	<u>46,678,558</u>	<u>50,951,036</u>
6,029,397	5,770,520	6,077,590	6,269,082	6,753,694	4,939,940
14,183,759	14,486,660	14,628,765	14,968,628	15,281,088	15,547,033
2,091,785	2,180,925	2,272,568	2,224,682	2,289,850	4,463,711
966,920	991,240	1,086,784	1,212,552	1,365,628	2,327,242
3,976,232	3,959,543	4,074,082	4,411,469	4,272,027	4,627,717
8,784,499	11,072,371	8,219,386	9,000,163	4,791,333	7,471,482
6,555,603	6,876,829	6,730,769	7,156,404	7,583,160	7,273,304
3,486,895	2,925,696	3,200,476	2,871,535	2,340,333	2,136,540
-	331,775	-	-	-	-
-	14,549,637	-	-	-	-
<u>46,075,090</u>	<u>63,145,196</u>	<u>46,290,420</u>	<u>48,114,515</u>	<u>44,677,113</u>	<u>48,786,969</u>
<u>(4,903,144)</u>	<u>(20,951,016)</u>	<u>(4,489,481)</u>	<u>(3,293,007)</u>	<u>2,001,445</u>	<u>2,164,067</u>
53,670	80,100	110,724	103,861	97,503	732,629
5,094,970	4,620,375	4,924,073	5,200,474	4,546,770	16,789,409
(1,442,525)	(1,070,905)	(910,633)	(1,373,919)	(1,203,780)	(16,578,599)
-	19,450,000	601,000	-	19,580,000	-
-	1,769,323	-	-	294,213	-
-	-	-	-	(16,561,118)	-
<u>3,706,115</u>	<u>24,848,893</u>	<u>4,725,164</u>	<u>3,930,416</u>	<u>6,753,588</u>	<u>943,439</u>
<u>\$ (1,197,029)</u>	<u>\$ 3,897,877</u>	<u>\$ 235,683</u>	<u>\$ 637,409</u>	<u>\$ 8,755,033</u>	<u>\$ 3,107,506</u>
26.9%	18.8%	26.1%	25.6%	24.9%	24.1%

**CITY OF KELLER, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 6

<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>
2007	\$ 16,079,035	\$ 8,294,981	\$ 2,280,832	\$ 53,482	\$ 26,708,330
2008	17,698,199	8,654,735	2,579,393	52,475	28,626,055
2009	19,143,130	8,045,471	2,520,961	55,350	30,371,301
2010	20,086,141	7,939,671	2,788,527	60,935	30,975,489
2011	19,543,407	8,087,781	2,988,616	64,242	30,532,629
2012	19,631,878	8,670,174	2,695,881	61,567	30,479,782
2013	19,625,642	9,184,887	2,842,453	92,029	31,199,836
2014	21,522,795	9,817,716	3,157,388	128,832	33,957,099
2015	22,743,582	10,660,047	3,421,518	192,912	37,018,059
2016	24,151,214	11,312,683	4,369,222	176,434	40,009,553
Percent Change 2007-2016	50.2%	36.4%	91.6%	229.9%	49.8%

TABLE 7

**CITY OF KELLER, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS (UNAUDITED)**

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	Taxable Assessed Value as a Percentage of Actual Taxable Value
2007	\$ 2,725,521,606	\$ 556,935,766	\$ 216,651,329	\$ 289,881,845	\$ 3,209,226,856	\$ 0.43219	\$3,209,226,856	100.00%
2008	3,064,761,852	622,932,772	173,975,819	315,523,601	3,546,146,842	0.43219	3,546,432,507	99.99%
2009	3,334,115,025	707,454,500	143,420,000	317,110,873	3,867,878,652	0.43219	3,867,878,652	100.00%
2010	3,545,294,700	656,087,602	146,651,300	334,742,514	4,013,291,088	0.44219	4,013,291,088	100.00%
2011	3,530,301,647	647,067,001	137,210,172	349,431,177	3,965,147,643	0.44219	3,965,147,643	100.00%
2012	3,619,741,614	651,316,929	134,835,788	391,880,182	4,014,014,149	0.44219	4,014,014,149	100.00%
2013	3,686,628,494	693,422,671	132,152,843	401,546,015	4,110,657,993	0.44219	4,110,657,993	100.00%
2014	3,828,837,003	715,121,502	129,772,860	409,246,091	4,264,485,274	0.44219	4,264,485,274	100.00%
2015	4,073,968,722	754,604,636	121,888,375	415,216,470	4,535,245,263	0.43719	4,535,245,263	100.00%
2016	4,509,894,690	1,225,038,277	97,705,311	666,074,543	5,166,563,735	0.43469	5,166,563,735	100.00%

Note 1: 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
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 8

Fiscal Year	City Direct Rates			Overlapping Rates						Total Direct & 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 Community College District	Tarrant County Hospital District	
2007	0.30447	0.12772	0.43219	0.0000	1.6080	0.0000	0.2715	0.2715	0.235397	2.686467
2008	0.31247	0.11972	0.43219	0.0000	1.3574	0.0000	0.2665	0.2665	0.235397	2.425867
2009	0.31175	0.12044	0.43219	0.0000	1.4169	1.3500	0.2640	0.2640	0.227897	2.451004
2010	0.31009	0.13210	0.44219	1.4150	1.4863	1.3500	0.2640	0.2640	0.227897	2.490524
2011	0.29278	0.14941	0.44219	1.4150	1.5306	1.3750	0.2640	0.2640	0.227897	2.490524
2012	0.32552	0.12864	0.45416	1.4150	1.5400	1.3750	0.2640	0.2640	0.227897	2.526390
2013	0.32552	0.11667	0.44219	1.4000	1.5400	1.4525	0.2640	0.2640	0.227897	2.547754
2014	0.32646	0.11573	0.44219	1.4000	1.5400	1.4525	0.2640	0.2640	0.227897	2.547754
2015	0.31676	0.12043	0.43719	1.4000	1.5400	1.4525	0.2640	0.1495	0.227897	2.542754
2016	0.33638	0.09831	0.43469	1.3950	1.5400	1.4525	0.2640	0.1495	0.227897	2.538587

Source: Tarrant Appraisal District

Note 1: Rates are per \$100 valuation.

Note 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.

**CITY OF KELLER, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)**

TABLE 9

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
SC Dominion SPE LLC	\$ 34,800,000	1	0.67%			
Amstar/Southern Art House LP	25,300,000	2	0.49%			
SC Stone Glen LP	23,000,000	3	0.45%			
Grand Peaks Estates At Keller LP	18,150,000	4	0.35%			
Conservatory Senior Housing	17,935,000	5	0.35%			
Regency Centers LP	16,330,000	6	0.32%	\$ 15,641,552	5	0.41%
T Keller Crossing TX LLC	14,079,000	7	0.27%			
Oncor Electric Delivery Company LLC	13,298,000	8	0.26%			
GTE Southwest Inc	11,943,000	9	0.23%	16,666,979	3	0.43%
Lowes Home Centers Inc	11,400,000	10	0.22%			
PR Town Center				22,113,508	1	0.58%
Ktc Seniors Ltd				16,729,356	2	0.44%
TXU Electric Delivery Co				15,657,572	4	0.41%
Lowe's Home Centers Inc				14,224,313	6	0.37%
Pr Keller Partners LP				14,222,582	7	0.37%
Home Depot USA Inc				12,165,349	8	0.32%
Margaux Keller Dev Ltd				10,508,539	9	0.27%
Keller Seniors Community LP				9,308,000	10	0.24%
Remaining Taxpayers	4,980,328,735		96.40%	3,686,477,000		96.16%
Total	<u>\$ 5,166,563,735</u>		<u>100.00%</u>	<u>\$ 3,833,714,750</u>		<u>100.00%</u>

(1) Source: Central Appraisal District of Collin County.

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

TABLE 10

Fiscal Year Ended September 30	Taxes Levied for the Fiscal Year*	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	13,839,577	13,707,407	99.04%	128,092	13,835,499	99.97%
2008	15,271,712	15,142,043	99.15%	122,058	15,264,101	99.95%
2009	16,624,386	16,462,169	99.02%	149,281	16,611,450	99.92%
2010	17,597,422	17,424,740	99.02%	156,864	17,581,604	99.91%
2011	17,370,019	17,212,260	99.09%	149,045	17,361,305	99.95%
2012	17,645,180	17,538,272	99.39%	98,336	17,636,608	99.95%
2013	18,026,485	17,946,631	99.56%	69,960	18,016,591	99.95%
2014	18,671,558	18,595,909	99.59%	64,710	18,660,619	99.94%
2015	19,605,135	19,504,832	99.49%	60,015	19,564,847	99.79%
2016	20,447,244	20,353,791	99.54%	-	20,353,791	99.54%

Note: * Adjusted through September 30, 2016

**CITY OF KELLER, TEXAS
TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS (UNAUDITED)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Construction	\$ 7,013,295	\$ 7,549,622	\$ 7,653,377	\$ 5,644,566
Agriculture	-	-	-	-
Transportation, communications	13,270,529	10,542,719	-	123,993
Utilities	26,447,297	30,128,038	-	39,979,714
Manufacturing	8,904,880	295,450	2,940,779	6,419,863
Wholesale Trade	7,213,880	7,891,276	5,890,013	8,956,140
Retail Trade	95,563,198	108,725,426	159,769,554	100,766,160
Information	17,947,316	38,930,359	1,309,930	53,397,031
Finance and insurance	1,021,182	4,141,296	1,344,111	1,361,454
Real estate, rental and leasing	1,408,433	11,665,675	6,712,679	4,594,903
Professional, scientific and technical services	17,275,861	4,667,602	4,095,448	4,017,325
Administrative and support services	6,569,325	12,374,811	6,347,933	9,821,471
Educational services	37,249	307,699	78,540	466,628
Arts, entertainment and recreation	3,539,286	3,681,219	8,810,317	3,915,255
Accommodation and food services	21,821,352	41,325,976	47,316,633	40,617,242
Other Services except PA	5,296,379	7,756,203	9,806,464	10,843,370
Other	105,762,350	53,868,594	1,406,225	108,891,431
Total	<u>\$ 339,091,812</u>	<u>\$ 343,851,965</u>	<u>\$ 263,482,003</u>	<u>\$ 399,816,546</u>

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of revenue. The tax liability includes the City sales tax rate of one percent and the blended component unit rate of one-half percent.

TABLE 11

2011	2012	2013	2014	2015	2016
\$ 7,487,590	\$ 5,690,397	\$ 8,628,139	\$ 7,891,854	\$ 8,227,863	\$ 17,318,300
-	-	-	-	-	5,900
6,981,819	11,695,882	12,048,822	12,219,719	-	68,650
38,586,553	523,381	34,432,043	32,061,719	34,119,759	40,835,100
320,998	523,381	337,657	273,857	175,751	20,484,700
7,824,042	7,861,903	9,018,601	9,763,717	11,905,554	13,110,300
108,724,134	116,508,313	124,257,630	129,472,431	71,784,004	213,679,100
40,204,903	41,788,728	44,491,839	42,655,529	56,500,069	60,823,900
3,418,573	4,544,921	4,732,909	4,114,482	842,937	1,479,000
9,610,727	12,667,771	13,332,200	12,632,715	15,573,215	14,439,800
4,585,668	5,642,146	5,334,402	5,987,358	8,375,138	11,407,500
11,397,517	11,689,606	14,142,641	14,024,258	12,613,163	15,017,200
437,575	269,071	351,655	406,363	391,465	627,700
4,379,237	4,522,275	4,207,107	3,086,830	4,623,197	5,984,500
38,757,393	42,932,278	47,229,686	49,744,779	55,162,234	65,804,650
6,876,945	8,273,649	8,864,231	9,012,614	8,425,228	17,774,900
53,445,162	56,115,562	61,564,107	73,637,665	194,592,471	4,772,600
<u>\$ 343,038,836</u>	<u>\$ 331,249,264</u>	<u>\$ 392,973,669</u>	<u>\$ 406,985,890</u>	<u>\$ 483,312,048</u>	<u>\$ 503,633,800</u>

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**CITY OF KELLER, TEXAS
 DIRECT AND OVERLAPPING SALES TAX REVENUE
 LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 12

<u>Fiscal Year</u>	<u>State of Texas</u>	<u>Keller Direct Rate</u>	<u>Development Corporation</u>	<u>Control District (2)</u>	<u>Street Maintenance (3)</u>	<u>Totals</u>
2007	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2008	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2009	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2010	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2011	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2012	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2013	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2014	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2015	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2016	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%

Note 1: Effective 1992

Note 2: Effective April, 2002; November 2007, voters authorized a reduction to 0.25% effective April 1, 2008.

Note 3: Effective April, 2004; November 2007, voters authorized an increase to 0.25% effective April 1, 2008.

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

TABLE 13

Sector	2016				2007		
	Number of Payers	Percent of Total	Tax*	Percentage of Total	Percent of Total	Tax**	Percentage of Total
Construction	176	6.26%	346,366	3.44%	5.18%	140,266	2.07%
Transportation, Communications & Warehousing	1	0.04%	1,373	0.01%	2.03%	265,411	3.91%
Utilities, Mining	53	1.90%	816,702	8.11%	0.59%	528,946	7.80%
Manufacturing	296	10.55%	409,694	4.07%	3.51%	178,098	2.63%
Wholesale Trade	399	14.21%	262,206	2.60%	8.59%	144,279	2.13%
Retail Trade	758	27.02%	4,273,582	42.43%	27.70%	1,911,264	28.18%
Information	285	10.17%	1,216,478	12.08%	4.46%	358,946	5.29%
Finance & Insurance	63	2.23%	29,580	0.29%	1.80%	20,424	0.30%
Real Estate, Rental & Leasing	85	3.02%	288,796	2.87%	1.54%	28,169	0.42%
Professional, Scientific, and Technical Services	199	7.08%	228,150	2.27%	10.26%	345,517	5.09%
Admin & Support Svcs	207	7.37%	300,344	2.98%	6.59%	131,386	1.94%
Educational Services	23	0.83%	12,554	0.12%	0.23%	745	0.01%
Arts, Entertainment & Recreation	17	0.61%	119,690	1.19%	0.30%	70,786	1.04%
Accommodation & Food Services	91	3.25%	1,316,093	13.07%	1.70%	436,427	6.44%
Other Services except PA ³	112	3.99%	355,498	3.53%	2.95%	105,928	1.56%
Other	42	1.49%	95,452	0.95%	22.57%	2,115,247	31.19%
Total	2,807	100.00%	\$ 10,072,558	100.00%	100.00%	\$ 6,781,839	100.00%

Notes: Due to confidentiality issues, the names of the ten largest revenue payors 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%

** Direct Sales Tax Rate 1%, Keller Development Corporation .5%

Source: PA- Public Administration, per naics.com

**CITY OF KELLER, TEXAS
TEN LARGEST WATER CUSTOMERS BY CONSUMPTION
CURRENT YEAR AND FOUR YEARS AGO (UNAUDITED)**

TABLE 14

2016				2012			
Customer	Total 2016 Consumption	Sales	Pct of Total Usage	Customer	Total 2012 Consumption	Sales	Pct of Total Usage
City of Keller	\$ 46,185,400	\$ 170,832	1.64%	City of Keller	\$ 83,723,100	\$ 239,521	2.69%
Keller Independent School District	36,385,800	237,841	1.29%	Keller Independent School District	53,929,100	305,513	1.73%
Hidden Lakes Home Owner Ass'n	19,075,100	107,057	0.68%	Capri W. Lakes, LLC	21,598,500	119,377	0.69%
Keller Senior Community, LP	8,588,900	52,089	0.30%	Hidden Lakes Home Owner Ass'n	21,592,500	116,922	0.69%
Conservatory Senior Housing	8,536,700	51,934	0.30%	Keller ENID, LTD	12,616,600	67,921	0.40%
Grand Estates at Keller, LP	8,154,500	50,984	0.29%	Keller Senior Community, LP	10,547,600	56,779	0.34%
SC Town Center LP	7,207,000	45,096	0.26%	Grand Estates at Keller, LP	5,794,500	32,811	0.19%
SC Stone Glen, LP	69,484,000	43,673	0.25%	Keller Oaks Healthcare Center	5,718,500	30,150	0.18%
Keller Oaks Healthcare Center	54,806,000	32,689	0.19%	Southwest LTC Keller, LLC	4,970,300	26,457	0.16%
Gean Estates HOA	45,025,000	27,533	0.16%	Kwik Car Wash	4,806,100	25,976	0.15%
Subtotal	303,448,400	819,728	5.36%	Subtotal	225,296,800	1,021,427	7.23%
Other customers	2,667,656,800	12,706,895	94.64%	Other customers	2,892,149,100	13,386,055	92.77%
TOTAL	\$ 2,971,105,200	\$ 13,526,623	100%	TOTAL	\$ 3,117,445,900	\$14,407,482	100%

Source: Information provided by City staff

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

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Certificates of Obligation	KDC Revenue Bonds	Premiums / Discounts
2007	\$ 19,577,414	\$ 64,590,000	\$ 775,000	\$ -
2008	17,883,020	61,460,000	660,000	-
2009	20,048,603	64,755,000	535,000	-
2010	24,105,000	61,179,997	405,000	-
2011	21,945,000	56,923,550	275,000	-
2012	24,580,000	53,730,020	140,000	-
2013	22,415,000	50,002,894	-	2,384,865
2014	19,970,000	45,353,000	-	2,144,397
2015*	31,033,777	28,485,060	-	1,965,055
2016**	27,300,533	24,945,000	-	1,762,737

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(2) See the Demographic and Economic Statistics table on page 116 for population data.

* Debt was re-allocated between General Obligation Bonds and Certificate of Obligation

**Debt was restated due to re-allocation of debt between governmental and business-type activities

TABLE 15

Business-type Activities							
General Obligation Bonds	Certificates of Obligation	Revenue Bonds	TRA - Other	Premiums / Discounts	Total Primary Government (1)	Percentage of Personal Income	Per Capita (2)
\$ 8,728,625	\$ 14,850,000	\$ -	\$ 1,216,439		\$ 109,737,478	6.97%	2,926
7,761,982	14,130,000	-	772,337	-	102,667,339	6.32%	2,687
6,981,398	13,370,000	-	303,537	-	105,993,538	6.52%	2,695
5,995,000	14,385,000	-	501,420	-	106,571,417	6.83%	2,698
5,585,000	21,040,000	-	521,228	-	106,289,778	6.16%	2,669
10,560,000	11,765,000	-	139,037	-	100,914,057	5.32%	2,460
9,700,000	11,042,000	-	241,691	885,923	96,672,373	5.29%	2,355
9,145,000	9,959,000	-	-	794,714	87,366,111	4.72%	2,037
12,476,223	6,653,940	-	-	962,073	81,576,128	4.19%	1,902
11,299,467	6,080,000	-	-	849,666	72,237,403	3.71%	1,640

**CITY OF KELLER, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 16

Fiscal Year	General Bonded Debt Outstanding				Percentage Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificates of Obligation	Debt Service	Total		
2007	\$ 28,360,001	\$ 80,215,000	\$ 869,096	\$ 107,705,905	3.36%	2,927
2008	25,645,002	75,590,000	1,020,122	100,214,880	2.83%	2,760
2009	27,030,001	78,125,000	752,552	104,402,449	2.70%	2,691
2010	30,100,000	75,564,997	626,785	105,038,212	2.62%	2,700
2011	27,530,000	77,963,550	564,353	104,929,197	2.65%	2,666
2012	35,140,000	65,495,000	545,493	100,089,507	2.49%	2,505
2013	32,115,000	61,044,894	690,229	92,469,665	2.25%	2,283
2014	29,115,000	55,312,000	931,771	83,495,229	1.96%	2,025
2015	43,510,000	35,139,000	1,382,935	77,266,065	1.70%	1,855
2016	38,600,000	31,025,000	3,703,875	65,921,125	1.28%	1,581

**CITY OF KELLER, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
(UNAUDITED)**

TABLE 17

<u>Governmental Unit (3)</u>	<u>Debt Outstanding</u>	<u>(4) Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Carroll Independent School District	\$ 203,351,047	(1) 0.42%	\$ 854,074
Keller Independent School District	728,705,387	(1) 35.59%	259,346,247
Northwest Independent School District	733,049,556	(1) 17.00%	124,618,425
Tarrant County General Obligation Debt	344,185,000	(1) 3.37%	11,599,035
Tarrant County College District		(1) 3.30%	-
Tarrant County Hospital District	22,335,000	(1) 3.36%	750,456
Subtotal, Overlapping Debt			<u>397,168,237</u>
City of Keller direct debt	(2)		52,245,533
Total direct and overlapping debt			<u>\$ 449,413,770</u>
Ratio of Direct and Overlapping Bonded Debt to Taxable Assessed Valuation			8.70%
Per Capita Direct and Overlapping Debt			

(1) Source: www.mactexas.com

(2) Percentage of government unit's total property value located within Keller City limits.

(3) 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 (UNAUDITED)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 2.500000	\$ 2.500000	\$ 2.500000	\$ 2.500000
Adopted Tax Rate	0.43219	0.43219	0.43219	0.44219
Additional Rate Available	2.06781	2.06781	2.06781	2.05781
Legal Debt Margin	<u>66,156,570</u>	<u>72,891,093</u>	<u>77,696,131</u>	<u>77,320,390</u>
Total Net Debt Applicable to the Limit				
As a percentage of Debt Limit	17.29%	17.29%	17.29%	17.69%

Legal Debt Margin Calculation for the Current Fiscal Year

Maximum allowable tax rate	\$ 2.50000
Adopted tax rate	<u>0.43469</u>
Additional rate available	<u>2.93469</u>
Total taxable value	5,166,563,735
Additional tax levy available	106,705,557
Less: amount set aside for repayment of general obligation debt	<u>3,703,875</u>
Legal Debt Margin	<u>\$ 103,001,682</u>

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:

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 18

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 2.500000	\$ 2.500000	\$ 2.500000	\$ 2.500000	\$ 2.500000	\$ 2.500000
0.44219	0.44219	0.44219	0.44219	0.44219	0.43469
2.05781	2.05781	2.05781	2.05781	2.05781	2.06531
<u>81,114,904</u>	<u>82,600,785</u>	<u>84,589,531</u>	<u>84,589,531</u>	<u>93,614,599</u>	<u>106,705,557</u>
17.69%	17.69%	17.69%	17.69%	17.49%	17.39%

**CITY OF KELLER, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 19

Fiscal Year	Water Revenue Bonds			Debt Service (3)		Total	Coverage
	Utility Service Charges (1)	Less: Operating Expenses (2)	Net Available Revenue	Principal	Interest		
	2007	\$ 15,071,034	\$ 10,878,806	\$ 4,192,228	\$ -		
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
2015	21,521,901	20,092,236	1,429,665	-	-	-	N/A
2016	20,988,935	19,926,117	1,062,818	-	-	-	N/A

(1) Includes total operating revenue of the Utility Enterprise Fund

(2) Includes operating expenses of the Utility Enterprise Fund, less depreciation expense.

(3) Debt service requirements includes principal and interest payments on revenue bonds.

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

TABLE 20

Calendar Year	Population (1)	Personal Income	Per Capita Personal Income	Median Age	School Enrollment (KISD)	National Unemployment (3)
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	1,565,821,278	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 ⁹	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	33,440	5.9%
2015	42,890	1,947,849,350	45,415	41.3	33,616	5.1%
2016	44,050	1,945,820,650	44,173	40.3	34,180	4.7%

Source:

- ² Keller Independent School District (KISD)
- ³ Bureau of Census
- ⁴ Bureau of Labor Statistics
- ⁵ www.idcide.com
- ⁶ US Census 2007 Data and *American Community Survey*
- ⁷ Dallas Morning News, Business Section D, 11-1-10
- ⁸ BEA.gov
- ⁹ IndexMundi
- ¹⁰ US Census 2010

**CITY OF KELLER, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)**

TABLE 21

Employer	2016			2015		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Keller Independent School District	1,328	1	3.30%	1,261	1	3.13%
City of Keller	349	2	0.87%	352	2	0.87%
Kroger	220	3	0.55%	210	3	0.52%
Home Depot	161	4	0.40%	200	4	0.50%
Lowe's	150	5	0.37%	153	5	0.38%
Keller Oaks Healthcare Center	150	6	0.37%	150	6	0.37%
Heritage House	138	7	0.34%	n/a	n/a	n/a
Kohl's Department Store	130	8	0.32%	139	7	0.35%
Tom Thumb	115	9	0.29%	90	8	0.22%
Walmart Neighborhood Market	85	10	0.21%	90	9	0.22%
Super Surface, Inc	n/a	n/a	n/a	85	10	0.21%
Total	<u>2,826</u>		<u>7.01%</u>	<u>2,730</u>		<u>6.77%</u>

Sources:

Texas Workforce Commission

Keller Business Human Resource Departments

Demographics provided by The Retail Coach

Note: 2007 data was not available at the time

**CITY OF KELLER, TEXAS
 FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 22

Function/Program	Full-Time Equivalent Employees as of Year End									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Administration	7.00	8.50	10.00	10.00	8.00	8.00	8.00	8.00	8.00	9.48
Finance	7.00	7.50	7.50	6.50	6.50	7.00	7.00	7.00	7.00	7.50
Town Hall operations	1.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00
Other	31.98	37.33	37.33	31.83	36.00	27.14	27.50	27.36	27.36	26.92
Police										
Officers	71.00	78.00	78.00	77.00	79.00	50.50	51.50	50.00	50.00	49.00
Civilians	4.00	4.00	4.00	4.00	4.00	34.00	34.00	35.48	35.48	37.48
Fire										
Firefighters and officers	44.50	60.50	60.50	54.00	57.00	57.00	57.00	57.00	57.00	55.00
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	5.50	5.50	3.00	3.00	3.00	3.00	3.00
Other	11.33	11.33	11.33	8.83	8.83	11.73	12.10	12.10	12.10	12.33
Parks and recreation										
Library	87.24	83.08	84.05	77.65	71.64	74.16	76.22	76.40	76.40	70.86
Library	15.97	15.97	15.97	15.42	15.42	15.42	15.42	15.42	15.42	15.48
Water										
Wastewater	35.92	35.92	37.92	33.67	33.67	30.30	30.67	30.67	30.67	30.17
Wastewater		10.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	11.50
Drainage										
Drainage	8.75	8.75	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
Total	<u>333.69</u>	<u>371.38</u>	<u>374.60</u>	<u>346.40</u>	<u>348.56</u>	<u>341.25</u>	<u>345.41</u>	<u>345.43</u>	<u>345.43</u>	<u>342.22</u>

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

Function/Program	2007	2008	2009	2010
General Government				
Council and work sessions held	51	45	58	42
Cable broadcasts	658	3,582	5,109	7,118
Birth/death certificates issued	1,218	1,495	935	396
Building Permits Issued	255	277	183	248
New construction plan review	360	165	256	346
Police				
Physical Arrests	1,631	1,813	1,800	1,600
Total citations issued	12,755	12,755	11,750	11,438
Total emergency 911 calls	13,160	30,350	30,029	32,500
Calls for service	77,329	88,559	174,669	155,124
Animal control				
Animals adopted/redeemed	619	885	819	552
Animals impounded	1,152	1,511	1,334	1,108
Animal bite investigations	65	74	63	63
Fire				
Emergency responses	1,625	1,785	2,706	2,844
Calls for service, excludes EMS	970	1,175	914	1,018
Fire hydrants maintained	1,875	2,026	2,050	2,065
Inspections	584	516	697	731
Finance				
Accounts payable checks processed	5,107	5,269	5,476	5,269
Payroll checks processed	10,442	11,320	11,624	11,320
Journal entries posted	5,189	5,813	5,795	5,510
Purchase orders processed	346	336	323	336

TABLE 23

2011	2012	2013	2014	2015	2016
45	32	33	32	52	39
7,338	406	7,305	7,305	7,646	7,646
833		364	436	195	200
250	250	250	300	275	290
350	350	315	385	325	370
1,625	1,550	1,190	1,540	1,324	1,334
11,800	10,000	9,300	10,500	11,271	11,271
36,400	39,000	30,000	39,764	40,738	40,939
220,000	232,180	245,484	257,664	292,784	294,000
556	724	811	720	641	660
1,293	1,114	970	850	886	832
70	68	68	82	105	100
2,980	2,180	2,124	3,288	3,369	3,556
1,139	1,225	1,217	1,244	1,098	1,150
2,063	2,077	2,077	2,150	2,237	4,190
720	300	300	1,316	1,998	2,300
5,600	3,500	4,400	4,400	4,100	4,200
11,800	10,200	11,700	11,650	10,900	11,000
5,500	5,000	5,000	4,450	4,300	4,500
357	300	300	300	285	300

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

	2007	2008	2009	2010
Human resources				
Applications processed	2,200	1,899	1,190	730
Vacancies filled	44	57	26	25
Turnover rate	12.50%	10.75%	7.49%	9.30%
Safety classes conducted	9	6	6	5
Workers compensation claims	60	43	49	55
Municipal court				
Citations processed	12,755	10,500	10,524	11,438
Warrants processed	2,938	2,400	1,967	2,000
Court sessions	212	212	212	189
Defendant requests for court date	4915	3981	6915	6950
Public Works				
Review CIP designated by others	14	20	14	10
Street Resurfacing (miles)	12.00	16.00	12.00	12.00
Sidewalks repaired (linear feet)	300	56	725	750
Parks and Recreation				
Park acreage	442	456	456	456
Facility reservations	492	646	814	825
Program attendance (incl. Sr. programs)	27,901	34,091	27,359	21,200
Athletic field permits issued	N/A	N/A	N/A	N/A
Recreation programs provided (incl. Sr. programs)	900	960	975	975
Library				
Library customer visits	251,327	253,000	191,739	280,000
Total volumes borrowed	380,258	398,633	317,834	411,930
Volumes in collection	119,232	129,154	128,979	139,954
Water				
New customers (net)	308	322	127	242
Water Main Breaks	44	45	31	29
Average Daily Consumption (gallons)	6,353	8,216	7,804	7,482
Peak daily consumption (million gallons)	15,371	18,785	18,973	18,204
Water purchased (million gallons)	2,318.9	3,007.0	2,848.3	2,731.0
Wastewater				
Average daily sewage treatment (million gallons)	3,150	2,542	2,800	2,975

Source: ¹ Information provided by city staff. Information was not collected, and therefore not available where 'n/a' is shown.

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

³ Trinity River Authority-annual audits

TABLE 23

2011	2012	2013	2014	2015	2016
750	1,550	1,350	1,800	1,650	1,700
130	147	153	200	230	245
10.00%	15.00%	14.00%	18.00%	18.00%	19.00%
5	5	5	4	4	4
40	40	40	37	45	40
11,800	11,000	10,800	10,400	10,526	10,800
2,000	2,000	2,275	2,000	2,000	2,275
189	208	100	47	47	70
6950	6300	4350	4200	4200	4,350
12	12	12	12	10	10
14.00	14.00	14.00	16.00	10.00	16
750	1,000	1,700	1,500	1,500	1,000
456	456	491	491	491	491
840	975	1,000	975	978	1,000
22,000	18,307	15,007	34,226	41,985	44,000
N/A	N/A	N/A	N/A	N/A	N/A
1,050	1,012	410	1,658	1,828	1,850
300,000	232,000	231,500	238,000	227,000	228,000
450,000	579,500	563,000	562,000	495,396	500,000
84,358	100,363	114,363	127,663	138,663	149,663
201	179	254	326	255	240
42	29	22	27	14	14
9,784	8,838	8,297	8,400	7,692	7,868
22,565	20,551	23,465	22,000	21,591	22
2,571.3	3,225.9	3,028.5	3,029.4	2,807.7	2,871.9
2,865	2,866	2,876	2,972	2,950	2,290

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

TABLE 24

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police Stations										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	25	25	23	21	21	23	23	23	29	29
Fire Stations										
Stations	3	3	4	4	3	3	3	3	3	3
Engines/trucks	3	3	6	5	5	4	5	5	5	5
Public Works										
Streets (miles)	393	410	414	418	418	477	477	475	485	495
Alleys (miles)	2,075	2,369	2,045	2,048	2,500	2,505	2,585	2,487	2,605	2,625
Traffic Signals	4	5	6	6	6	10	10	-	10	10
Parks and Recreation										
Acreage	442	456	456	456	456	456	491	491	491	491
Playgrounds	9	9	9	9	9	9	9	9	9	9
Baseball/softball fields	11	11	11	11	11	11	11	11	11	11
Soccer/football fields	9	9	9	9	9	9	9	9	9	9
Community Centers	1	1	1	1	1	1	1	1	2	2
Water										
Water mains (miles)	256	256	256	258	260	190	290	288	286	288
Storage capacity (million gallons)	9	9	10	10	10	10	10	10	10	10
Wastewater										
Sanitary Sewers (miles)	183	183	183	183	193	193	192	192	196	197
Storm sewers (miles)	46	50	50	50	50	50	50	50	50	50
Treatment capacity (million gallons)	10	10	10	10	10	10	10	10	10	10