

# Texas Water Development Board

Application Enhanced Water Loss Control and Conservation Program to reduce water loss through leaks, pipe breaks and service lines.

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Document - Additional\_Attachments

# Legal Authority

The legal authority under which the applicant was created and operates.: HOME\_RULE

## General Information

County: Tarrant

Name of Entity: City of Keller

### System Contact Physical Address

Address 1: 1100 Bear Creek Parkway

Address 2:

City: Keller

State: TX

Zip: 76248-2114

Phone: (817) 743-4080

Fax: (817) 743-4091

Website: [www.cityofkeller.com](http://www.cityofkeller.com)

### System Contact Mailing Address

Address 1: PO Box 770

Address 2:

City: Keller

State: TX

Zip: 76248-2114

## Description

Brief description of the project: Enhanced Water Loss Control and Conservation Program to reduce water loss through leaks, pipe breaks and service lines.

## Officers/Members

### Applicant's Officers and Members

Mark Mathews

Mayor

Mark Hafner

City Manager

## Primary Contact

Name: William Keith Fisher

Title: Director of Public Works

Address 1: 1100 Bear Creek Parkway

Address 2:

City: Keller

State: TX

Zip: 76248-2114

Phone: (817) 743-4082

Fax: (817) 743-4091

Email: kfisher@cityofkeller.com

## Applicant's Contributors

Contributor Type	Firm Name	Contact Name	Address	Phone	Fax	Email
Applicant Engineer	King Engineering	William Moriarty	1250 Capital of Texas Hwy, South, Bldg 3 Austin TX 78746-6446	512-422-3731		wmoriarty@kingengineering.com
Bond Counsel	McCall, Parkhurst & Horton LLP	Leroy Grawunder	717 North Harwood St, Ste 900 Dallas TX 75201-6514	214-754-9200	512-754-9250	
Financial Advisor	First Southwest	Nick Balaich	777 Main Street, Ste 1200 Fort Worth TX 76102-5351			
Certified Public Accountant (or other appropriate rep)	Patillo, Brown & Hill LLP	Chris Pruitt	401 West Highway 6 Waco TX 76710-5573			
Legal Counsel	Boyle & Lowry LLP	Stan Lowry	4201 Wingren Ste 108 Irving TX 75062-2763	972-650-7102	972-650-7105	
Any other Contributor representing the Applicant before the board						

Contributor Contracts (documents follow this page)

329242

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329245

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ENGINEERING ASSOCIATES, INC.

SERVICES

Civil Engineering  
Transportation Planning & Engineering  
Environmental Engineering  
Land Planning  
Ecological Services  
Surveying & Mapping  
Construction Management  
GIS Mapping  
Landscape Architecture #LCS900183

OFFICE LOCATIONS

FLORIDA  
Jacksonville  
Sarasota  
Tampa  
TEXAS  
Austin

January 14, 2016

Keith Fisher  
Director of Public Works  
City of Keller  
1100 Bear Creek Parkway  
Keller, TX 76248

**E-MAIL DELIVERY WITH PDF ATTACHMENT**

Re: SW/FT Funding For Water Conservation Program  
Replacement of Leaking Pipes and Services

Dear Mr. Fisher,

I am pleased to present this proposal on behalf of King Engineering Associates, Inc. to assist the City of Keller in obtaining a State Water Implementation Fund for Texas (SW/FT) state subsidized low interest loan from the Texas Water Development Board.

As you know, in November 2013 voters across Texas approved this statewide funding program to assist communities in financing certain eligible water system improvements. I believe that the City of Keller's Water System Conservation Program would be eligible. A significant element of the project will include the replacement of leaking pipes and water services. The Texas Water Development Board has recognized leak repair and replacement program as a water conservation strategy. Because of the considerable savings this funding program will offer communities, and the finite amount of funding available each year, we expect strong competition for the money. However given the category for which Keller will compete (Conservation), we are optimistic on behalf of the City. SW/FT is targeting 20% of the money for conservation projects.

We expect SW/FT to save the City 15%. These are estimates that reflect 35.5% subsidy that will be finalized at closing.

The following is an outline of our proposed Scope of Services to secure this funding.

1. Meet with Texas Water Development Board in Austin and discuss this project in detail.

1250 Capital of Texas Highway South  
Building 3, Suite 400  
Austin, TX 78746  
Phone 512.462.4921  
Fax 512.462.1372

[www.kingengineering.com](http://www.kingengineering.com)

2. Develop materials to submit to the Region C Water Planning Group to allow an Amendment to the Regional and State Water Plans, to establish Keller's eligibility. We will prepare calculations and back up materials for this Amendment. We will attend up to two meetings with the Region C Water Planning Group in Dallas.
3. Prepare the Abridged Application for the TWDB State Water Implementation Fund for Texas (SWIFT) by the February 5, 2016 deadline. Assist the City of Keller in responding to questions from TWDB.

4. Assist the City of Keller through loan closure, working with City's financial team. We will work with the City to prepare the large "final application," that typically includes information from the City's financial advisor. We will prepare the Infrastructure Financing Survey Report and an Engineering Report as part of the application.

We propose to perform this work for a fixed fee in the amount of \$19,900.00. We would bill on a percent complete basis through the course of the project.

Should you have any questions or concerns regarding this proposal, please don't hesitate to contact me at (512) 422-3731 or [wmoriarty@kingengineering.com](mailto:wmoriarty@kingengineering.com).

Respectfully submitted,



William B. Moriarty, P.E., BCEE  
Vice President

WBM/ado

Accepted 

Title City Manager

Date 4/6/16



# BOYLE & LOWRY, L.L.P.

JOHN F. BOYLE, JR.  
L. STANTON LOWRY  
MATTHEW C. G. BOYLE  
CATHY CUNNINGHAM  
MATTHEW L. BUTLER  
BEN L. STOOL  
LISA H. TOMASELLI\*  
JILL LOWRY\*

\*OF COUNSEL

ATTORNEYS AND COUNSELORS  
4201 WINGREN DRIVE, SUITE 108  
IRVING, TEXAS 75062-2763

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EAST TEXAS OFFICE:  
P. O. BOX 855  
MT. VERNON, TEXAS 75457  
(972) 742-6580

(972) 650-7100  
Fax: (972) 650-7105

April 26, 2016

Mr. Mark Hafner, City Manager  
City of Keller  
P. O. Box 770  
Keller, Texas 76244

Re: Boyle & Lowry Legal Fees – City of Keller (Commencing FY 2016-2017)

Dear Mr. Hafner:

Recognizing that you, your staff, and the City Council are commencing the annual budget process, we, likewise, are reviewing our expenses and standard fees for representation of our municipal clients.

Our last fee adjustment was for the 2011-2012 fiscal year. During this time period the rate of inflation has been approximately 3% annually, or in excess of 10%. Unfortunately, our firm is like all businesses and the cost of living impacts our overall expenses of doing business and consequently we believe it is necessary that we make adjustments commencing on October 1, 2016.

As you are aware, our current established and approved rates are as follows:

General Non-Litigation	\$175.00 per hour
Litigation	\$200.00 per hour
Municipal Court	\$150.00 per hour
Legal Assistant	\$ 80.00 per hour

We propose for fiscal year 2016-2017, commencing October 1, 2016, the following fees:

General Non-Litigation	\$190.00 per hour
Litigation	\$220.00 per hour
Municipal Court	\$165.00 per hour
Legal Assistant	\$ 90.00 per hour

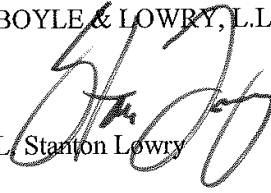
Mr. Mark Hafner, City Manager  
April 26, 2016  
Page 2

As always, we are very appreciative and honored to represent the City of Keller and, of course, we will be guided by your thinking.

Thank you.

Very truly yours,

BOYLE & LOWRY, L.L.P.

A handwritten signature in black ink, appearing to read "L. Stanton Lowry", is written over the printed name.

L. Stanton Lowry

## **FINANCIAL ADVISORY AGREEMENT**

This Financial Advisory Agreement (the "Agreement") is made and entered into by and between City of Keller, Texas ("Issuer") and First Southwest Company (FSC) effective as of the date executed by the Issuer as set forth on the signature page hereof.

### **WITNESSETH:**

WHEREAS, the Issuer will have under consideration from time to time the authorization and issuance of indebtedness in amounts and forms which cannot presently be determined and, in connection with the authorization, sale, issuance and delivery of such indebtedness, Issuer desires to retain an independent financial advisor; and

WHEREAS, the Issuer desires to obtain the professional services of FSC to advise the Issuer regarding the issuance and sale of certain evidences of indebtedness or debt obligations that may be authorized and issued or otherwise created or assumed by the Issuer (hereinafter referred to collectively as the "Debt Instruments") from time to time during the period in which this Agreement shall be effective; and

WHEREAS, FSC is willing to provide its professional services and its facilities as financial advisor in connection with all programs of financing as may be considered and authorized by Issuer during the period in which this Agreement shall be effective.

NOW, THEREFORE, the Issuer and FSC, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, do hereby agree as follows:

### **SECTION I DESCRIPTION OF SERVICES**

Upon the request of an authorized representative of the Issuer, FSC agrees to perform the financial advisory services stated in the following provisions of this Section I; and for having rendered such services, the Issuer agrees to pay to FSC the compensation as provided in Section V hereof.

- A. Financial Planning. At the direction of Issuer, FSC shall:
1. Survey and Analysis. Conduct a survey of the financial resources of the Issuer to determine the extent of its capacity to authorize, issue and service any Debt Instruments contemplated.

This survey will include an analysis of any existing debt structure as compared with the existing and projected sources of revenues which may be pledged to secure payment of debt service and, where appropriate, will include a study of the trend of the assessed valuation, taxing power and present and future taxing requirements of the Issuer. In the event revenues of existing or projected facilities operated by the Issuer are to be pledged to repayment of the Debt Instruments then under consideration, the survey will take into account any outstanding indebtedness payable from the revenues thereof, additional revenues to be available from any proposed rate increases and additional revenues, as projected by consulting engineers employed by the Issuer, resulting from improvements to be financed by the Debt Instruments under consideration.

2. Future Financings. Consider and analyze future financing needs as projected by the Issuer's staff and consulting engineers or other experts, if any, employed by the Issuer.

3. Recommendations for Debt Instruments. On the basis of the information developed by the survey described above, and other information and experience available, submit to the Issuer recommendations regarding the Debt Instruments under consideration, including such elements as the date of issue, interest payment dates, schedule of principal maturities, options of prior payment, security provisions, and such other provisions as may be appropriate in order to make the issue attractive to investors while achieving the objectives of the Issuer. All recommendations will be consistent with the goal of designing the Debt Instruments to be sold on terms which are advantageous to the Issuer, including the lowest interest cost consistent with all other considerations.

4. Market Information. Advise the Issuer of our interpretation of current bond market conditions, other related forthcoming bond issues and general information, with economic data, which might normally be expected to influence interest rates or bidding conditions so that the date of sale of the Debt Instruments may be set at a favorable time.

5. Elections. In the event it is necessary to hold an election to authorize the Debt Instruments then under consideration, FSC will assist in coordinating the assembly of such data as may be required for the preparation of necessary petitions, orders, resolutions, ordinances, notices and certificates in connection with the election, including assistance in the transmission of such data to a firm of municipal bond attorneys ("Bond Counsel") retained by the Issuer.

B. Debt Management and Financial Implementation. At the direction of Issuer, FSC shall:

1. Method of Sale. Evaluate the particular financing being contemplated, giving consideration to the complexity, market acceptance, rating, size and structure in order to make a recommendation as to an appropriate method of sale, and:

a. If the Debt Instruments are to be sold by an advertised competitive sale, FSC will:

(1) Supervise the sale of the Debt Instruments, reserving the right, alone or in conjunction with others, to submit a bid for any Debt Instruments issued under this Agreement which the Issuer advertises for competitive bids; however, in keeping with the provisions of Rule G-23 of the Municipal Securities Rulemaking Board, FSC will request and obtain written consent to bid prior to submitting a bid, in any instance wherein FSC elects to bid, for any installment of such Debt Instruments;

(2) Disseminate information to prospective bidders, organize such informational meetings as may be necessary, and facilitate prospective bidders' efforts in making timely submission of proper bids;

(3) Assist the staff of the Issuer in coordinating the receipt of bids, the safekeeping of good faith checks and the tabulation and comparison of submitted bids; and

(4) Advise the Issuer regarding the best bid and provide advice regarding acceptance or rejection of the bids.

b. If the Debt Instruments are to be sold by negotiated sale, FSC will:

(1) Recommend for Issuer's final approval and acceptance one or more investment banking firms as managers of an underwriting syndicate for the purpose of negotiating the purchase of the Debt Instruments.

(2) Cooperate with and assist any selected managing underwriter and their counsel in connection with their efforts to prepare any Official Statement or Offering Memorandum. FSC will cooperate with and assist the underwriters in the preparation of a bond purchase contract, an underwriters agreement and other related documents.

The costs incurred in such efforts, including the printing of the documents, will be paid in accordance with the terms of the Issuer's agreement with the underwriters, but shall not be or become an obligation of FSC, except to the extent specifically provided

otherwise in this Agreement or assumed in writing by FSC.

(3) Assist the staff of the Issuer in the safekeeping of any good faith checks, to the extent there are any such, and provide a cost comparison, for both expenses and interest which are suggested by the underwriters, to the then current market.

(4) Advise the Issuer as to the fairness of the price offered by the underwriters.

2. Offering Documents. Coordinate the preparation of the notice of sale and bidding instructions, official statement, official bid form and such other documents as may be required and submit all such documents to the Issuer for examination, approval and certification. After such examination, approval and certification, FSC shall provide the Issuer with a supply of all such documents sufficient to its needs and distribute by mail sets of the same to prospective purchasers of the Debt Instruments. Also, FSC shall provide copies of the final Official Statement to the purchaser of the Debt Instruments in accordance with the Notice of Sale and Bidding Instructions.

3. Credit Ratings. Make recommendations to the Issuer as to the advisability of obtaining a credit rating, or ratings, for the Debt Instruments and, when directed by the Issuer, coordinate the preparation of such information as may be appropriate for submission to the rating agency, or agencies. In those cases where the advisability of personal presentation of information to the rating agency, or agencies, may be indicated, FSC will arrange for such personal presentations, utilizing such composition of representatives from the Issuer as may be finally approved or directed by the Issuer.

4. Trustee, Paying Agent, Registrar. Upon request, counsel with the Issuer in the selection of a Trustee and/or Paying Agent/Registrar for the Debt Instruments, and assist in the negotiation of agreements pertinent to these services and the fees incident thereto.

5. Financial Publications. When appropriate, advise financial publications of the forthcoming sale of the Debt Instruments and provide them with all pertinent information.

6. Consultants. After consulting with and receiving directions from the Issuer, arrange for such reports and opinions of recognized independent consultants as may be appropriate for the successful marketing of the Debt Instruments.

7. Auditors. In the event formal verification by an independent auditor of any calculations incident to the Debt Instruments is required, make arrangements for such services.
8. Issuer Meetings. Attend meetings of the governing body of the Issuer, its staff, representatives or committees as requested at all times when FSC may be of assistance or service and the subject of financing is to be discussed.
9. Printing. To the extent authorized by the Issuer, coordinate all work incident to printing of the offering documents and the Debt Instruments.
10. Bond Counsel. Maintain liaison with Bond Counsel in the preparation of all legal documents pertaining to the authorization, sale and issuance of the Debt Instruments.
11. Changes in Laws. Provide to the Issuer copies of proposed or enacted changes in federal and state laws, rules and regulations having, or expected to have, a significant effect on the municipal bond market of which FSC becomes aware in the ordinary course of its business, it being understood that FSC does not and may not act as an attorney for, or provide legal advice or services to, the Issuer.
12. Delivery of Debt Instruments. As soon as a bid for the Debt Instruments is accepted by the Issuer, coordinate the efforts of all concerned to the end that the Debt Instruments may be delivered and paid for as expeditiously as possible and assist the Issuer in the preparation or verification of final closing figures incident to the delivery of the Debt Instruments.
13. Debt Service Schedule; Authorizing Resolution. After the closing of the sale and delivery of the Debt Instruments, deliver to the Issuer a schedule of annual debt service requirements for the Debt Instruments and, in coordination with Bond Counsel, assure that the paying agent/registrars and/or trustee has been provided with a copy of the authorizing ordinance, order or resolution.

## **SECTION II OTHER AVAILABLE SERVICES**

In addition to the services set forth and described in Section I herein above, FSC agrees to make available to Issuer the following services, when so requested by the Issuer and subject to the agreement by Issuer and FSC regarding the compensation, if any, to be paid for such services, it being understood and

agreed that the services set forth in this Section II shall require further agreement as to the compensation to be received by FSC for such services:

1. Investment of Funds. From time to time, as an incident to the other services provided hereunder as financial advisor, FSC may purchase such investments as may be directed and authorized by Issuer to be purchased, it being understood that FSC will be compensated in the normal and customary manner for each such transaction. In any instance wherein FSC may become entitled to receive fees or other compensation in any form from a third party with respect to these investment activities on behalf of Issuer, FSC will disclose to Issuer the nature and, to the extent such is known, the amount of any such compensation so that Issuer may consider the information in making its investment decision. It is understood and agreed that FSC is a duly licensed broker/dealer and is affiliated with First Southwest Asset Management, Inc. ("FSAMI"), a duly registered investment advisor. Issuer may, from time to time, utilize the broker/dealer and/or investment advisory services of FSC and/or FSAMI with respect to matters which do not involve or affect the investment of bond proceeds or the financial advisory services referenced in this Agreement. The terms and conditions of the engagement of FSC and/or FSAMI to provide such services shall not be affected by the terms of this Agreement.
2. Exercising Calls and Refunding. Provide advice and assistance with regard to exercising any call and/or refunding of any outstanding Debt Instruments.
3. Capital Improvements Programs. Provide advice and assistance in the development of any capital improvements programs of the Issuer.
4. Long-Range Planning. Provide advice and assistance in the development of other long-range financing plans of the Issuer.
5. Post-Sale Services. Subsequent to the sale and delivery of Debt Instruments, review the transaction and transaction documentation with legal counsel for the Issuer, Bond Counsel, auditors and other experts and consultants retained by the Issuer and assist in developing appropriate responses to legal processes, audit procedures, inquiries, internal reviews and similar matters.

### **SECTION III TERM OF AGREEMENT**

This Agreement shall become effective as of the date executed by the Issuer as set forth on the signature page hereof and, unless terminated by either party pursuant to Section IV of this Agreement, shall



remain in effect thereafter for a period of five (5) years from such date. Unless FSC or Issuer shall notify the other party in writing at least thirty (30) days in advance of the applicable anniversary date that this Agreement will not be renewed, this Agreement will be automatically renewed on the fifth anniversary of the date hereof for an additional one (1) year period and thereafter will be automatically renewed on each anniversary date for successive one (1) year periods.

#### **SECTION IV TERMINATION**

This Agreement may be terminated with or without cause by the Issuer or FSC upon the giving of at least thirty (30) days' prior written notice to the other party of its intention to terminate, specifying in such notice the effective date of such termination. In the event of such termination, it is understood and agreed that only the amounts due FSC for services provided and expenses incurred to the date of termination will be due and payable. No penalty will be assessed for termination of this Agreement.

#### **SECTION V COMPENSATION AND EXPENSE REIMBURSEMENT**

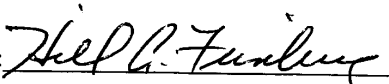
The fees due to FSC for the services set forth and described in Section I of this Agreement with respect to each issuance of Debt Instruments during the term of this Agreement shall be calculated in accordance with the schedule set forth on Appendix A attached hereto. Unless specifically provided otherwise on Appendix A or in a separate written agreement between Issuer and FSC, such fees, together with any other fees as may have been mutually agreed upon and all expenses for which FSC is entitled to reimbursement, shall become due and payable concurrently with the delivery of the Debt Instruments to the purchaser.


#### **SECTION VI MISCELLANEOUS**

1. Choice of Law. This Agreement shall be construed and given effect in accordance with the laws of the State of Texas.
2. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Issuer and FSC, their respective successors and assigns; provided however, neither party hereto may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party.
3. Entire Agreement. This instrument contains the entire agreement between the parties relating to the

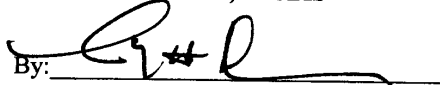
rights herein granted and obligations herein assumed. Any oral or written representations or modifications concerning this Agreement shall be of no force or effect except for a subsequent modification in writing signed by all parties hereto.

**FIRST SOUTHWEST COMPANY**


By:   
Hill A. Feinberg, Chairman and  
Chief Executive Officer

By:   
David K. Medanich  
Senior Vice President

**CITY OF KELLER, TEXAS**

By:   
Title: CITY MANAGER  
Date: JULY 1, 1999

**ATTEST:**

  
Secretary

## APPENDIX A

The fees due FSC will not exceed those contained in our customary fee schedule as listed below.

\$10,000	for the first	\$ 1,000,000	of bonds issued
plus \$ 4.00 per \$1,000	for the next	\$ 4,000,000	of bonds issued
plus \$ 2.00 per \$1,000	for the next	\$ 5,000,000	of bonds issued
plus \$ 1.00 per \$1,000	thereafter		

The above charges shall be multiplied by 1.25 times for the completion of an application to a federal or state government agency or for the issuance of revenue bonds or refunding bonds, reflecting the additional services required.

The charges for ancillary services, including computer structuring and official statement printing, shall be levied only for those services which are reasonably necessary in completing the transaction and which are reasonable in amount, unless such charges were incurred at the specific direction of the Issuer.

*The payment of charges for financial advisory services described in Section I of the foregoing Agreement shall be contingent upon the delivery of bonds and shall be due at the time that bonds are delivered. The payment of charges for services described in Section II of the foregoing Agreement shall be due and payable in accordance with the mutual agreement therefor between FSC and Issuer.*

The Issuer shall be responsible for the following expenses, if and when applicable, whether they are charged to the Issuer directly as expenses or charged to the Issuer by FSC as reimbursable expenses:

- Bond counsel
- Bond printing
- Bond ratings
- Computer structuring
- Credit enhancement
- CPA fees for refunding
- Official statement preparation and printing
- Paying agent/registrar/trustee
- Travel expenses
- Underwriter and underwriters counsel
- Miscellaneous, including copy, delivery, and phone charges

*The payment of reimbursable expenses that FSC has assumed on behalf of the Issuer shall NOT be contingent upon the delivery of bonds and shall be due at the time that services are rendered and payable upon receipt of an invoice therefor submitted by FSC.*

LAW OFFICES  
**M<sup>c</sup>CALL, PARKHURST & HORTON L.L.P.**

600 CONGRESS AVENUE  
SUITE 1800  
AUSTIN, TEXAS 78701-3248  
TELEPHONE: 512 478-3805  
FACSIMILE: 512 472-0871

717 NORTH HARWOOD  
SUITE 900  
DALLAS, TEXAS 75201-6587  
TELEPHONE: 214 754-9200  
FACSIMILE: 214 754-9250

700 N. ST. MARY'S STREET  
SUITE 1525  
SAN ANTONIO, TEXAS 78205-3503  
TELEPHONE: 210 225-2800  
FACSIMILE: 210 225-2984

City of Keller  
1100 Bear Creek Parkway  
Keller, Texas 76224

Re: Texas Water Development Board SWIFT Loan

Mayor and Members of the City Council:

The purpose of this engagement letter is to set forth certain matters concerning the services we will perform as bond counsel to the City of Keller (the "City") in connection with the issuance of certificates of obligation (the "Obligations") issued in connection with the above-referenced loan. We understand that the Obligations will be authorized, issued and delivered to construct water system improvements (the "Project") as described in the ordinance authorizing the issuance and sale of the Obligations, and will be secured by a pledge of ad valorem taxes and a pledge of surplus net revenues of the City's waterworks and sewer system. We further understand that the above-referenced loan may be made in installments, each evidenced by a separate series of Obligations for which this engagement letter shall apply.

In general, we will perform all usual and necessary legal services as bond counsel in connection with the authorization, issuance, and delivery of the Obligations. Specifically, we will prepare and direct the legal proceedings and perform the other necessary legal services with reference to the authorization, issuance, and delivery of the Obligations, including the following:

**SCOPE OF ENGAGEMENT**

1. Prepare all resolutions, ordinances and other instruments pursuant to which the Obligations will be authorized, issued, delivered and secured, in cooperation and upon consultation with the City Council of the City, officials, and legal and financial advisors and consultants of the City.
2. Review applicable law and legal issues relating to the structure of the Obligations.
3. Attend meetings of the City Council with reference to the authorization and issuance of the Obligations to the extent required or requested.
4. Cooperate with the City and all other interested parties in the sale of the Obligations to the Texas Water Development Board ("TWDB").
5. Submission of transcripts of the proceedings authorizing the issuance of the Obligations and the initial Obligation or Obligations to the Attorney General of Texas for approval and registration of the initial Obligation or Obligations by the Comptroller of Public Accounts of the State of Texas.
6. Supervise the execution of the Obligations and the delivery thereof to TWDB.

7. When so delivered, rendering an opinion covering the validity of the Obligations under Texas law and, if applicable, the tax exempt status of the interest thereon under federal income tax laws, and to that end prepare all relevant documents necessary to assure compliance with the federal income tax laws relating to the issuance of tax-exempt obligations. Our Bond Opinion will be delivered by us on the date the Obligations are exchanged for their purchase price (the "Closing"). The City will be entitled to rely on our Bond Opinion.

The Bond Opinion will be based on facts and law existing as of its date. In rendering our Bond Opinion, we will rely upon the certified proceedings and other certifications of public officials and other persons furnished to us without undertaking to verify the same by independent investigation, and we will assume continuing compliance by the City with applicable laws relating to the Obligations. During the course of this engagement, we will rely on you to provide us with complete and timely information on all developments pertaining to any aspect of the Obligations and their security. We understand that you will direct members of your staff and other employees and consultants of the City to cooperate with us in this regard.

Our duties in this engagement are limited to those expressly set forth above. Unless we are separately engaged in writing to perform other services, our duties do not include any other services, including the following:

- (1) Review of procurement requirements, or preparation or review of requests for bids or proposals or preparation or review of real estate or construction documents.
- (2) Assisting in the preparation or review of financial disclosure with respect to the Obligations.
- (3) Preparing requests for tax rulings from the Internal Revenue Service, or no action letters from the Securities and Exchange Commission.
- (4) Preparing state securities law memoranda or investment surveys with respect to the Obligations.
- (5) Drafting state constitutional or legislative amendments.
- (6) Pursuing test cases or other litigation.
- (7) Making an investigation or expressing any view as to the creditworthiness of the City or the Obligations.
- (8) Representing the City in Internal Revenue Service examinations or inquiries, or Securities and Exchange Commission investigations.
- (9) After Closing, providing continuing advice to the City or any other party concerning any actions necessary to assure that interest paid on the Obligations will continue to be excludable from gross income for federal income tax purposes (e.g., our engagement does not include rebate calculations for the Obligations).
- (10) Negotiating the terms of, or opining as to, any investment contract.

- (11) Except as hereinafter described, assisting in the preparation or review of a disclosure document with respect to the Obligations, or performing an independent investigation to determine the accuracy, completeness or sufficiency of any such document or rendering advice that the disclosure document does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. We will review those sections of the disclosure document to be disseminated in connection with the sale of the Obligations which describe the Obligations and the security therefor, the ordinance of the City Council of the Issuer authorizing the issuance of the Obligations, and, if applicable, the tax-exempt treatment of the interest on the Obligations for purposes of federal income taxation.
- (12) Addressing any other matter not specifically set forth above that is not required to render our Bond Opinion

#### **ATTORNEY-CLIENT RELATIONSHIP**

Upon execution of this engagement letter, the City will be our client and an attorney-client relationship will exist between you and us. We further assume that all other parties in this transaction understand that we represent only the City in this transaction, we are not counsel to any other party, and we are not acting as an intermediary among the parties. Our services as bond counsel are limited to those contracted for in this letter; the City's execution of this engagement letter will constitute an acknowledgment of those limitations. Our representation of the City will not affect, however, our responsibility to render an objective Bond Opinion. Our representation of the City and the attorney-client relationships created by this engagement letter will be concluded upon issuance of the Obligations.

#### **CONFLICTS**

Our firm represents many political subdivisions and investment banking firms, among others, who do business with political subdivisions. It is possible that during the time that we are representing the City, one or more of our present or future clients will have transactions with the City. It is also possible that we may be asked to represent, in an unrelated matter, one or more of the entities involved in the issuance or purchase of the Obligations. We do not believe such representation, if it occurs, will adversely affect our ability to represent you as provided in this letter, either because such matters will be sufficiently different from the issuance of the Obligations so as to make such representations not adverse to our representation of you, or because the potential for such adversity is remote or minor and outweighed by the consideration that it is unlikely that advice given to the other client will be relevant to any aspect of the issuance of the Obligations. Execution of this letter will signify the City's consent to our representation of others consistent with the circumstances described in this paragraph.

#### **FIRM NOT A MUNICIPAL ADVISOR**

As a consequence of the adoption of Rule 15Ba1-1 pursuant to the Securities Exchange Act of 1934 (the "Municipal Advisor Rule"), which has been promulgated by the Securities and Exchange Commission as a result of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), we hereby inform the City that we are not a "Municipal Advisor" within the meaning of the Municipal Advisor Rule or the Dodd-Frank Act (collectively, the "MA Rule"). The MA Rule pertains to activities of persons and entities that provide financial advice to issuers of municipal securities, such as the Obligations, and establishes a regimen of registration and compliance activities, and also establishes a

regulatory fiduciary duty to the issuer of municipal securities, for persons and entities that are subject to the MA Rule.

The MA Rule exempts attorneys from its provisions with respect to the provision of legal advice or services of a traditional legal nature involving the issuance of municipal securities or a municipal financial product. In its release promulgating the MA Rule, the Securities and Exchange Commission noted that it "recognizes that legal advice and services of a traditional legal nature in the area of municipal finance inherently involves a financial advice component." The Securities and Exchange Commission also stated that it "recognizes that analysis, discussion, negotiation, and advice regarding the legal ramifications of the structure, timing, terms, and other provisions of a financial transaction by an attorney to a client are essential to the development of a plan of finance. In turn, these services become, among other things, the basis for a transaction's basic legal documents, the preparation and delivery of the official statement or other disclosure document that describes the material terms and provisions of the transaction, the preparation of the various closing certificates that embody the terms and provisions of the transaction, the preparation and delivery of the attorney's legal opinion." We agree with those statements, and we hereby advise the City that while we have expertise with respect to the legal aspects relating to the issuance of municipal securities, we are not "financial advisors" or "financial experts" in a manner that would subject us to the provisions of the MA Rule. We provide only legal advice, not purely financial advice that is not an inherent in our legal advice to the City as Bond Counsel, as the Securities and Exchange Commission has acknowledged. The City should seek the advice of its financial advisor with respect to the financial aspects of the issuance of the Obligations. By signing this engagement letter, the City acknowledges receipt of this information, and evidences its understanding of the limitations of our role to the City as Bond Counsel with respect to the MA Rule, and, further acknowledges that we are relying on the attorney exclusion provision of the MA Rule.

#### **FEES**

Based upon: (i) our current understanding of the terms, structure, size and schedule of the financing represented by the Obligations; (ii) the duties we will undertake pursuant to this engagement letter; (iii) the time we anticipate devoting to the financing; and (iv) the responsibilities we will assume in connection therewith, our fees will be \$10,000 for the first \$1,000,000 in principal amount of Obligations issued, plus \$5 per \$1,000 for the next \$4,000,000 in principal amount of obligations issued, plus \$1 per \$1,000 for principal amounts of Obligations issued in excess of \$5,000,000, to be paid by the City, which includes bond counsel services and work performed with respect to any grant, loan forgiveness or financing agreements pertaining to the project for which the Obligations are issued for review of the agreements and preparation of documentation related thereto. The City will reimburse us for out-of-pocket expenses incurred in connection with the proposed transaction, such as travel costs, photocopying, deliveries, long distance telephone charges, telecopier charges, filing fees (including the Texas Attorney General filing fee for the Obligations if advanced by the firm). Our statement for payment of our fee and reimbursement for out-of-pocket expenses will be billed after the initial installment delivery of the Obligations.

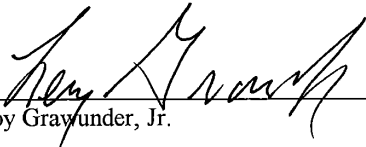
#### **RECORDS**

At your request, papers and property furnished by you will be returned promptly upon receipt of payment for outstanding fees and client charges. Our own files, including lawyer work product, pertaining to the transaction will be retained by us. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to dispose of any documents or other materials retained by us after the termination of this engagement.

If the foregoing terms are acceptable to you, please so indicate by returning the enclosed copy of this engagement letter dated and signed by an authorized officer, retaining the original for your files. We look forward to working with you.


Respectfully yours,

MCCALL, PARKHURST & HORTON L.L.P.

  
\_\_\_\_\_  
Leroy Grayunder, Jr.

ACCEPTED AND APPROVED

CITY OF KELLER, TEXAS

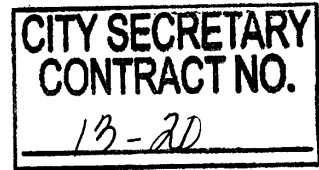
  
\_\_\_\_\_  
Title: City Manager  
Date: May 5, 2016



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

November 27, 2012

City of Keller  
Finance Department  
Attention: Johnny Phifer  
City of Keller, Texas  
1100 Bear Creek Parkway  
Keller, Texas 76248



We are pleased to confirm our understanding of the services we are to provide the City of Keller, Texas for the years ended September 30, 2013, September 30, 2014 and September 30, 2015. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements, of the City of Keller, Texas as of and for the year ended September 30, 2013, September 30, 2014, and September 30, 2015. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City of Keller, Texas' 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. As part of our engagement, we will apply certain limited procedures to the City of Keller, Texas' RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Budgetary Comparison Schedules.

We have also been engaged to report on supplementary information other than RSI that accompanies the City of Keller, Texas' financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

- 1) Schedule of Expenditures of Federal Awards.

401 WEST HIGHWAY 6 ■ P. O. BOX 20725 ■ WACO, TX 76702-0725 ■ (254) 772-4901 ■ FAX: (254) 772-4920 ■ [www.pbhcpa.com](http://www.pbhcpa.com)  
AFFILIATE OFFICES: BROWNSVILLE, TX (956) 544-7778 ■ HILLSBORO, TX (254) 582-2583  
TEMPLE, TX (254) 791-3460 ■ ALBUQUERQUE, NM (505) 266-5904

- 2) Combining and individual fund financial statements and schedules.

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

- 1) Introductory section.
- 2) Statistical section.

### **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major programs in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. If our opinions on the financial statements or the Single Audit compliance opinions are other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

### **Management Responsibilities**

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. Management is also responsible for

identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the Schedule of Expenditures of Federal Awards in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of your financial statements, Schedule of Expenditures of Federal Awards, and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements, Schedule of Expenditures of Federal Awards, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and Schedule of Expenditures of Federal Awards and that you have reviewed and approved the financial statements, Schedule of Expenditures of Federal Awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Keller, Texas and the respective changes in financial position in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as

required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a Summary Schedule of Prior Audit Findings and a corrective action plan.

You are responsible for preparation of the Schedule of Expenditures of Federal Awards in conformity with OMB Circular A-133. You agree to include our report on the Schedule of Expenditures of Federal Awards in any document that contains and indicates that we have reported on the Schedule of Expenditures of Federal Awards. You also agree to include the audited financial statements with any presentation of the Schedule of Expenditures of Federal Awards that includes our report thereon or make the audited financial statements readily available to intended users of the Schedule of Expenditures of Federal Awards no later than the date the Schedule of Expenditures of Federal Awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (a) you are responsible for presentation of the Schedule of Expenditures of Federal Awards in accordance with OMB Circular A-133; (b) that you believe the Schedule of Expenditures of Federal Awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (c) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relating to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

#### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct

and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a single audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

#### **Audit Procedures—Internal Controls**

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

#### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the

provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the OMB Circular A-133 Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of the City's major programs. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

#### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, Schedule of Expenditures of Federal Awards, Summary Schedule of Prior Audit Findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The audit documentation for this engagement is the property of Pattillo, Brown and Hill, L.L.P. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Pattillo, Brown and Hill, L.L.P. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release or for any additional period requested by the cognizant agency, oversight agency for audit, or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Chris Pruitt, CPA, is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$52,000 for the September 30, 2013 audit, \$53,000 for the September 30, 2014 audit and \$54,000 for the September 30, 2015 audit. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your

account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2010 peer review report accompanies this letter.

We appreciate the opportunity to be of service to the City of Keller, Texas and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,  
Patillo, Brown & Hill, L.L.P.



Chris Pruitt, CPA

RESPONSE:

This letter correctly sets forth the understanding of the City of Keller, Texas.

By: 

Title: City Manager

Date: 2/6/2013

RESOLUTION NO. 3317

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KELLER, TEXAS, APPROVING A CONTRACT WITH PATTILLO, BROWN & HILL, L.L.P., FOR INDEPENDENT AUDITING SERVICES FOR FISCAL YEARS ENDED SEPTEMBER 30, 2013 THROUGH SEPTEMBER 30, 2015; AND AUTHORIZING THE CITY MANAGER TO EXECUTE SAID CONTRACT ON BEHALF OF THE CITY OF KELLER, TEXAS.

WHEREAS, Article VIII, Section 8.15, of the City of Keller City Charter requires an annual independent audit be conducted by a qualified certified public accountant; and

WHEREAS, in 2008, requests for proposals for independent auditing services for the City of Keller, Texas were duly advertised in accordance with State law; and

WHEREAS, on July 15, 2008, Resolution 2722 was passed by the City Council of the City of Keller, Texas, approving a contract with Pattillo, Brown & Hill, L.L.P., for the purpose of performing independent auditing services for fiscal years ended September 30, 2008 through September 30, 2012; and

WHEREAS, it is recommended that it is in the best interest of the City of Keller, Texas to extend the independent auditing services contract for three (3) additional years, through fiscal year ended September 30, 2015.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KELLER, TEXAS:

Section 1: THAT, the above findings are hereby found to be true and correct and are incorporated herein in their entirety.



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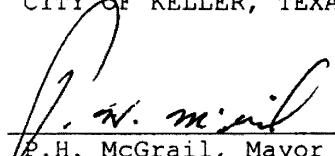
Section 2: THAT, the City Council of the City of Keller, Texas hereby approves a contract with Pattillo, Brown & Hill, L.L.P., for independent auditing services for fiscal years ended September 30, 2013 through September 30, 2015, attached hereto as Exhibit "A"; and further authorizes the City Manager to execute said contract on behalf of the City of Keller, Texas.

Section 3: THAT, the cost of said depository services shall be paid from funds in the Finance Department budgeted therefor.

AND IT IS SO RESOLVED.

Passed by a vote of 7 to 0 on this the 5th day of February, 2013.

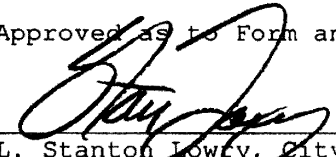
CITY OF KELLER, TEXAS

By:   
P.H. McGrail, Mayor

ATTEST:

  
Sheila Stephens, City Secretary

Approved as to Form and Legality:

  
L. Stanton Lowry, City Attorney

Counties

Tarrant

Identify the Applicant's total service area population:: 42,050

## Funding Program(s)

Funding Programs

SWIFT: \$12,180,000

## Other Funding Sources

Other Funding Sources

Funding Source	Type of Funds (Loan, Grant, etc.)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date
Local		\$1,000,000		

Other Funding Comments: \$1 million from City of Keller

Funding\_1 N/A

# Funding & Project Type

Requesting Funding for Planning: Y

Requesting Funding for Acquisition: Y

Requesting Funding for Design: Y

Requesting Funding for Construction: Y

Is the project a water project?: Y

Is the project a wastewater project?: N

Is Applicant requesting funding to refinance existing debt?: N

DUNS:

Federal Awards information:

1. Did applicant receive over 80% of their revenue from Federal Awards last year?:
2. Did applicant receive over \$25 million in Federal Awards last year?:
3. Does the public have access to executive compensation information via SEC or IRS reports?:

Describe procedures for collecting monthly customer bills (include procedures for collection of delinquent accounts):

TWDB-0215 N/A

# Contractors & Loan/Grant Participation Summary

Have you already solicited contractors?:

Have contracts already been awarded?:

## Legal Information

Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues.: Article XI, Section 5, Texas Constitution, Chapter 271, Subchapter C, Texas Local Government Code and Chapter 1502, Texas Government Code

What type of pledge will be used to repay the proposed debt?: COMBO

Provide the full legal name of the security for the proposed debt issue(s):. City of Keller, Texas Combination Tax and Surplus

Describe the pledge being offered and any existing rate covenants.: The Certificates are payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law and are further secured by and payable from a pledge of the surplus net revenues derived from the operation of the City's combined waterworks and sewer system (the "System"), remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with any of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the System.

1 RESOLUTION NO. 3745

2  
3 A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF KELLER,  
4 TEXAS, AUTHORIZING APPLICATION FOR FINANCIAL ASSISTANCE  
5 FROM THE TEXAS WATER DEVELOPMENT BOARD; DESIGNATING CERTAIN  
6 CONSULTANTS; AND MAKING CERTAIN FINDINGS IN CONNECTION  
7 THEREWITH.

8 WHEREAS, the City of Keller, Texas (the "City") hereby  
9 finds and determines that there is an urgent  
10 need for the construction of improvements to the  
11 City's water system; and

12 WHEREAS, such capital improvements cannot be reasonably  
13 financed unless financial assistance is obtained  
14 from the Texas Water Development Board; and

15 WHEREAS, it is hereby officially found and determined:  
16 that public notice of the time, place, and  
17 purpose of said meeting was given, all as  
18 required by Texas Government Code, Chapter 551.

19 NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE  
20 CITY OF KELLER:

21 Section 1: THAT, an application is hereby approved and  
22 authorized to be filed with the Texas Water  
23 Development Board seeking financial assistance  
24 in an amount not to exceed \$12,180,000.00 to  
25 provide funds to pay the costs for acquiring,  
26 constructing, installing and equipping  
27 improvements to the City's water system,  
28 including water distribution lines.

Section 2: THAT, the City Manager and Director of Public  
Works of said City are hereby designated as the  
authorized representatives of the City for the  
purpose of furnishing such information and  
executing such documents as may be required in  
connection with the preparing and filing of such  
application for financial assistance and with  
complying with the rules of the Texas Water  
Development Board.

Section 3: THAT, the following firms and individuals are  
hereby authorized and directed to aid and assist  
in the preparation and submission of such  
application and appear on behalf of and  
represent the City before any hearing held by

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the Texas Water Development Board on such application, to-wit:

**Financial Advisor** Mr. Nick Bulaich  
FirstSouthwest, A Division  
of Hilltop Securities, Inc.  
777 Main Street, Suite 1200  
Fort Worth, Texas 76102

**Bond Counsel** Mr. Leroy Grawunder  
McCall, Parkhurst & Horton  
L.L.P.  
717 North Harwood Street,  
Suite 900  
Dallas, Texas 75201

**Engineer** Mr. William Moriarty  
King Engineering Associates,  
Inc.  
1250 Capital of Texas  
Highway South  
Building 3, Suite 400  
Austin, Texas 78746

Section 4: THAT, this Resolution shall become effective immediately upon adoption.

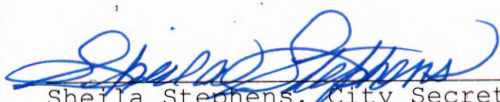
AND IT IS SO RESOLVED.

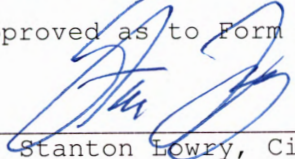
Passed by a vote of 7 to 0 on this the 3rd day of May, 2016.

CITY OF KELLER, TEXAS

BY:   
Mark Mathews, Mayor

ATTEST:

  
Sheila Stephens, City Secretary

Approved as to Form and Legality:  
  
L. Stanton Lowry, City Attorney



APPLICATION AFFIDAVIT (WRD-201)

THE STATE OF TEXAS  
COUNTY OF TARRANT  
CITY OF KELLER

§  
§  
§

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Mark Hafner, City Manager of the City of Keller, Texas, as the Authorized Representative of the City of Keller, Texas, who being by me duly sworn, upon oath says that:

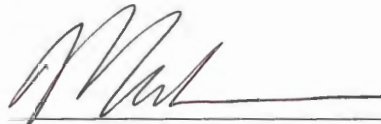
1. The decision by the City of Keller, Texas ("City") to request financial assistance from the Texas Water Development Board ("Board") was made in a public meeting held in accordance with the Open Meetings Act (Government Code, §551.001, et seq.) and after providing all such notice as required by such Act as is applicable to the City;

2. The information submitted in the application is true and correct according to my best knowledge and belief;

3. The City has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessment or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, Texas Commission on Environmental Quality, Texas Comptroller, Texas Secretary of State, or any other federal, state or local government;

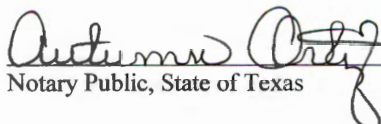
4. The City warrants compliance with the representations made in the application in the event that the Board provides the financial assistance; and

5. The City will comply with all applicable federal laws, rules, and regulations as well as the laws of the State of Texas and the rules and regulations of the Board.

  
\_\_\_\_\_  
City Manager  
City of Keller, Texas

SWORN TO AND SUBSCRIBED BEFORE ME, by Mark Hafner, City Manager of the City of Keller, Texas, this 5<sup>th</sup> day of May, 2016.



  
\_\_\_\_\_  
Notary Public, State of Texas

(NOTARY SEAL)

CERTIFICATE FOR RESOLUTION (WRD-201b)

THE STATE OF TEXAS §  
COUNTY OF TARRANT §  
CITY OF KELLER §

I, the undersigned officer of the City of Keller, Texas, hereby certify as follows:

1. The City Council of said City convened in regular meeting on the 3rd day of May, 2016, at the City Hall, and the roll was called of the duly constituted officers and members of said City Council, to-wit:

Mark Mathews, Mayor  
Rick Barnes, Mayor Pro Tem  
Debbie Bryan, Council Member  
Armin Mizani, Council Member  
Tom Cawthra, Council Member  
Bill Dodge, Council Member  
Bill Hodnett, Council Member

and all of said persons were present except \_\_\_\_\_, thus constituting a quorum. Whereupon, among other business, the following was transacted at said meeting: a written resolution entitled

RESOLUTION AUTHORIZING APPLICATION FOR FINANCIAL ASSISTANCE FROM THE TEXAS WATER DEVELOPMENT BOARD; DESIGNATING CERTAIN CONSULTANTS; AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH

was duly introduced for the consideration of said City Council. It was then duly moved and seconded that said Resolution be passed; and, after due discussion, said motion carrying with it the passage of said Resolution, prevailed and carried by the following vote:


AYES: 7

NOES: 0

ABSTENTIONS: 0

2. That a true, full and correct copy of the aforesaid Resolution passed at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that said Resolution has been duly recorded in said City Council's minutes of said Meeting; that the above and foregoing paragraph is a true, full and correct excerpt from said City Council's minutes of said Meeting pertaining to the passage of said Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of said City Council as indicated therein; that each of the officers and members of said City Council was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that said Resolution would be introduced and considered for passage at said Meeting, and each of said officers and members consented, in advance, to the holding of said Meeting for such purpose, and that said Meeting was open to the public and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED this 3rd day of May, 2016.

  
City Secretary  
City of Keller, Texas

(CITY SEAL)

Bonds, CCN, Enforcement Action

Does the applicant possess a Certificate of Convenience and Necessity (CCN)?: Y

Has the applicant been the subject of any enforcement action by the Texas Commission on Environmental Quality (TCEQ), the Environmental Protection Agency (EPA), or any other entity within the past three years?: N



# Texas Commission On Environmental Quality

**By These Presents Be It Known To All That**

**City of Keller**

having duly applied for certification to provide water utility service for the convenience and necessity of the public; and it having been determined by this commission that the public convenience and necessity would in fact be advanced by the provision of such service by this Applicant, is entitled to and is hereby granted this

## **Certificate of Convenience and Necessity No. 10975**

to provide continuous and adequate water utility service to that service area or those service areas in Tarrant County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Application No. 34030-S are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of City of Keller to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

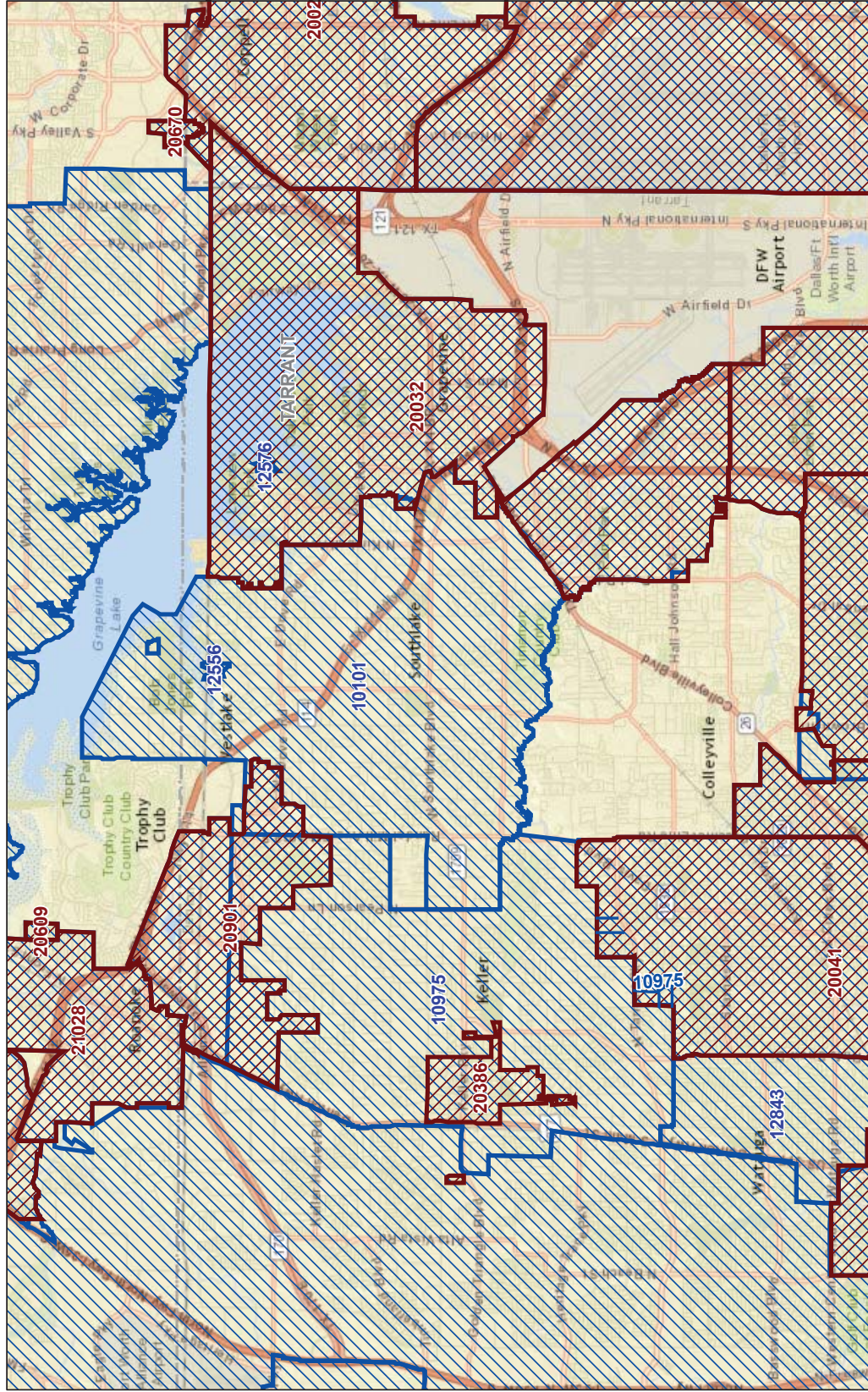
Issued at Austin, Texas, this OCT 09 2003

Margaret Hoffman  
For the Commission

11/04/03  
LS

# Municipality

## Keller CCN



April 22, 2016

Water CCN Facility Lines

Sewer CCN Service Areas

CCN\_WATERtrim

TxDOT Counties

1:144,448

0 1.25 2.5 5 mi  
 0 2 4 8 km

Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand).

Is the area to be served by the project within the service area of a municipality or other public utility?: N

## Board Approved WCP

If the assistance requested is more than \$500,000 a Water Conservation Plan (WCP) is required. The WCP cannot be more than FIVE years old and must have been adopted by the applicant. Has the applicant adopted a Board-approved WCP? (Check one and attach requested information, if any.): Y

Enter date of Applicant's WCP adoption: 2014-06-17 00:00:00.0



**City of Keller, Texas  
P.O. Box 770  
Keller, Texas 76244**

## **Water Conservation Plan**

Developed to comply with the requirements of  
The Texas Commission on Environmental Quality  
and The Texas Water Development Board

**PWS# 2200096**

**Adopted by Ordinance No. 1700:**

**Effective  
June 17, 2014**





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**APPENDIX B** Texas Commission on Environmental Quality Rules on Water Conservation Plans for Municipal and Wholesale Water Providers  
 • Texas Administrative Code Title 30, Part 1, Chapter 288, Subchapter A, Rule §288.1 – Definitions (Page B-1)  
 • Texas Administrative Code Title 30, Part 1, Chapter 288, Subchapter A, Rule §288.2 – Water Conservation Plans for Municipal Uses by Public Water Suppliers (Page B-5)  
**APPENDIX C** City of Keller Water Utility Profile Based on TCEQ Format  
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**APPENDIX E** Illegal Water Connections and Theft of Water Ordinance  
**APPENDIX F** Ordinance Adopting *Water Conservation Plan*



## 1.0 INTRODUCTION AND OBJECTIVES

Water supply has always been a key issue in the development of Texas. In recent years, the increasing population and economic development of North Central Texas have led to growing demands for water supplies. At the same time, local and less expensive sources of water supply are largely already developed. Additional supplies to meet future demands will be expensive and difficult to secure. Drought conditions in recent years have highlighted the importance of the efficient use of our existing supplies to make them last as long as possible. Extending current supplies will delay the need for new supplies, minimize the environmental impacts associated with developing new supplies, and delay the high cost of additional water supply development.

Recognizing the need for efficient use of existing water supplies, the Texas Commission on Environmental Quality (TCEQ) has developed guidelines and requirements governing the development of Water Conservation Plans.<sup>1</sup> The TCEQ guidelines and requirements are included in Appendix B. The City of Keller (Keller) has developed this *Water Conservation Plan* in accordance with TCEQ guidelines and requirements. Since Keller is a wholesale water customer of the City of Fort Worth (Fort Worth), the *Water Conservation Plan*<sup>2</sup> for Fort Worth was consulted during the development of this Plan to ensure consistency. This *Water Conservation Plan* replaces the previous plan dated May 2009.

The objectives of this *Water Conservation Plan* are as follows:

- To reduce water consumption from the levels that would prevail without conservation efforts
- To reduce the loss and waste of water
- To improve efficiency in the use of water
- Encourage efficient outdoor water use
- To document the level of recycling and reuse in the water supply
- To extend the life of current water supplies by reducing the rate of growth in demand

<sup>1</sup> Superscripted numbers match references listed in Appendix A



## **2.0 TEXAS COMMISSION ON ENVIRONMENTAL QUALITY RULES**

### **2.1 TCEQ RULES GOVERNING CONSERVATION PLANS**

The TCEQ rules governing development of Water Conservation Plans for public water suppliers are contained in Title 30, Part 1, Chapter 288, Subchapter A, Rule 288.2 of the Texas Administrative Code, which is included in Appendix B. For the purpose of these rules, a Water Conservation Plan is defined as “A strategy or combination of strategies for reducing the volume of water withdrawn from a water supply source, for reducing the loss or waste of water, for maintaining or improving the efficiency in the use of water, for increasing the recycling and reuse of water, and for preventing the pollution of water.” The elements in the TCEQ water conservation rules covered in this Plan are listed below.

#### Minimum Conservation Plan Requirements

The minimum requirements in the Texas Administrative Code for Water Conservation Plans for Public Water Suppliers are covered in this report as follows:

- 288.2(a)(1)(A) – Utility Profile – Section 1.0 and Appendix C
- 288.2(a)(1)(B) – Record Management System – Section 5.3
- 288.2(a)(1)(C) – Specific, Quantified Goals – Section 4.0
- 288.2(a)(1)(D) – Accurate Metering – Section 5.1
- 288.2(a)(1)(E) – Universal Metering – Section 5.2
- 288.2(a)(1)(F) – Determination and Control of Water Loss – Section 5.4
- 288.2(a)(1)(G) – Public Education and Information Program – Section 6.1
- 288.2(a)(1)(H) – Non-Promotional Water Rate Structure – Section 6.2
- 288.2(a)(1)(I) – Reservoir System Operation Plan – Section 6.3
- 288.2(a)(1)(J) – Means of Implementation and Enforcement – Section 6.4
- 288.2(a)(1)(K) – Coordination with Regional Water Planning Groups – Section 6.5 and Appendix D
- 288.2(c) – Review and Update of Plan – Section 8.0

#### Additional Conservation Requirements (Population over 5,000)

The Texas Administrative Code includes additional requirements for Water Conservation Plans for drinking water supplies serving a population over 5,000:



- 288.2(a)(2)(A) – Leak Detection, Repair, and Water Loss Accounting – Section 5.5
- 288.2(a)(2)(B) – Requirement for Water Conservation Plans by Wholesale Customers – Section 7.4

#### Additional Conservation Strategies

The Texas Administrative Code lists additional conservation strategies, which may be adopted by suppliers, but are not required. Additional strategies adopted by Keller include the following:

- 288.2(a)(3)(A) – Conservation Oriented Water Rates – Section 6.2
- 288.2(a)(3)(B) – Ordinances, Plumbing Codes or Rules on Water-Conserving Fixtures – Section 7.2
- 288.2(a)(3)(D) – Reuse and Recycling of Wastewater – Section 7.1
- 288.2(a)(3)(F) – Considerations for Landscape Water Management Regulations – Section 7.3

## **2.2 GUIDANCE AND METHODOLOGY FOR REPORTING ON WATER CONSERVATION AND WATER USE**

In addition to TCEQ rules regarding water conservation, this Plan also incorporates elements of the *Guidance and Methodology for Reporting on Water Conservation and Water Use* developed by TWDB and TCEQ, in consultation with the Water Conservation Advisory Council (the “Guidance”).<sup>3</sup> The Guidance was developed in response to a charge by the 82<sup>nd</sup> Texas Legislature to develop water use and calculation methodology and guidance for preparation of water use reports and Water Conservation Plans in accordance with TCEQ rules. Keller has considered elements of the Guidance in preparation of this Plan.



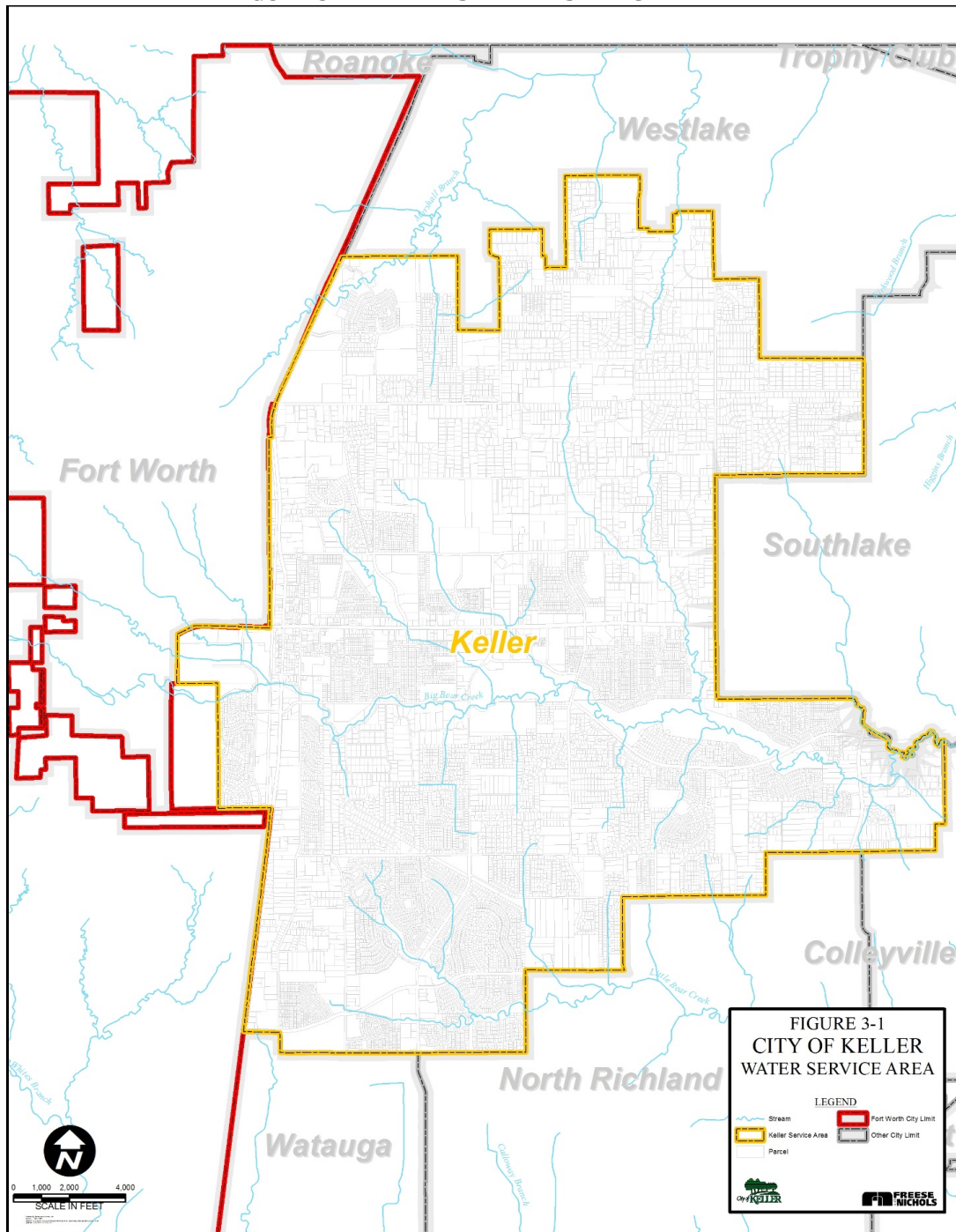
### **3.0 DESCRIPTION OF SERVICE AREA AND UTILITY PROFILE**

The City of Keller provided retail water service to approximately 41,000 people in 2013. In order to provide this water, Keller purchased an average of 238 million gallons of treated water from the City of Fort Worth per month in 2013. Figure 3-1 shows the City of Keller service area in relation to the City of Fort Worth. The City of Fort Worth purchases raw water from TRWD which comes primarily from four major sources, as shown in Figure 3-2:

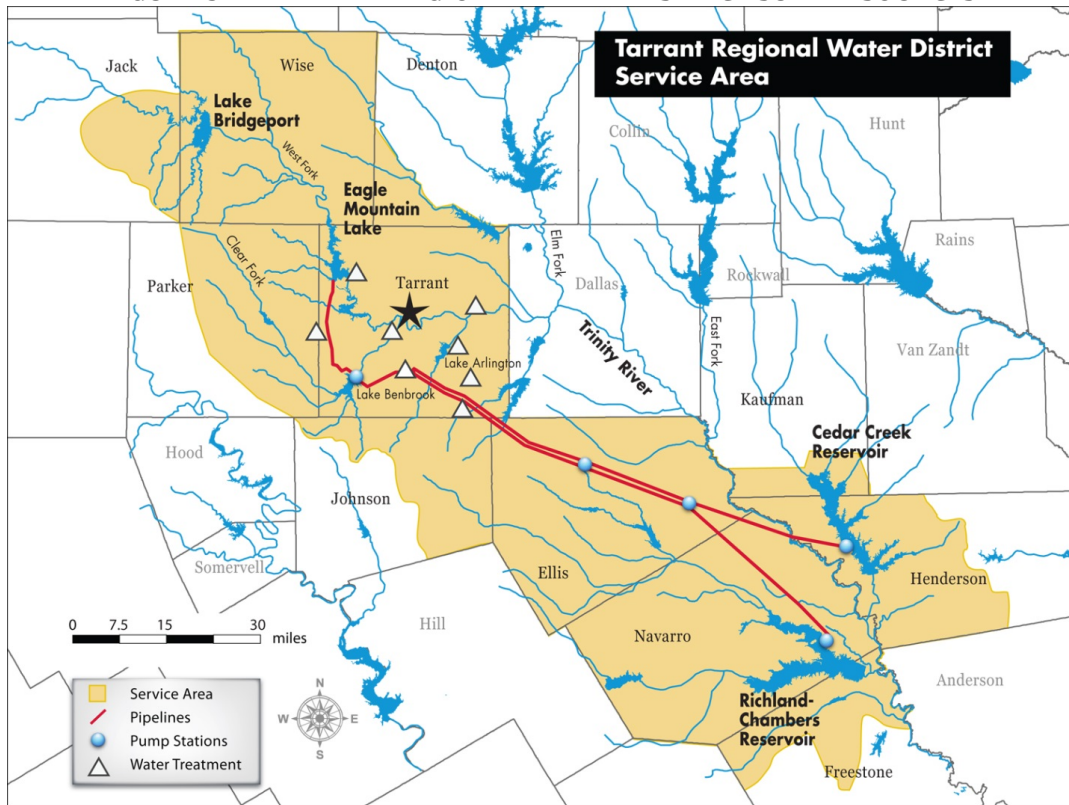
- The West Fork of Trinity River via Lake Bridgeport, Eagle Mountain Lake and Lake Worth
- The Clear Fork of the Trinity River via Lake Benbrook. (A pipeline connects Lake Benbrook to the Rolling Hills Water Treatment Plant to supplement supply to that plant. A pump station on the Clear Fork of the Trinity River also supplies the Holly Water Treatment Plant.)
- Cedar Creek Reservoir, located approximately 75 miles southeast of Fort Worth
- Richland-Chambers Reservoir, located approximately 75 miles southeast of Fort Worth.

Keller has no water or wastewater treatment plants. Treated water is purchased from the City of Fort Worth, and Keller's wastewater is treated by the Trinity River Authority. Appendix C contains Keller's most recent water utility profile based on the format recommended by TCEQ for retail suppliers.

**FIGURE 3-1: KELLER'S WATER SERVICE AREA**



**FIGURE 3-2: TARRANT REGIONAL WATER DISTRICT SUPPLY SOURCES**







#### 4.0 SPECIFICATION OF WATER CONSERVATION GOALS

TCEQ rules require the adoption of specific 5-year and 10-year water conservation goals for a Water Conservation Plan. The goals for this *Water Conservation Plan* include the following:

- Maintain the 5-year moving average total per capita water use and residential per capita water use below the specified amount in gallons per capita per day, as shown in Table 4-1.
- Implement and maintain a program of universal metering and meter replacement and repair as discussed in Section 5.2.
- Maintain the level of water loss percentage in the system below 8 percent annually in 2014 and subsequent years, as discussed in Section 5.5.
- Raise public awareness of water conservation and encourage responsible public behavior by a public education and information program as discussed in Section 6.1.
- Increase efficient water usage and decrease waste in lawn irrigation by enforcement of landscape water management regulations as described in Section 7.3.
- Develop a system-specific strategy to conserve water during peak demands, thereby reducing the peak use.

In the previous (2009) Plan, total per capita use goals were 212 gpcd by 2013 and 207 gpcd by 2018 which Keller has already achieved. As of 2013, Keller’s five year average total per capita use was 207 gpcd. Keller has developed the 2018 and 2023 goals based on the plumbing code reductions outlined in the 2016 Region C Projections<sup>4</sup> and the expected savings from measures in this plan. The current specific goals are outlined in Table 4-1. These goals were developed assuming a five year average per capita, and therefore some (dry) years will see higher per capita usage than these five year average goals. A series of dry years may lead to an average exceeding the goal.

**TABLE 4-1: WATER CONSERVATION PLAN 5 AND 10 YEAR GOALS**

Description	Units	2009-2013 Average	2018	2023
Total GPCD <sup>a</sup>	GPCD	207	203	200
Residential GPCD <sup>b</sup>	GPCD	164	162	160
Water Loss GPCD <sup>c</sup>	GPCD	9	16	16
Water Loss Percentage <sup>d</sup>	%	4%	8%	8%

a. Total GPCD = (Total Gallons in System ÷ Permanent Population) ÷ 365

b. Residential GPCD = (Gallons Used for Residential Use ÷ Residential Population) ÷ 365

c. Water Loss GPCD = (Total Water Loss ÷ Permanent Population) ÷ 365

d. Water Loss Percentage = (Total Water Loss ÷ Total Gallons in System) X 100; or (Water Loss GPCD ÷ Total GPCD) X 100



## **5.0 METERING, WATER USE RECORDS, CONTROL OF WATER LOSSES, AND LEAK DETECTION AND REPAIR**

One of the key elements in water conservation is careful tracking of water use and control of losses through illegal diversions and leaks. Careful metering of water deliveries and water use, detection and repair of leaks in the distribution system, and regular monitoring of water losses are important in controlling losses.

### **5.1 ACCURATE METERING OF TREATED WATER DELIVERIES FROM FORT WORTH**

Fort Worth supplies all of the water used by Keller and monitors all deliveries using meters with an accuracy of at least  $\pm 5$  percent. Fort Worth's meter testing, repair, and replacement program is based on American Water Works Association (AWWA) standards. Fort Worth has developed a meter exchange program to replace inaccurate meters.

### **5.2 METERING OF CUSTOMER AND PUBLIC USES AND METER TESTING, REPAIR, AND REPLACEMENT**

Keller meters all of its water uses, including retail sales and public and governmental users. Keller estimates the water used by the fire department for fire suppression and hydrant flushing based on the length of time the water flows and the water pressure.

In the year 2000, Keller began a water meter replacement program and has since replaced all of the water meters, including retail sales, public, and governmental in the system. Keller has completed this replacement program and all meters are less than ten years old. Keller has also installed a radio system to read water meters as the meter reader drives down the street.

Keller has initiated a program to test and calibrate all water meters that are two inches and larger in diameter on an annual basis. Smaller meters will be tested and calibrated when the water use patterns indicate a decline in water usage that cannot readily be explained.

### **5.3 RECORD MANAGEMENT SYSTEM**

As required by Texas Administrative Code Title 30, Part 1, Chapter 288, Subchapter A, Rule 288.2 (a)(1)(B), Keller's record management system allows for the separation of water sales and uses into residential and non-residential classes. The non-residential water use can be tracked by the use of codes into the required categories of commercial, public/institutional, and industrial use categories. Keller's record management



system allows water sales and uses to be tracked as separate categories, and includes water sales to multi-family housing in the residential sales category. This information is included in the TCEQ required Water Conservation Implementation Report, as described in Section 6.4. Table 5-1 shows the number of meters by customer type for 2013.

**TABLE 5-1: METER TYPE DISTRIBUTION**

Meter Size	Total Number
Residential Single Family	13,879
Residential Multi Family	44*
Commercial	1,020
Institutional	109
<b>Total</b>	<b>15,052</b>

\*The 44 meters serve 1,276 multi-family units

#### 5.4 DETERMINATION AND CONTROL OF WATER LOSS

Total water loss is the difference between water delivered from Fort Worth and authorized consumption by Keller’s customers. Authorized consumption includes billed metered uses, unbilled metered uses, and unbilled unmetered uses such as firefighting and releases for flushing of lines Water losses include two categories:

- Apparent losses such as inaccuracies in customer meters. (Customer meters tend to run more slowly as they age and under-report actual use). Unauthorized consumption due to illegal connections and theft. (Ordinance to protect against losses is included in Appendix E).
- Real Losses due to water main breaks and leaks in the water distribution system and unreported losses.

Measures to control water losses are part of the routine operations of the City of Keller. Maintenance crews and personnel are asked to look for and report evidence of leaks in the water distribution system. The leak detection and repair program is described in Section 5.5 below. Meter readers are asked to watch for and report signs of illegal connections, so they can be addressed quickly. Water losses are included in the Utility Profile in Appendix C. In the previous Plan, water losses averaged 7.5 percent of the total water used in Keller. As of 2013, the five year average water loss is approximately 4 percent of the total water used in Keller. The goals for water loss are shown in Table 5-2.



**TABLE 5-2: WATER LOSS 5 AND 10 YEAR GOALS**

Description	Units	2009-2013 Average	2018	2023
Water Loss GPCD <sup>a</sup>	GPCD	9	16	16
Water Loss Percentage <sup>b</sup>	%	4%	8%	8%

a. Water Loss GPCD = (Total Water Loss ÷ Permanent Population) ÷ 365

b. Water Loss Percentage = (Total Water Loss ÷ Total Gallons in System) x 100; or (Water Loss GPCD ÷ Total GPCD) x 100

**5.5 LEAK DETECTION AND REPAIR**

The City of Keller will begin an active leak detection and repair program as part of the implementation of this plan. Components of the active leak detection and repair program will include:

- City crews and personnel are asked to continue looking for and reporting evidence of leaks in the water distribution system during their normal duties.
- Keller has a 24 hour hotline where main breaks and leaks can be reported.
- Keller will also invest in permanent leak noise detectors and loggers for critical areas in their system such as large supply mains and valves.
- The City has implemented a work order system to track all of the identified leaks, repairs and estimated real losses.
- Based on the work order system the City will build a database tied to GIS of areas within the water distribution system in which numerous leaks and line breaks are reported or detected for replacement as funds become available.
- Keller has set aside an annual budget amount dedicated for line replacement for areas identified in the database.

Keller has also identified an issue with leaks on the customer side of the system. The City will adopt an ordinance making it illegal to have an identified and unrepaired leak at a property and include a fine for reported leaks that are unrepaired. The City in the past has made an adjustment for water leaks within their billing system if the use is three times greater than the average monthly use and the customer provided documentation that the leak has been repaired.

**5.6 MONITORING OF EFFECTIVENESS AND EFFICIENCY**

The City of Keller will maintain a database of information regarding water sales and use, water losses, and leak detection and repair activities to determine the effectiveness of the programs.



## **6.0 OTHER REQUIRED CONSERVATION MEASURES**

### **6.1 PUBLIC EDUCATION AND INFORMATION**

The continuing public education and information campaign on water conservation includes the following elements:

- Insert water conservation information with utility bills. Inserts will include material developed by the City of Keller and material obtained from the TWDB, the TCEQ, and other sources.
- Encourage local media coverage of water conservation issues and the importance of water conservation, including local cable television, radio and newspaper.
- Notify local organizations, schools, and civic groups that City staff are available to make presentations on the importance of water conservation and ways to save water.
- Promote the *Texas Smartscape* website ([www.txsmartscape.com](http://www.txsmartscape.com)) and provide water conservation brochures and other water conservation materials available to the public at City Hall and other public places.
- Make information on water conservation available on the City's website ([www.cityofkeller.com](http://www.cityofkeller.com)), and include links to the *Texas Smartscape* website, and links to information on water conservation on the TWDB and TCEQ websites.
- Participate in the education programs being used by Fort Worth and the Tarrant Regional Water District for students and the public ([www.savetarrantwater.com](http://www.savetarrantwater.com)).
- Provide a public feedback comment window on the City's water conservation website ([cityofkeller.com](http://cityofkeller.com)).
- Participate in the TRWD interactive weather station program through information and a link on the City's website ([www.cityofkeller.com](http://www.cityofkeller.com)).

### **6.2 WATER RATE STRUCTURE**

The City of Keller applies an increasing block water rate structure that is intended to encourage water conservation and discourage excessive use and waste of water. The water rate structure is broken down into residential rates and non-residential rates, and is provided in Table 6-1 and Table 6-2. Both residential and non-residential customers are charged a minimum water rate of \$16.88 per month for a standard sized meter. The rates shown in the tables below were effective as of December 1, 2013 and are subject



to change as the City continues to refine its rate structures to improve the impact on water conservation and manage the cost of service most effectively.

**TABLE 6-1: RESIDENTIAL WATER RATES**

Volume (gal/month)	Rate (\$/1,000 gal)
0-2,000	2.05
2,001 – 10,000	3.22
10,001 – 20,000	3.54
20,001 – 25,000	3.97
25,001 – 40,000	5.08
> 40,000	5.51

**TABLE 6-2: NON-RESIDENTIAL WATER RATES**

Volume (gal)	Rate (\$/1,000 gal)
0-2,000	2.05
2,001 – 10,000	3.22
10,001 – 20,000	3.86
20,001 – 25,000	4.49
25,001 – 40,000	5.08
> 40,000	5.51

### 6.3 RESERVOIR SYSTEM OPERATION

Keller purchases treated water from the City of Fort Worth who in turn purchases raw water from TRWD. Thus, Keller does not have surface water supplies for which to implement a reservoir system operation plan. TRWD’s permits allow for coordinated operation of its reservoirs.

The TRWD operates its system based on District operating policies, contractual agreements and permit requirements. TRWD is responsible for operation of their reservoir system which consists of seven major reservoirs – Lake Bridgeport, Eagle Mountain Lake, Lake Worth, Cedar Creek Reservoir, Richland-Chambers Reservoir, Lake Arlington and Lake Benbrook. TRWD’s reservoir system operation plan seeks to maximize efficiency of water withdraws within the constraints of existing water rights. Other priorities include maintaining water quality and minimizing potential impacts on recreational users, fish, and wildlife. Each reservoir is operated on a policy of flood release above the conservation elevation. For more information regarding TRWD’s Reservoir System Operation refer to TRWD’s Water Conservation Plan<sup>5</sup>.



#### **6.4 IMPLEMENTATION AND ENFORCEMENT**

The City of Keller completes the TCEQ required *Water Conservation Implementation Report* by May 1 of each year. The report includes various water conservation strategies that have been implemented, including the date of implementation. Additionally, the report includes progress made on the five and ten year per capita water use goals from this Plan. If the goals are not being met, Keller must document the reasons why. The amount of water saved is also documented in this report.

Appendix E includes a copy of the ordinance related to illegal connections and water theft. Appendix F contains a copy of the ordinance adopted by the City Council regarding this *Water Conservation Plan*. The ordinance designates responsible officials to implement and enforce the *Water Conservation Plan*.

#### **6.5 COORDINATION WITH REGIONAL WATER PLANNING GROUPS**

The service area of the City of Keller is located within the Region C Water Planning Group and the Tarrant Regional Water District, and Keller will provide a copy of this *Water Conservation Plan* to both groups. Appendix D includes copies of the letters sent to the Chair of the Region C Water Planning Group, the General Manager of TRWD, and the Water Director of Fort Worth with copies of the Plan.



## **7.0 ADDITIONAL CONSERVATION EFFORTS**

### **7.1 REUSE AND RECYCLING OF WASTEWATER**

The City of Keller does not own and operate its own wastewater treatment plant. Keller's wastewater is treated by the Trinity River Authority.

TRWD has a Texas water right allowing the diversion of return flows of treated wastewater from the Trinity River. The water right allows for water to be pumped from the river into constructed wetlands for treatment, and subsequently pumped into Richland-Chambers Reservoir and Cedar Creek Reservoir. The wetlands project will ultimately provide 115,500 acre-feet per year for TRWD, of which 10,000 acre-feet per year can be supplied from existing facilities. A portion of this indirect reuse will be provided to the City of Keller as treated water supply.

### **7.2 WATER-CONSERVING PLUMBING FIXTURES**

The City of Keller will be adopting new plumbing code standards through the North Central Texas Council of Governments. The Texas Health and Safety Code, Title 5, Subtitle B, Chapter 372 effective January 1, 2014, encourages water conservation through the requirement that all toilets sold, offered for sale or distributed must be a dual flush toilet that may not exceed 1.28 gallons per flush on average or for one full flush. The projected demands for Keller that have been adopted for the *2016 Region C Water Plan*<sup>4</sup> will account for the new plumbing code requirement.

### **7.3 LANDSCAPE WATER MANAGEMENT**

Keller has an existing landscape and irrigation ordinance which prohibits wasting water. This ordinance prohibits watering between 10 a.m. and 6 p.m. year round. In addition, the Irrigation ordinance requires that only licensed irrigators alter existing or install new irrigation systems within Keller. Keller has adopted ordinances to require rain and freeze sensors on new irrigation systems and that those sensors be properly functioning.

Keller, as a wholesale customer of the City of Fort Worth, will adopt a year round no more than twice per week watering schedule. Keller will amend the current landscape and irrigation ordinance to include a mandatory twice per week watering schedule similar to Stage 1 of its drought plan. The schedule is included as Table 7-1.





**TABLE 7-1: TWICE PER WEEK WATERING SCHEDULE**

<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>	<b>Saturday</b>	<b>Sunday</b>
No outdoor watering	Non-residential	Residential addresses ending in (0,2,4,6,8)	Residential addresses ending in (1,3,5,7,9)	Non-residential	Residential addresses ending in (0,2,4,6,8)	Residential addresses ending in (1,3,5,7,9)

**7.4 REQUIRMENT FOR WATER CONSERVATION PLANS BY WHOLESALE CUSTOMERS**

The City of Keller does not provide wholesale water to any customer. The requirement associated with wholesale water contracts as stated in Title 30, Part 1, Chapter 288, Subchapter A, Rule 288.2 of the Texas Administrative Code does not apply to any of Keller’s Contracts.



## **8.0 ADOPTION OF WATER CONSERVATION PLAN, PERIODIC REVIEW AND UPDATE OF PLAN**

Opportunity for public comment on the Plan was provided at a City of Keller City Council meeting on June 17, 2014. Appendices E and F contain copies of the ordinances related to illegal connections and water theft, as well as the ordinance adopting this Plan. Appendix C contains the adopted water utility profile for Keller.

TCEQ requires that Water Conservation Plans be reviewed and, if necessary, updated every five years to coincide with the regional water planning process. This *Water Conservation Plan* will be updated as required by TCEQ and, in addition, will be continually reassessed for opportunities to improve water efficiency and conservation based on new or updated information.

***Appendix A***  
***List of References***



## APPENDIX A

### LIST OF REFERENCES

1. Title 30 of the Texas Administrative Code, Part 1, Chapter 288, Subchapter A, Rules 288.1 and 288.2, and Subchapter B, Rule 288.20, downloaded from [http://info.sos.state.tx.us/pls/pub/readtac\\$ext.ViewTAC?tac\\_view=4&ti=30&pt=1&ch=288](http://info.sos.state.tx.us/pls/pub/readtac$ext.ViewTAC?tac_view=4&ti=30&pt=1&ch=288), June 2013.
2. City of Fort Worth, "Water Conservation Plan", prepared by Freese and Nichols, Inc., April 2014.
3. Texas Water Development Board, Texas Commission on Environmental Quality, Water Conservation Advisory Council. "Guidance and Methodology for Reporting on Water Conservation and Water Use", December 2012
4. Freese and Nichols, 2016 Region C Water Plan Demand Projections, adopted by the Texas Water Development Board.
5. Tarrant Regional Water District, "Water Conservation and Drought Contingency Plan", prepared by the Tarrant Regional Water District, April 2009

***Appendix B***

***Texas Commission of Environmental Quality Rules***



**APPENDIX B**

**TEXAS COMMISSION OF ENVIRONMENTAL QUALITY RULES ON MUNICIPAL WATER CONSERVATION AND DROUGHT CONTINGENCY PLANS**

<b><u>TITLE 30</u></b>	ENVIRONMENTAL QUALITY
<b><u>PART 1</u></b>	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
<b><u>CHAPTER 288</u></b>	WATER CONSERVATION PLANS, DROUGHT CONTINGENCY PLANS, GUIDELINES AND REQUIREMENTS
<b><u>SUBCHAPTER A</u></b>	WATER CONSERVATION PLANS
<b><u>RULE §288.1</u></b>	<b>Definitions</b>

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The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Agricultural or Agriculture--Any of the following activities:

(A) cultivating the soil to produce crops for human food, animal feed, or planting seed or for the production of fibers;

(B) the practice of floriculture, viticulture, silviculture, and horticulture, including the cultivation of plants in containers or non-soil media by a nursery grower;

(C) raising, feeding, or keeping animals for breeding purposes or for the production of food or fiber, leather, pelts, or other tangible products having a commercial value;

(D) raising or keeping equine animals;

(E) wildlife management; and

(F) planting cover crops, including cover crops cultivated for transplantation, or leaving land idle for the purpose of participating in any governmental program or normal crop or livestock rotation procedure.

(2) Agricultural use--Any use or activity involving agriculture, including irrigation.



(3) Best management practices--Voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

(4) Conservation--Those practices, techniques, and technologies that reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in the use of water, or increase the recycling and reuse of water so that a water supply is made available for future or alternative uses.

(5) Commercial use--The use of water by a place of business, such as a hotel, restaurant, or office building. This does not include multi-family residences or agricultural, industrial, or institutional users.

(6) Drought contingency plan--A strategy or combination of strategies for temporary supply and demand management responses to temporary and potentially recurring water supply shortages and other water supply emergencies. A drought contingency plan may be a separate document identified as such or may be contained within another water management document(s).

(7) Industrial use--The use of water in processes designed to convert materials of a lower order of value into forms having greater usability and commercial value, and the development of power by means other than hydroelectric, but does not include agricultural use.

(8) Institutional use--The use of water by an establishment dedicated to public service, such as a school, university, church, hospital, nursing home, prison or government facility. All facilities dedicated to public service are considered institutional regardless of ownership.

(9) Irrigation--The agricultural use of water for the irrigation of crops, trees, and pastureland, including, but not limited to, golf courses and parks which do not receive water from a public water supplier.

(10) Irrigation water use efficiency--The percentage of that amount of irrigation water which is beneficially used by agriculture crops or other vegetation relative to the amount of water diverted from the source(s) of supply. Beneficial uses of water for irrigation purposes include, but are not limited to, evapotranspiration needs for vegetative maintenance and growth, salinity management, and leaching requirements associated with irrigation.

(11) Mining use--The use of water for mining processes including hydraulic use, drilling, washing sand and gravel, and oil field re-pressuring.



(12) Municipal use--The use of potable water provided by a public water supplier as well as the use of sewage effluent for residential, commercial, industrial, agricultural, institutional, and wholesale uses.

(13) Nursery grower--A person engaged in the practice of floriculture, viticulture, silviculture, and horticulture, including the cultivation of plants in containers or nonsoil media, who grows more than 50% of the products that the person either sells or leases, regardless of the variety sold, leased, or grown. For the purpose of this definition, grow means the actual cultivation or propagation of the product beyond the mere holding or maintaining of the item prior to sale or lease, and typically includes activities associated with the production or multiplying of stock such as the development of new plants from cuttings, grafts, plugs, or seedlings.

(14) Pollution--The alteration of the physical, thermal, chemical, or biological quality of, or the contamination of, any water in the state that renders the water harmful, detrimental, or injurious to humans, animal life, vegetation, or property, or to the public health, safety, or welfare, or impairs the usefulness or the public enjoyment of the water for any lawful or reasonable purpose.

(15) Public water supplier--An individual or entity that supplies water to the public for human consumption.

(16) Residential use--The use of water that is billed to single and multi-family residences, which applies to indoor and outdoor uses.

(17) Residential gallons per capita per day--The total gallons sold for residential use by a public water supplier divided by the residential population served and then divided by the number of days in the year.

(18) Regional water planning group--A group established by the Texas Water Development Board to prepare a regional water plan under Texas Water Code, §16.053.

(19) Retail public water supplier--An individual or entity that for compensation supplies water to the public for human consumption. The term does not include an individual or entity that supplies water to itself or its employees or tenants when that water is not resold to or used by others.

(20) Reuse--The authorized use for one or more beneficial purposes of use of water that remains unconsumed after the water is used for the original purpose of use and before that water is either disposed of or discharged or otherwise allowed to flow into a watercourse, lake, or other body of state-owned water.





(21) Total use--The volume of raw or potable water provided by a public water supplier to billed customer sectors or nonrevenue uses and the volume lost during conveyance, treatment, or transmission of that water.

(22) Total gallons per capita per day (GPCD)--The total amount of water diverted and/or pumped for potable use divided by the total permanent population divided by the days of the year. Diversion volumes of reuse as defined in this chapter shall be credited against total diversion volumes for the purposes of calculating GPCD for targets and goals.

(23) Water conservation plan--A strategy or combination of strategies for reducing the volume of water withdrawn from a water supply source, for reducing the loss or waste of water, for maintaining or improving the efficiency in the use of water, for increasing the recycling and reuse of water, and for preventing the pollution of water. A water conservation plan may be a separate document identified as such or may be contained within another water management document(s).

(24) Wholesale public water supplier--An individual or entity that for compensation supplies water to another for resale to the public for human consumption. The term does not include an individual or entity that supplies water to itself or its employees or tenants as an incident of that employee service or tenancy when that water is not resold to or used by others, or an individual or entity that conveys water to another individual or entity, but does not own the right to the water which is conveyed, whether or not for a delivery fee.

(25) Wholesale use--Water sold from one entity or public water supplier to other retail water purveyors for resale to individual customers.

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Source Note: The provisions of this §288.1 adopted to be effective May 3, 1993, 18 TexReg 2558; amended to be effective February 21, 1999, 24 TexReg 949; amended to be effective April 27, 2000, 25 TexReg 3544; amended to be effective August 15, 2002, 27 TexReg 7146; amended to be effective October 7, 2004, 29 TexReg 9384; amended to be effective January 10, 2008, 33 TexReg 193; amended to be effective December 6, 2012, 37 TexReg 9515



<b><u>TITLE 30</u></b>	ENVIRONMENTAL QUALITY
<b><u>PART 1</u></b>	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
<b><u>CHAPTER 288</u></b>	WATER CONSERVATION PLANS, DROUGHT CONTINGENCY PLANS, GUIDELINES AND REQUIREMENTS
<b><u>SUBCHAPTER A</u></b>	WATER CONSERVATION PLANS
<b>RULE §288.2</b>	<b>Water Conservation Plans for Municipal Uses by Public Water Suppliers</b>

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(a) A water conservation plan for municipal water use by public water suppliers must provide information in response to the following. If the plan does not provide information for each requirement, the public water supplier shall include in the plan an explanation of why the requirement is not applicable.

(1) Minimum requirements. All water conservation plans for municipal uses by public water suppliers must include the following elements:

(A) a utility profile in accordance with the Texas Water Use Methodology, including, but not limited to, information regarding population and customer data, water use data (including total gallons per capita per day (GPCD) and residential GPCD), water supply system data, and wastewater system data;

(B) a record management system which allows for the classification of water sales and uses into the most detailed level of water use data currently available to it, including, if possible, the sectors listed in clauses (i) - (vi) of this subparagraph. Any new billing system purchased by a public water supplier must be capable of reporting detailed water use data as described in clauses (i) - (vi) of this subparagraph:

- (i) residential;
  - (I) single family;
  - (II) multi-family;
- (ii) commercial;
- (iii) institutional;

(iv) industrial;

(v) agricultural; and,

(vi) wholesale.

(C) specific, quantified five-year and ten-year targets for water savings to include goals for water loss programs and goals for municipal use in total GPCD and residential GPCD. The goals established by a public water supplier under this subparagraph are not enforceable;

(D) metering device(s), within an accuracy of plus or minus 5.0% in order to measure and account for the amount of water diverted from the source of supply;

(E) a program for universal metering of both customer and public uses of water, for meter testing and repair, and for periodic meter replacement;

(F) measures to determine and control water loss (for example, periodic visual inspections along distribution lines; annual or monthly audit of the water system to determine illegal connections; abandoned services; etc.);

(G) a program of continuing public education and information regarding water conservation;

(H) a water rate structure which is not "promotional," i.e., a rate structure which is cost-based and which does not encourage the excessive use of water;

(I) a reservoir systems operations plan, if applicable, providing for the coordinated operation of reservoirs owned by the applicant within a common watershed or river basin in order to optimize available water supplies; and

(J) a means of implementation and enforcement which shall be evidenced by:

(i) a copy of the ordinance, resolution, or tariff indicating official adoption of the water conservation plan by the water supplier; and

(ii) a description of the authority by which the water supplier will implement and enforce the conservation plan; and

(K) documentation of coordination with the regional water planning groups for the service area of the public water supplier in order to ensure consistency with the appropriate approved regional water plans.

(2) Additional content requirements. Water conservation plans for municipal uses by public drinking water suppliers serving a current population of 5,000 or more and/or a projected population of 5,000 or more within the next ten years subsequent to the effective date of the plan must include the following elements:

(A) a program of leak detection, repair, and water loss accounting for the water transmission, delivery, and distribution system;

(B) a requirement in every wholesale water supply contract entered into or renewed after official adoption of the plan (by either ordinance, resolution, or tariff), and including any contract extension, that each successive wholesale customer develop and implement a water conservation plan or water conservation measures using the applicable elements in this chapter. If the customer intends to resell the water, the contract between the initial supplier and customer must provide that the contract for the resale of the water must have water conservation requirements so that each successive customer in the resale of the water will be required to implement water conservation measures in accordance with the provisions of this chapter.

(3) Additional conservation strategies. Any combination of the following strategies shall be selected by the water supplier, in addition to the minimum requirements in paragraphs (1) and (2) of this subsection, if they are necessary to achieve the stated water conservation goals of the plan. The commission may require that any of the following strategies be implemented by the water supplier if the commission determines that the strategy is necessary to achieve the goals of the water conservation plan:

(A) conservation-oriented water rates and water rate structures such as uniform or increasing block rate schedules, and/or seasonal rates, but not flat rate or decreasing block rates;

(B) adoption of ordinances, plumbing codes, and/or rules requiring water-conserving plumbing fixtures to be installed in new structures and existing structures undergoing substantial modification or addition;

(C) a program for the replacement or retrofit of water-conserving plumbing fixtures in existing structures;

(D) reuse and/or recycling of wastewater and/or graywater;

(E) a program for pressure control and/or reduction in the distribution system and/or for customer connections;



(F) a program and/or ordinance(s) for landscape water management;

(G) a method for monitoring the effectiveness and efficiency of the water conservation plan; and

(H) any other water conservation practice, method, or technique which the water supplier shows to be appropriate for achieving the stated goal or goals of the water conservation plan.

(b) A water conservation plan prepared in accordance with 31 TAC §363.15 (relating to Required Water Conservation Plan) of the Texas Water Development Board and substantially meeting the requirements of this section and other applicable commission rules may be submitted to meet application requirements in accordance with a memorandum of understanding between the commission and the Texas Water Development Board.


(c) A public water supplier for municipal use shall review and update its water conservation plan, as appropriate, based on an assessment of previous five-year and ten-year targets and any other new or updated information. The public water supplier for municipal use shall review and update the next revision of its water conservation plan every five years to coincide with the regional water planning group.

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**Source Note:** The provisions of this §288.2 adopted to be effective May 3, 1993, 18 TexReg 2558; amended to be effective February 21, 1999, 24 TexReg 949; amended to be effective April 27, 2000, 25 TexReg 3544; amended to be effective October 7, 2004, 29 TexReg 9384; amended to be effective December 6, 2012, 37 TexReg 9515

## **Appendix C**

### ***City of Keller Water Utility Profile Based on TCEQ Format***

  
**Texas Commission on Environmental Quality**  
**UTILITY PROFILE AND WATER CONSERVATION PLAN**  
**REQUIREMENTS FOR MUNICIPAL WATER USE**  
**BY RETAIL PUBLIC WATER SUPPLIERS**

This form is provided to assist retail public water suppliers in water conservation plan development. If you need assistance in completing this form or in developing your plan, please contact the conservation staff of the Resources Protection Team in the Water Availability Division at (512)239-4691.

**City of Keller - Utility Profile Based on TCEQ Format**

Name: City of Keller

Address: 1100 Bear Creek Pkwy  
Keller, Texas 76244

Telephone Number: (817) 743-4000 Fax: (817) 743-4091

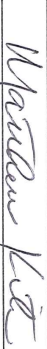
Water Right No. (s): \_\_\_\_\_

Regional Water Planning Group: Region C

Form Completed by: Matthew Kite

Title: Public Works Director

Person responsible for implementing conservation program: Matthew Kite Phone: \_\_\_\_\_

Signature:  Date: 6/20/2014

NOTE: If the plan does not provide information for each requirement, include an explanation of why the requirement is not applicable.

**UTILITY PROFILE**

**I. POPULATION AND CUSTOMER DATA**

**A. Population and Service Area Data**

1. Attach a copy of your service-area map, and if applicable, a copy of your Certificate of Convenience and Necessity (CCN).  
See attached Figure 3-1

2. Service area size (square miles): 19

3. Current population of service area: 41,090

4. Current population served for:

- a. water: 41,090
- b. wastewater: 41,090

5. Population served by utility for the previous five years: 6. Projected Population for service area in the following decades:

<u>Year</u>	<u>Population</u>	<u>Year</u>	<u>Population</u>
<u>2009</u>	<u>39,450</u>	<u>2020</u>	<u>47,663</u>
<u>2010</u>	<u>39,627</u>	<u>2030</u>	<u>51,310</u>
<u>2011</u>	<u>39,940</u>	<u>2040</u>	<u>51,310</u>
<u>2012</u>	<u>40,440</u>	<u>2050</u>	<u>51,310</u>
<u>2013</u>	<u>41,090</u>	<u>2060</u>	<u>51,310</u>

7. List source or method for the calculation of current and projected population size.

*Current Population based on NCTCOG estimates; Projected Population is from the 2016 Region C Water Plan (currently underway).*

**B. Customers Data**

Senate Bill 181 requires that uniform consistent methodologies for calculating water use and conservation be developed and available to retail water providers and certain other water use sectors as a guide for preparation of water use reports, water conservation plans, and reports on water conservation efforts. A water system must provide the most detailed level of customer and water use data available to it; however, any new billing system purchased must be capable of reporting data for each of the sectors listed below. [http://www.tceq.texas.gov/assets/public/permitting/watersupply/water\\_rights/sb181\\_guidance.pdf](http://www.tceq.texas.gov/assets/public/permitting/watersupply/water_rights/sb181_guidance.pdf)



1. Current number of active connections. Check whether multi-family service is counted as Residential  or Commercial?

Treated Water Users	Metered	Non-Metered	Totals
Residential	13,923		13,923
Single-Family	13,879		13,879
Multi-Family	44		44
Commercial	1,020		1,020
Industrial/Mining			0
Institutional	109		109
Agriculture			0
Other/Wholesale		2	2
<b>TOTAL</b>	<b>15,052</b>	<b>2</b>	<b>15,054</b>

2. List the number of new connections per year for most recent three years.

Treated Water Users	Year	2011	2012	2013
Residential		198	155	324
Single-Family		198	155	324
Multi-Family		0	0	0
Commercial		18	-60	176
Industrial/Mining				
Institutional		0	93	16
Agriculture				
Other/Wholesale				
<b>TOTAL</b>		<b>216</b>	<b>188</b>	<b>516</b>

3. List of annual water use for the five highest volume customers.

Customer	Use (1,000 gal/year)	Treated or Raw Water
1. City of Keller	71,146	Treated
2. Keller ISD	43,374	Treated
3. Hidden Lakes Master HOA	17,819	Treated
4. Hidden Lakes Master HOA	13,945	Treated
5. Grand Estates at Keller, LP	8,992	Treated

II. WATER USE DATA FOR SERVICE AREA

A. Water Accounting Data

1. List the amount of water use for the previous five years (in 1,000 gallons.)  
 Indicate whether this is  diverted or  treated water.

NOTE: This is the total treated water purchased from Fort Worth

Year	2009	2010	2011	2012	2013
Month					
January	140,277	114,168	120,822	124,239	117,666
February	140,326	97,461	128,988	111,576	115,731
March	177,091	113,062	228,441	145,030	168,871
April	192,719	190,331	258,863	203,596	198,320
May	188,519	292,140	220,446	352,659	257,159
June	316,068	417,954	429,944	356,253	336,158
July	438,324	331,536	555,717	496,571	400,462
August	395,466	464,190	576,393	439,847	432,898
September	240,317	268,337	416,562	377,015	325,093
October	137,787	283,783	257,820	254,507	223,116
November	142,645	176,249	185,324	237,772	155,316
December	121,431	162,541	118,204	174,392	120,128
Totals	2,630,970	2,911,751	3,497,524	3,273,456	2,850,920

Describe how the above figures were determined (e.g. from a master meter located at the point of a diversion from the source, or located at a point where raw water enters the treatment plant, or from water sales).

*Use this space to include description of methods*

2. Amount of water (in 1,000 gallons) delivered/sold as recorded by the following account types for the past five years.

Account Types	Year	2009	2010	2011	2012	2013
Residential		2,014,540	2,272,747	2,792,256	2,605,088	2,335,234
Single-Family		1,975,920	2,233,823	2,752,558	2,560,216	2,286,798
Multi-Family		38,620	38,924	39,698	44,872	48,437
Commercial		371,741	466,812	539,641	428,724	375,381
Industrial/Mining						
Institutional					87,890	70,177
Agriculture		75,833	20,823	4,608		4,986
Other/Wholesale		2,462,114	2,760,382	3,336,505	3,126,688	2,780,792
TOTAL						

3. List the previous records for water loss for the past five years (the difference between water diverted or treated and water delivered or sold).

Year	Amount (gallons)	Percent %
2009	168,855,601	6.4%
2010	110,463,637	3.8%
2011	80,714,570	2.3%
2012	203,887,157	6.2%
2013	67,772,829	2.4%

**B. Projected Water Demands**

If applicable, attach or cite projected water supply demands from the applicable Regional Water Planning Group for the next ten years using information such as population trends, historical water use, and economic growth in the service area over the next ten years and any additional water supply requirements from such growth.

Year	Projected Demand (AF/Y)	Source of data
2013	8,749	Historical Demand
2014	9,240	Interpolated
2015	9,730	Interpolated
2016	10,220	Interpolated
2017	10,711	Interpolated
2018	11,201	Interpolated
2019	11,692	Interpolated
2020	12,182	2016 Region C Plan
2021	12,262	Interpolated
2022	12,342	Interpolated
2023	12,422	Interpolated

Note: Projections are for retail and wholesale customers (both current and potential customers). Projections include TWDB estimated reductions for plumbing fixtures. Projections are from Region C Water Planning Group information for the 2016 Plan, as approved by TWDB.

**III. WATER SUPPLY SYSTEM DATA**

**A. Water Supply Sources**

List all current water supply sources and the amounts authorized (in acre feet) with each.

Water Type	Source	Amount Authorized
Surface Water	City of Fort Worth	No set Contract amount;
Groundwater		Fort Worth will supply
Contracts		amount equal to demand
Other		
Total		

**B. Treatment and Distribution System**

1. Design daily capacity of system:

Treatment Plant	Design Capacity (MGD)	Reliable Pumping Capacity (MGD)
N/A Purchase Treated Water		

Total	0	0
-------	---	---

2. Storage capacity:

- a. Elevated 4 MG
- b. Ground 11.5 MG

3. If surface water, do you recycle filter backwash to the head of the plant?  
 Yes  No If yes, approximate amount (MGD):

**IV. WASTEWATER SYSTEM DATA**

**A. Wastewater System Data (if applicable)**

1. Design capacity of wastewater treatment plant(s) (MGD): 167.0

2. Treated effluent is used for:

- on-site irrigation,
- off-site irrigation,
- plant wash-down, and/or
- chlorination/dechlorination.

If yes, approximate amount (in gallons per month):

3. Briefly describe the wastewater system(s) of the area serviced by the water utility. Describe how treated wastewater is disposed. Where applicable, identify treatment plant(s) with the TCEQ name and number, the operator, owner, and the receiving stream if wastewater is discharged.

Treatment Plant Name	TCEQ Number	Permitted Discharge (MGD)	Operator	Owner	Receiving Stream
Denton Creek Regional Wastewater System	13457-001	5.0	TRA	TRA	Cade Branch, Denton Creek, Grapevine Lake
Central Region Wastewater System	10303-001	162.0	TRA	TRA	West Fork Trinity River

**B. Wastewater Data for Service Area (if applicable)**

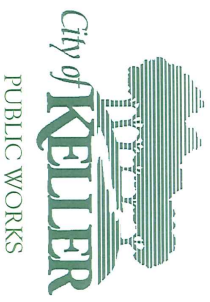
1. Percent of water service area served by wastewater system: \_\_\_\_\_ 100%

2. Monthly volume treated for previous five years (in 1,000 gallons):

Year	2009	2010	2011	2012	2013
<i>Month</i>					
January	71,488	92,722	92,076	94,785	94,079
February	65,775	91,348	84,264	84,679	86,093
March	79,042	105,522	89,336	93,065	93,496
April	77,523	95,736	89,303	88,704	93,129
May	75,843	87,593	97,987	88,370	90,859
June	76,163	81,644	88,652	84,744	86,499
July	77,545	86,170	88,194	84,317	85,450
August	79,046	89,975	90,755	85,428	87,496
September	83,097	97,915	79,487	82,270	83,405
October	92,212	89,654	88,064	88,010	87,532
November	86,257	85,580	79,420	83,842	90,958
December	89,018	86,567	93,661	86,456	106,261
<b>Totals</b>	<b>953,009</b>	<b>1,090,425</b>	<b>1,061,197</b>	<b>1,044,670</b>	<b>1,085,256</b>

## **Appendix D**

***Letters to Region C Water Planning Group, TRWD and  
Fort Worth***



June 20, 2014

Mr. Jim Parks, Chair of Region C Water Planning Group  
Region C Water Planning Group  
c/o North Texas Municipal Water District  
P. O. Box 2408  
Wylie, TX 75098

Subject: Water Conservation Plan

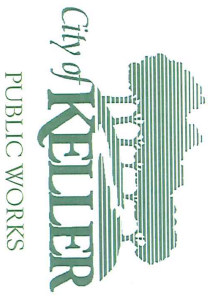
Dear Mr. Parks:

Enclosed please find a copy of the June 2014 *Water Conservation Plan* (which is an update to the May 2009 *Water Conservation Plan*) for the City of Keller. I am submitting a copy of this plan to the Region C Water Planning Group in accordance with the Texas Water Development Board and Texas Commission on Environmental Quality rules. The City Council of Keller adopted the updated Plan on June 17, 2014.

Sincerely,

A handwritten signature in black ink that reads "Matthew Kite".

Matthew Kite, P. E.  
Public Works Director



June 20, 2014

Mr. Jim Oliver, General Manager  
Tarrant Regional Water District  
800 East Northside Drive  
Fort Worth, TX 76102

Subject: Water Conservation Plan

Dear Mr. Oliver:

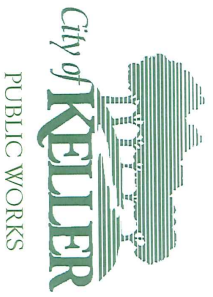
Enclosed please find a copy of the June 2014 *Water Conservation Plan* (which is an update to the May 2009 *Water Conservation Plan*) for the City of Keller. I am submitting a copy of this plan to the Tarrant Regional Water District in accordance with the Texas Water Development Board and Texas Commission on Environmental Quality rules. The City Council of Keller adopted the updated Plan on June 17, 2014.

Sincerely,

A handwritten signature in black ink that reads "Matthew Kite". The signature is written in a cursive style.

Matthew Kite, P.E.  
Public Works Director





June 20, 2014

Mr. Frank Crumb, P.E., Water Director  
Fort Worth Water Department  
P.O. Box 870  
Fort Worth, TX 76101

Subject: Water Conservation Plan

Dear Mr. Crumb:

Enclosed please find a copy of the June 2014 *Water Conservation Plan* (which is an update to the May 2009 *Water Conservation Plan*) for the City of Keller. I am submitting a copy of this plan to the City of Fort Worth in accordance with the Texas Water Development Board and Texas Commission on Environmental Quality rules. The City Council of Keller adopted the updated Plan on June 17, 2014.

Sincerely,

A handwritten signature in black ink that reads "Matthew Kite".

Matthew Kite, P.E.  
Public Works Director

## **Appendix E**

### **Illegal Water Connections and Theft of Water Ordinance**

ORDINANCE NO. 1281

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF KELLER, TEXAS, PERTAINING TO ILLEGAL WATER CONNECTIONS AND/OR THE THEFT OF WATER FROM THE WATER SUPPLY OF THE CITY OF KELLER; PROVIDING A SEVERABILITY CLAUSE; PROVIDING A PENALTY; AUTHORIZING PUBLICATION; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, The City of Keller recognizes that the amount of water available to its water customers is limited; and

WHEREAS, pursuant to Chapter 54 of the Local Government Code, the City of Keller is authorized to adopt such policies necessary to preserve and conserve available water supplies; and

WHEREAS, the City of Keller seeks to minimize water losses to its supply of water from illegal connections and theft through the adoption of an ordinance pertaining to illegal water connections and theft of water.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KELLER, TEXAS:

Section 1: THAT, the above findings are hereby found to be true and correct and are incorporated herein in their entirety.

Section 2: A person commits an offense of theft of water by any of the following actions:

- (a) A person may not knowingly tamper, connect to, or alter any component of the City's water system including valves, meters, meter boxes, meter box lids, hydrants, lines, pump stations, ground storage tanks, and elevated storage tanks. This shall include direct or indirect efforts to initiate or restore water service without the approval of the City.

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(b) If, without the written consent of the City Manager or the City Manager's designee, the person knowingly causes, suffers or allows the initiation or restoration of water service to the property after termination of services(s). For purposes of this section, it shall be assumed that the owner, occupant, or person in control of the property caused, suffered, or allowed the unlawful initiation or restoration of services(s).

(c) A person may not knowingly make or cause a false report to be made to the City of a reading of a water meter installed for metered billing.

(d) A person commits a separate offense each day that the person performs an act prohibited by this section or fails to perform an act required by this section.

Section 3: THAT, any person, firm or corporation violating any provision of this article shall be deemed guilty of a Class C misdemeanor and shall, upon final conviction thereof, be fined in an amount not to exceed \$2,000.00 (Two Thousand Dollars)and/or discontinuance of water service by the City.

Section 4: THAT, if any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not effect any of the remaining provisions of this Ordinance.

Section 5: THAT, the City Secretary is hereby authorized and directed to cause publication of the descriptive caption and penalty clause of this Ordinance as an alternative method of publication provided by law.

Section 7: THAT, this Ordinance shall become effective upon its adoption and publication provided by law.

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AND IT IS SO ORDAINED.

Passed and approved on the first reading by a vote of 5 to 0 on this the 6th day of September, 2005.

Passed and approved on the second reading by a vote of 4 to 0 on this the 20th day of September, 2005.

CITY OF KELLER, TEXAS

BY: Julie A. Tandy  
Julie A. Tandy, Mayor

ATTEST:

Sheila Stephens  
Sheila Stephens, City Secretary

Approved as to Form and Legality:

L. Stanton Lowry  
L. Stanton Lowry, City Attorney

**Appendix F**

***Ordinance Adopting Water Conservation Plan***

ORDINANCE NO. 1700

1  
2  
3 AN ORDINANCE AMENDING THE CITY OF KELLER CODE OF  
4 ORDINANCES, CHAPTER 19, WATER AND SEWERS, ARTICLE XIV,  
5 WATER CONSERVATION AND DROUGHT CONTINGENCY, SECTION  
6 19-1600, ADOPTION OF PLAN AND POLICIES, BY DELETING  
7 ATTACHMENT "A", WATER CONSERVATION PLAN, IN ITS ENTIRETY  
8 AND ADDING A NEW ATTACHMENT "A", WATER CONSERVATION PLAN  
9 FOR THE CITY OF KELLER, AND BY DELETING ATTACHMENT "B",  
10 DROUGHT CONTINGENCY AND EMERGENCY WATER MANAGEMENT PLAN,  
11 IN ITS ENTIRETY AND ADDING A NEW ATTACHMENT "B", DROUGHT  
12 CONTINGENCY AND EMERGENCY WATER MANAGEMENT PLAN FOR THE  
13 CITY OF KELLER; PROVIDING A SEVERABILITY CLAUSE;  
14 PROVIDING A PENALTY; AUTHORIZING PUBLICATION; AND  
15 ESTABLISHING AN EFFECTIVE DATE.

16 WHEREAS, the City of Keller, Texas (the "City"),  
17 recognizes that the amount of water  
18 available to its water customers is limited;  
19 and

20 WHEREAS, the City recognizes that due to natural  
21 limitations, drought conditions, system  
22 failures and other acts of God which may  
23 occur, the City cannot guarantee an  
24 uninterrupted water supply for all purposes  
25 at all times; and

26 WHEREAS, the 80th Texas Legislature amended Section  
27 13.146 of the Texas Water Code to require  
28 each retail public utility that provides  
potable water service to 3,300 or more  
connections to submit a Water Conservation  
Plan to the Texas Water Development Board  
(TWDB) by July 1, 2014 and submittal of an  
annual report due each year by the same  
date; and

WHEREAS, the City of Fort Worth updated its Drought  
Contingency and Emergency Water Management  
Plan in April of 2014; and

1 WHEREAS, the City of Keller, by contract, must adopt  
2 no less than the same restrictions and  
3 requirements of the City of Fort Worth when  
4 it comes to the Drought Contingency and  
5 Emergency Water Management Plan; and

6 WHEREAS, the City has determined an urgent need in  
7 the best interest of the public to adopt a  
8 new Water Conservation Plan and a new  
9 Drought Contingency and Emergency Water  
10 Management Plan; and

11 WHEREAS, pursuant to Chapter 54 of the Local  
12 Government Code, the City is authorized to  
13 adopt such Ordinances necessary to preserve  
14 and conserve its water resources.

15 NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE  
16 CITY OF KELLER THAT:

17 Section 1: THAT, the above findings are hereby found to  
18 be true and correct and are incorporated  
19 herein in their entirety.

20 Section 2: THAT, Chapter 19, Water and Sewers, Article  
21 XIV, Water Conservation and Drought  
22 Contingency, Section 19-1600 Adoption of  
23 plan and policies, is hereby amended by  
24 deleting Attachment "A", Water Conservation  
25 Plan, in its entirety and adding a new  
26 Attachment "A", Water Conservation Plan for  
27 the City of Keller, and by deleting  
28 Attachment "B" Drought Contingency and  
Emergency Water Management Plan, in its  
entirety and adding a new Attachment "B",  
Drought Contingency and Emergency Water  
Management Plan for the City of Keller.

Section 3: THAT, the City commits to implement the  
requirements and procedures set forth in the  
adopted Plans.



1 Section 4: THAT, any customer, defined pursuant to 30  
2 Texas Administrative Code Chapter 291,  
3 failing to comply with the provisions of  
4 either Plan shall be subject to a fine of up  
5 to Two Thousand Dollars (\$2,000.00) and/or  
6 discontinuance of water service by the City.  
7 Proof of a culpable mental state is not  
8 required for a conviction of an offense  
9 under this section. Each day a customer  
10 fails to comply with the Plan is a separate  
11 violation. The City's authority to seek  
12 injunctive or other civil relief available  
13 under the law is not limited by this  
14 section.  
15  
16 Section 5: THAT, the City Council does hereby find and  
17 declare that sufficient written notice of  
18 the date, hour, place and subject of the  
19 meeting adopting this Ordinance was posted  
20 at a designated place convenient to the  
21 public for the time required by law  
22 preceding the meeting, that such place of  
23 posting was readily accessible at all times  
24 to the general public, and that all of the  
25 foregoing was done as required by law at all  
26 times during which this Ordinance and the  
27 subject matter thereof has been discussed,  
28 considered and formally acted upon. The  
City Council further ratifies, approves and  
confirms such written notice and the posting  
thereof.

Section 6: THAT, should any paragraph, sentence,  
clause, phrase or word of this Ordinance be  
declared unconstitutional or invalid for any  
reason, the remainder of this Ordinance  
shall not be affected.

Section 7: THAT, the City Manager or his designee is  
hereby directed to file a copy of this  
Ordinance and the Water Conservation Plan  
with the Texas Water Development Board and a  
copy of the Ordinance and the Drought  
Contingency and Emergency Water Management  
Plan with the Texas Commission on  
Environmental Quality.

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Section 8: THAT, the City Secretary is hereby authorized and directed to cause publication of the descriptive caption of this Ordinance as an alternative method of publication provided by law.

Section 9: THAT, this Ordinance shall become effective upon its adoption and publication provided by law.

AND IT IS SO ORDAINED.

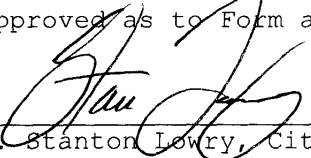
Passed and approved by a vote of 6 to 0 on this the 17th day of June, 2014.

CITY OF KELLER, TEXAS

BY:   
Mark Mathews, Mayor

ATTEST:

  
Sheila Stephens, City Secretary

Approved as to Form and Legality:  
  
L. Stanton Lowry, City Attorney

Does the applicant provide retail water services?: Y

If yes, has the applicant already submitted to the TWDB the annual water use survey of groundwater and surface water for the last THREE years?: Y

## Potable Water Services

Is the applicant a retail public utility that provides potable water?: Y

If yes, has the applicant already submitted a most recently required water loss audit to the TWDB?: Y

## Provide Wastewater Services

Does the applicant provide wastewater services?: Y

Date/Time Survey Submitted: 4/26/2016 10:42:44 AM

**TEXAS WATER DEVELOPMENT BOARD  
WATER USE SURVEY**

**WATER USE IN CALENDAR YEAR: 2015**

**SYSTEM NAME:** CITY OF KELLER  
**OPERATOR NAME:**  
**MULTIPLE SURVEY ORG:**  
**MAILING ADDRESS 1:** PO BOX 770  
**MAILING ADDRESS 2:**  
**CITY/STATE/ZIP:** KELLER TX 76244-  
**PWS NAME:** CITY OF KELLER

**SURVEY NUMBER:** 0460200  
**PRIMARY USED COUNTY:** TARRANT  
**PRIMARY USED RIVER BASIN:** TRINITY  
**ORGANIZATION MAIN PHONE:** 817-743-4000  
**MAIN EMAIL:** publicworks@cityofkeller.com  
**WEB:** www.cityofkeller.com  
**PWS CODE:** 2200096

**INTAKE:**

Water Type		County	Basin	Seller Name and/or Seller System		River / Reservoir	Metered or Estimated	Brackish / Saline (Y or N)	% Treated Prior to Intake	Total Volume (gallons)	
SURFACE WATER PURCHASED				CITY OF FORT WORTH GENERAL WATER DISTRIBUTION SYSTEM (FORT WORTH)			M	N	100.00	2,778,921,561	
JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
132,069,763	114,906,090	126,447,373	143,015,860	131,392,131	243,969,769	366,698,639	542,479,957	398,250,631	311,856,318	139,047,288	128,787,742

**CITY CONNECTIONS:**

CITY NAME	TOTAL CONNECTIONS
WESTLAKE	8
FORT WORTH	220
KELLER	15,221
NORTH RICHLAND HILLS	5
SOUTHLAKE	11

**COUNTY CONNECTIONS:**

COUNTY NAME	TOTAL CONNECTIONS
TARRANT	15,465

CONNECTIONS/USAGE:	CONNECTIONS	VOLUME (GALLONS)
Total Metered Retail	15465	2684123886
Residential - Single Family	14364	2196358926
Residential - Multi Family	43	40279719
Institutional	104	54931701
Commercial	954	392553540
Industrial	0	0
Agriculture	0	0
Reuse	0	0
Total Unmetered	2	23741543

**WATER SYSTEM INFORMATION:**

Estimated full-time residential population served directly by this system	42,890
---	--------

**CONTACTS:**

LAST NAME	FIRST NAME	TITLE	PHONE	PHONE EXT.	EMAIL
Fritz	Dennis	Public Works - Engineer	817-743-4000	4083	dfritz@cityofkeller.com
Bikman	Oleksandra	Environmental Specialist	817-743-4092		obikman@cityofkeller.com

Date/Time Survey Submitted: 2/27/2015 12:18:37 PM

**TEXAS WATER DEVELOPMENT BOARD  
WATER USE SURVEY**

**WATER USE IN CALENDAR YEAR: 2014**

SYSTEM NAME: CITY OF KELLER  
 OPERATOR NAME:  
 MULTIPLE SURVEY ORG:  
 MAILING ADDRESS 1: PO BOX 770  
 MAILING ADDRESS 2:  
 CITY/STATE/ZIP: KELLER TX 76244-  
 PWS NAME: CITY OF KELLER

SURVEY NUMBER: 0460200  
 PRIMARY USED COUNTY: TARRANT  
 PRIMARY USED RIVER BASIN: TRINITY  
 ORGANIZATION MAIN PHONE: 817-743-4000  
 MAIN EMAIL: publicworks@cityofkeller.com  
 WEB: www.cityofkeller.com  
 PWS CODE: 2200096

**INTAKE:**

Water Type		County	Basin	Seller Name and/or Seller System		River / Reservoir	Metered or Estimated	Brackish / Saline (Y or N)	% Treated Prior to Intake	Total Volume (gallons)	
SURFACE WATER PURCHASED				CITY OF FORT WORTH GENERAL WATER DISTRIBUTION SYSTEM (FORT WORTH)			M	N	100.00	2,953,378,700	
JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
121,130,642	130,092,276	191,839,851	208,280,724	296,392,551	278,276,165	346,391,067	432,646,527	339,874,504	286,717,669	188,314,413	133,422,311

**CITY CONNECTIONS:**

CITY NAME	TOTAL CONNECTIONS
WESTLAKE	11
FORT WORTH	214
KELLER	16,543
NORTH RICHLAND HILLS	5
SOUTHLAKE	11

**COUNTY CONNECTIONS:**

COUNTY NAME	TOTAL CONNECTIONS
TARRANT	16,784

<b>CONNECTIONS/USAGE:</b>	<b>CONNECTIONS</b>	<b>VOLUME (GALLONS)</b>
Total Metered Retail	16784	2822950958
Residential - Single Family	14153	2330417965
Residential - Multi Family	1463	46008200
Institutional	109	70065299
Commercial	1059	376459494
Industrial	0	0
Agriculture	0	0
Total Unmetered	2	2350000

**WATER SYSTEM INFORMATION:**

Estimated full-time residential population served directly by this system	42,040
---	--------

**CONTACTS:**

<b>LAST NAME</b>	<b>FIRST NAME</b>	<b>TITLE</b>	<b>PHONE</b>	<b>PHONE EXT.</b>	<b>EMAIL</b>
Fritz	Dennis	Public Works - Engineer	817-743-4000	4083	dfritz@cityofkeller.com
Bikman	Oleksandra	Environmental Specialist	817-743-4092		obikman@cityofkeller.com

Date/Time Survey Submitted: 4/23/2014 5:17:39 PM

**TEXAS WATER DEVELOPMENT BOARD  
WATER USE SURVEY**

WATER USE IN CALENDAR YEAR: 2013

SYSTEM NAME: CITY OF KELLER  
 OPERATOR NAME:  
 MULTIPLE SURVEY ORG:  
 MAILING ADDRESS 1: PO BOX 770  
 MAILING ADDRESS 2:  
 CITY/STATE/ZIP: KELLER TX 76244-  
 PWS NAME: CITY OF KELLER

SURVEY NUMBER: 0460200  
 PRIMARY USED COUNTY: TARRANT  
 PRIMARY USED RIVER BASIN: TRINITY  
 ORGANIZATION MAIN PHONE: 817-743-4000  
 MAIN EMAIL: publicworks@cityofkeller.com  
 WEB: www.cityofkeller.com  
 PWS CODE: 2200096

**INTAKE:**

Water Type		County	Basin	Seller Name and/or Seller System		River / Reservoir	Metered or Estimated	Brackish / Saline (Y or N)	% Treated Prior to Intake	Total Volume (gallons)	
SURFACE WATER PURCHASED				CITY OF FORT WORTH GENERAL WATER DISTRIBUTION SYSTEM (FORT WORTH)			M	N	100.00	2,850,919,618	
JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
117,665,859	115,730,881	168,871,487	198,319,843	257,159,201	336,158,478	400,462,495	432,898,419	325,093,120	223,116,055	155,315,872	120,127,908

**CITY CONNECTIONS:**

CITY NAME	TOTAL CONNECTIONS
KELLER	16,042
FORT WORTH	220
SOUTHLAKE	10
WESTLAKE	8
NORTH RICHLAND HILLS	4

**COUNTY CONNECTIONS:**

COUNTY NAME	TOTAL CONNECTIONS
TARRANT	16,284



<b>CONNECTIONS/USAGE:</b>	<b>CONNECTIONS</b>	<b>VOLUME (GALLONS)</b>
Total Metered Retail	16284	2780791789
Residential - Single Family	13879	2286797548
Residential - Multi Family	1276	48436800
Institutional	109	70176898
Commercial	1020	375380543
Industrial	0	0
Agriculture	0	0
Other	0	0
Total Unmetered	2	2355000

**WATER SYSTEM INFORMATION:**

Estimated full-time residential population served directly by this system	41,090
Water loss volume for the system	67,772,829

**CONTACTS:**

<b>LAST NAME</b>	<b>FIRST NAME</b>	<b>TITLE</b>	<b>PHONE</b>	<b>PHONE EXT.</b>	<b>EMAIL</b>
Fritz	Dennis	Public Works - Engineer	817-743-4000	4083	dfritz@cityofkeller.com

**TEXAS WATER DEVELOPMENT BOARD**  
P.O. BOX 13231, CAPITOL STATION  
AUSTIN, TX 78711-3231  
**2015 WATER AUDIT REPORT**

**A. Water Utility General Information**

1. Water Utility Name	<u>CITY OF KELLER</u>		
1a. Regional Water Planning Area	<u>C</u>		
1b. Address	<u>PO BOX 770</u>		
	<u>KELLER, TX 76244-0770</u>		
2. Contact Information			
2a. Name	<u>Oleksandra Bikman</u>		
2b. Telephone Number	<u>(817) 743-4092</u>		
2c. Email Address	<u>obikman@cityofkeller.com</u>		
3. Reporting Period			
3a. Start Date	<u>01/01/2015</u>		
3b. End Date	<u>12/31/2015</u>		
4. Source Water Utilization			
4a. Surface Water	<u>100.00</u>	%	
4b. Ground Water	<u>0.00</u>	%	
5. Population Served			
5a. Retail Population Served	<u>42,890</u>		Assessment Scale
5b. Wholesale Population Served	<u>0</u>		
6. Utility's Length of Main Lines	<u>280.69</u>	miles	<u>5</u>
7. Total Retail Metered Connections - Active and Inactive	<u>15,465</u>		<u>5</u>
8. Number of Wholesale Connections Served	<u>0</u>		
9. Service Connection Density	<u>55.10</u>	connections per mile	
10. Average Yearly System Operating Pressure	<u>80.00</u>	psi	<u>4</u>
11. Volume Units of Measure	<u>Gallons</u>		

**B. System Input Volume**

12. Volume of Water Intake	<u>0</u>	gallons	
13. Produced Water	<u>0</u>	gallons	<u>1</u>
13a. Production Meter Accuracy	<u>0.0</u>	%	<u>1</u>
13b. Corrected Input Volume	<u>0</u>	gallons	
14. Total Treated Purchased Water	<u>2,778,921,561</u>	gallons	<u>5</u>
14a. Treated Purchased Water Meter Accuracy	<u>100.0</u>	%	<u>4</u>
14b. Corrected Treated Purchased Water Volume	<u>2,778,921,561</u>	gallons	

**TEXAS WATER DEVELOPMENT BOARD**  
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15. Total Treated Wholesale Water Sales	0	gallons	4
15a. Treated Wholesale Water Meter Accuracy	0.0	%	4
15b. Corrected Treated Wholesale Water Sales Volume	0	gallons	
<b>16. Total System Input Volume</b>	<b>2,778,921,561</b>	gallons	
Line 13b + Line 14b - Line 15b			Assessment Scale
<b>C. Authorized Consumption</b>			
17. Billed Metered	2,684,123,886	gallons	4
18. Billed Unmetered	0	gallons	3
19. Unbilled Metered	365,280	gallons	4
20. Unbilled Unmetered	12,872,213	gallons	4
<b>21. Total Authorized Consumption</b>	<b>2,697,361,379</b>	gallons	
<b>D. Water Losses</b>			
<b>22. Water Losses</b>	<b>81,560,182</b>	gallons	
Line 16 - Line 21			
<b>E. Apparent Losses</b>			
23. Average Customer Meter Accuracy	99.50	%	3
24. Customer Meter Accuracy Loss	13,488,060	gallons	
25. Systematic Data Handling Discrepancy	2,053,200	gallons	3
26. Unauthorized Consumption	6,947,304	gallons	3
<b>27. Total Apparent Losses</b>	<b>22,488,564</b>	gallons	
<b>F. Real Losses</b>			
28. Reported Breaks and Leaks	10,504,050	gallons	4
29. Unreported Loss	48,567,568	gallons	2
<b>30. Total Real Losses</b>	<b>59,071,618</b>	gallons	
Line 28 + Line 29			
<b>31. Total Water Losses</b>	<b>81,560,182</b>	gallons	
Line 27 + Line 30			
32. Non-Revenue Water	94,797,675	gallons	
Line 31 + Line 19 + Line 20			
<b>G. Technical Performance Indicator for Apparent Loss</b>			
33. Apparent Losses Normalized	3.98	gallons lost per	
Line 27 / Line 7 / 365		connection per day	

**TEXAS WATER DEVELOPMENT BOARD**  
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**H. Technical Performance Indicators for Real Loss**

34. Real Loss Volume Line 30	<u>59,071,618</u>	gallons
35. Unavoidable Annual Real Losses Volume (5.41 * Line 6 + (Line 7 * 0.15)) * 365 * Line 10	<u>112,077,861</u>	gallons
36. Infrastructure Leakage Index Line 34 / Line 35	<u>0.53</u>	I.L.I
37. Real Losses Normalized - Service Connections Line 34 / Line 7 / 365	<u>10.46</u>	gallons lost per connection per day
38. Real Losses Normalized - Main Lines Line 34 / Line 6 / 365	<u>0.00</u>	gallons lost per mile per day

**I. Financial Performance Indicators**

			Assessment Scale
39. Total Apparent Losses Line 27	<u>22,488,564</u>	gallons	
40. Retail Price of Water	<u>0.00840</u>	\$/gallons	<u>4</u>
41. Cost of Apparent Losses Line 39 x Line 40	<u>\$188,903.94</u>		
42. Total Real Losses Line 30	<u>59,071,618</u>	gallons	
43. Variable Production Cost of Water	<u>0.00303</u>	\$/gallons	<u>3</u>
44. Cost of Real Losses Line 42 x Line 43	<u>\$178,987.00</u>		
45. Total Cost Impact of Apparent and Real Losses Line 41 + Line 44	<u>\$367,890.94</u>		
46. Total Assessment Score	<u>70</u>		

**J. System Losses and Gallons Per Capita per Day (GPCD)**

47. Total Water Loss - Percentage	<u>2.93</u>	%
48. GPCD Input Line 16 / Line 5a / 365	<u>178</u>	
49. GPCD Loss Line 31 / Line 5a / 365	<u>5</u>	

**K. Wholesale Factor Adjustments**

50. Percent of Treated Wholesale Water Traveling through General Distribution System	<u>0.00</u>	%
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51. Volume of Treated Wholesale Water Traveling through General Distribution System (Line 50/100) * Line 15b	<u>0</u>	gallons
52. Wholesale Factor Line 15b / (Line 13b + Line 14b)	<u>0.00</u>	
53. Adjusted Real Loss Volume ((1 - Line 52) x (Line 30 * Line 50 / 100)) + (Line 30 - (Line 30 * Line 50/100))	<u>59,071,618</u>	gallons
54. Adjusted Cost of Real Losses ((1 - Line 52) x (Line 44 * Line 50 / 100)) + (Line 44 - (Line 44 * Line 50/100))	<u>\$178,987.00</u>	
55. Adjusted Total Water Loss Volume ((1 - Line 52) x (Line 31 * Line 50 / 100)) + (Line 31 - (Line 31 * Line 50/100))	<u>81,560,182</u>	gallons
56. Adjusted Total Cost Impact of Apparent and Real Losses ((1 - Line 52) x (Line 45 * Line 50 / 100)) + (Line 45 - (Line 45 * Line 50/100))	<u>\$367,890.94</u>	
57. Adjusted Real Loss Per Connection ((1 - Line 52) x (Line 37 * Line 50 / 100)) + (Line 37 - (Line 37 * Line 50/100))	<u>10.46</u>	gallons lost per connection per day
58. Adjusted Real Loss Per Mile ((1 - Line 52) x (Line 38 * Line 50 / 100)) + (Line 38 - (Line 38 * Line 50/100))	<u>0.00</u>	gallons lost per mile per day
59. Adjusted Infrastructure Leakage Index ((1 - Line 52) x (Line 36 * Line 50 / 100)) + (Line 36 - (Line 36 * Line 50/100))	<u>0.53</u>	I.L.I
60. Adjusted Total Water Loss - Percentage ((1 - Line 52) x (Line 47 * Line 50 / 100)) + (Line 47 - (Line 47 * Line 50/100))	<u>2.93</u>	%
61. Adjusted GPCD Loss ((1 - Line 52) x (Line 49 * Line 50 / 100)) + (Line 49 - (Line 49 * Line 50/100))	<u>5</u>	

**Comments**

TEXAS WATER DEVELOPMENT BOARD

P.O. BOX 13231, CAPITOL STATION

AUSTIN, TX 78711-3231

2014 Water Audit Report

A. Water Utility General Information

1. Water Utility Name: City of Keller

2. Contact:

2a. Name Dennis Fritz

2b. Telephone # (817) 743-4083

2c. Email Address dfritz@cityofkeller.com

3. Reporting Period: From 1/1/2014 To 12/31/2014

4. Source Water Utilization, percentage: Surface Water 100.00 % Ground Water 0.00 %

5. Population Served:

5a. Retail Population Served 42,040

5b. Wholesale Population Served 0

6. Utility's Length of Main Lines, miles 281.05

7. Number of Wholesale Connections Served 0

8. Total Retail Metered Connections 16,784

9. Service Connection Density 59.72  
(Number of retail service connections / miles of main lines)

10. Average Yearly System Operating Pressure (psi) 80.00

11. Volume Units of Measure: Gallons

Assessment Scale

5

B. System Input Volume

12. Produced Water 0 gallons 0

13. Production Meter Accuracy (enter percentage) 0.00 % 0

14. Corrected Input Volume 0 gallons

15. Total Water Purchased 2,953,378,700 gallons 5

16. Total Wholesale Water Sales 0 gallons 0

17. Total System Input Volume 2,953,378,700 gallons

(Corrected input volume, plus imported water, minus exported water)

Assessment Scale

C. Authorized Consumption

18. Billed Metered 2,822,950,958 gallons 4

19. Billed Unmetered 0 gallons 3

20. Unbilled Metered 0 gallons 4

21. Unbilled Unmetered 1,900,000 gallons 4

22. Total Authorized Consumption 2,824,850,958 gallons

**TEXAS WATER DEVELOPMENT BOARD**  
P.O. BOX 13231, CAPITOL STATION  
AUSTIN, TX 78711-3231  
**2014 Water Audit Report**

**D. Water Losses**

**23. Water Losses** 128,527,742 gallons  
(Line 17 minus Line 22)

**E. Apparent Losses**

24. Average Customer Meter Accuracy (Enter percentage)	<u>99.50</u>	%	<u>3</u>
25. Customer Meter Accuracy Loss	<u>14,185,683</u>	gallons	
26. Systematic Data Handling Discrepancy	<u>9,400</u>	gallons	<u>3</u>
27. Unauthorized Consumption	<u>7,383,447</u>	gallons	<u>3</u>
<b>28. Total Apparent Losses</b>	<u>21,578,530</u>	gallons	

**F. Real Losses**

29. Reported Breaks and Leaks (Estimated volume of leaks & breaks repaired during the audit period)	<u>450,000</u>	gallons	<u>4</u>
30. Unreported Loss (Includes all unknown water loss)	<u>106,499,212</u>	gallons	<u>2</u>
<b>31. Total Real Losses</b> (Line 29, plus Line 30)	<u>106,949,212</u>	gallons	
32. Water Losses (Apparent + Real) (Line 28 plus Line 31) = Line 23	<u>128,527,742</u>	gallons	
33. Non-revenue Water (Water Losses + Unbilled Authorized Consumption) (Line 32, plus Line 20, plus Line 21)	<u>130,427,742</u>	gallons	

**G. Technical Performance Indicator for Apparent Loss**

34. Apparent Losses Normalized 4 gallons  
(Apparent Loss Volume / # of Retail Service Connections/365)

**H. Technical Performance Indicators for Real Loss**

35. Real Loss Volume (Line 31)	<u>106,949,212</u>	gallons	
36. Unavoidable Annual Real Losses, volume (calculated)	<u>117,829,884</u>	gallons	
37. Infrastructure Leakage Index (calculated) (Equals real loss volume divided by unavoidable annual real losses)	<u>0.90770</u>		
38. Real Losses Normalized (Real Loss Volume / # of Service Connections / 365) (This indicator applies if service connection density is greater than or equal to 32 / mile)	<u>17</u>	gallons	

**TEXAS WATER DEVELOPMENT BOARD**  
P.O. BOX 13231, CAPITOL STATION  
AUSTIN, TX 78711-3231

**2014 Water Audit Report**

39. Real Losses Normalized	<u>0</u>	gallons
(Real Loss Volume/Miles of Main Lines/365)		
(This indicator applies if service connection density is less than 32/mile)		
<b>Assessment Scale</b>		
<b>I. Financial Performance Indicators</b>		
40. Total Apparent Losses (Line 28)	<u>21,578,530</u>	gallons
41. Retail Price of Water	<u>\$0.00371</u>	<u>4</u>
42. Cost of Apparent Losses (Apparent loss volume multiplied by retail cost of water, Line 40 x Line 41)	<u>\$80,056.35</u>	
43. Total Real Losses (Line 31)	<u>106,949,212.04</u>	
44. Variable Production Cost of Water* (*Note: in case of water shortage, real losses might be valued at the retail price of water instead of the variable production cost.)	<u>\$0.00262</u>	<u>3</u>
45. Cost of Real Losses (Real Loss multiplied by variable production cost of water, Line 43 x Line 44)	<u>\$280,527.78</u>	
<b>46. Total Assessment Scale</b>		<u>51</u>
<b>47. Total Cost Impact of Apparent and Real Losses</b>	<u>\$360,584.13</u>	
<b>48. Comments</b>		
<b>49. Total Water Loss %</b>	<u>4.35</u>	%
<b>50. GPCD (Gallons Per Capita Per Day) Input</b>	<u>192.47</u>	
<b>51. GPCD (Gallons Per Capita Per Day) Loss</b>	<u>8.38</u>	



**TEXAS WATER DEVELOPMENT BOARD**  
P.O. BOX 13231, CAPITOL STATION  
AUSTIN, TX 78711-3231  
**2013 Water Audit Report**

**A. Water Utility General Information**

1. Water Utility Name:	<u>City of Keller</u>		
2. Contact:			
2a. Name	<u>Dennis Fritz</u>		
2b. Telephone #	<u>817-743-4080</u>		
2c. Email Address	<u>dfritz@cityofkeller.com</u>		
3. Reporting Period:	From	<u>1/1/2013</u>	To <u>12/31/2013</u>
4. Source Water Utilization, percentage:	Surface Water	<u>100.00</u> %	Ground Water <u>0.00</u> %
5. Population Served:			
5a. Retail Population Served	<u>41,090</u>	Assessment	
5b. Wholesale Population Served	<u>0</u>	Scale	
6. Utility's Length of Main Lines, miles	<u>282.00</u>		<u>5</u>
7. Number of Wholesale Connections Served	<u>0</u>		
8. Number of Retail Service Connections Served	<u>16,284</u>		
9. Service Connection Density (Number of retail service connections / miles of main lines)	<u>57.74</u>		
10. Average Yearly System Operating Pressure (psi)	<u>80.00</u>		<u>4</u>
11. Volume Units of Measure:	<u>Gallons</u>		

**B. System Input Volume**

12. Produced Water	<u>0</u> gallons	<u>0</u>
13. Production Meter Accuracy (enter percentage)	<u>0.00</u> %	<u>0</u>
14. Corrected Input Volume	<u>0</u> gallons	
15. Water Imported	<u>2,850,919,618</u> gallons	<u>5</u>
16. Water Exported	<u>0</u> gallons	<u>0</u>
<b>17. System Input Volume</b> (Corrected input volume, plus imported water, minus exported water)	<u>2,850,919,618</u> gallons	

**C. Authorized Consumption**

		Assessment
		Scale
18. Billed Metered	<u>2,780,791,789</u> gallons	<u>4</u>
19. Billed Unmetered	<u>0</u> gallons	<u>3</u>
20. Unbilled Metered	<u>0</u> gallons	<u>4</u>
21. Unbilled Unmetered	<u>2,355,000</u> gallons	<u>3</u>
<b>22. Total Authorized Consumption</b>	<u>2,783,146,789</u> gallons	

**TEXAS WATER DEVELOPMENT BOARD**

P.O. BOX 13231, CAPITOL STATION

AUSTIN, TX 78711-3231

**2013 Water Audit Report**

**D. Water Losses**

**23. Water Losses** 67,772,829 gallons  
(Line 17 minus Line 22)

**E. Apparent Losses**

24. Average Customer Meter Accuracy (Enter percentage) 99.50 % 3

25. Customer Meter Accuracy Loss 13,973,828 gallons

26. Systematic Data Handling Discrepancy 0 gallons 3

27. Unauthorized Consumption 3,563,650 gallons 5

**28. Total Apparent Losses** 17,537,478 gallons

**F. Real Losses**

29. Reported Breaks and Leaks 441,000 gallons 3  
(Estimated volume of leaks & breaks repaired during the audit period)

30. Unreported Loss 49,794,351 gallons 2  
(Includes all unknown water loss)

**31. Total Real Losses** 50,235,351 gallons  
(Line 29, plus Line 30)

32. Water Losses (Apparent + Real) 67,772,829 gallons  
(Line 28 plus Line 31) = Line 23

33. Non-revenue Water 70,127,829 gallons  
(Water Losses + Unbilled Authorized Consumption)  
(Line 32, plus Line 20, plus Line 21)

**G. Technical Performance Indicator for Apparent Loss**

34. Apparent Losses Normalized 3 gallons  
(Apparent Loss Volume / # of Retail Service Connections/365)

**H. Technical Performance Indicators for Real Loss**

35. Real Loss Volume (Line 31) 50,235,351 gallons

36. Unavoidable Annual Real Losses, volume (calculated) 115,789,680 gallons

37. Infrastructure Leakage Index (calculated) 0.43380  
(Equals real loss volume divided by unavoidable annual real losses)

38. Real Losses Normalized 8 gallons  
(Real Loss Volume / # of Service Connections / 365)  
(This indicator applies if service connection density is greater than 32 / mile)

**TEXAS WATER DEVELOPMENT BOARD**  
P.O. BOX 13231, CAPITOL STATION  
AUSTIN, TX 78711-3231  
**2013 Water Audit Report**

39. Real Losses Normalized	488	gallons
(Real Loss Volume/Miles of Main Lines/365)		
(This indicator applies if service connection density is less than 32/mile)		
<b>I. Financial Performance Indicators</b>		Assessment Scale
40. Total Apparent Losses (Line 28)	17,537,478	gallons
41. Retail Price of Water	\$0.00542	4
42. Cost of Apparent Losses (Apparent loss volume multiplied by retail cost of water, Line 40 x Line 41)	\$95,053.13	
43. Total Real Losses (Line 31)	50,235,350.91	
44. Variable Production Cost of Water* (*Note: in case of water shortage, real losses might be valued at the retail price of water instead of the variable production cost.)	\$0.00226	3
45. Cost of Real Losses (Real Loss multiplied by variable production cost of water, Line 43 x Line 44)	\$113,381.19	
<b>46. Total Assessment Scale</b>		<b>51</b>
<b>47. Total Cost Impact of Apparent and Real Losses</b>	<b>\$208,434.32</b>	
<b>48. Comments</b>		
<b>49. Total Water Loss %</b>	<b>2.38</b>	<b>%</b>

Provide Regional or Wholesale Water Services

Does the applicant provide regional or wholesale water services?: N

## Top Ten Customers of Water System

### Top Ten Water Customers

Customer Name	Annual Usage (gal)	Percent of Total Water Revenue	Bankruptcy (Y/N)
City of Keller	48,862,000	1.20%	N
Keller ISD	38,156,300	1.74%	N
Hidden Lakes HOA	14,693,800	0.63%	N
Keller Senior Comm. LP	8,731,200	0.37%	N
Grand Estates, Keller LP	8,458,000	0.37%	N
Conservatory Senior Housing	7,861,600	0.34%	N
SC Town Center LP	7,478,000	0.33%	N
SC Stoneglen, LP	6,839,500	0.32%	N
St. Elizabeth Ann Seaton	6,513,400	0.27%	N
Keller Oaks Healthcare Ctr	5,992,800	0.25%	N

### Top Ten Water System Customers Comments:

### Current average Residential Usage and Rate Information

Service	Date of Last Rate Increase	Avg. Monthly Usage (gallons)	Avg. Monthly Bill (\$)	Avg. Monthly Increase Per Customer (\$)	Projected Monthly Increase Necessary (\$)	Anticipated Date of Projected Rate Increase (Date)
Water	12-01-2015	15,460	\$52.56	\$0.23	\$0.15	12-06-2016

## Top Ten Customers of Wastewater System

### Top Ten Wastewater Customers

Customer Name	Annual Usage (gal)	Percent of Total Water Revenue	Bankruptcy (Y/N)
SC Town Center LP	6,825,000	0.44%	N
SC Stone Glen, LP	6,654,500	0.43%	N
HiCity of Southlake Pearson	12,695,600	0.39%	N

Grand Estates & Keller LP	5,055,000	0.34%	N
Conservatory Senior Housing	5,410,700	0.32%	N
Kwik Kar Car Wash	4,541,500	0.27%	N
City of Southlake Union Church	6,910,600	0.22%	N
Foam Fabricators LTD	3,236,100	0.20%	N
Heritage House Healthcare	3,020,700	0.19%	N
Fenders Express Car Wash	2,828,500	0.18%	N

Top Ten Wastewater System Customers Comments:

Current average Residential Usage and Rate Information

Service	Date of Last Rate Increase	Avg. Monthly Usage (gallons)	Avg. Monthly Bill (\$)	Avg. Monthly Increase Per Customer (\$)	Projected Monthly Increase Necessary (\$)	Anticipated Date of Projected Rate Increase (Date)
Wastewater	12-01-2015	7,822	\$44.77	\$0.19	\$0	

## Number of Customers in Past 5 Years

Customers in Past 5 Years

2016: 15,449

2015: 15,449

2014: 15,210

2013: 14,528

2012: 14,338

## Debt

Disclose all issues that may affect the project or the applicant's ability to issue and/or repay debt (such as anticipated lawsuits, judgments, bankruptcies, major customer closings, etc): Not Applicable

Has the applicant ever defaulted on any debt?: N

## Taxing Authority

Does the applicant have taxing authority?: Y

Tax Assessed Valuations

Fiscal Year Ending	Net Taxable Assessed Value (\$)	Tax Rate (\$)	General Fund (\$)	Interest & Sinking Fund (\$)	Tax Levy (\$)	Percentage Current Collections (%)	Percentage Total Collections (%)
2016	\$4,627,796,360	\$0.43	\$0.33	\$0.09	\$19,936,768	87.70%	87.70%
2015	\$4,535,245,263	\$0.43	\$0.33	\$0.1	\$19,600,479	99.51%	99.85%
2014	\$4,264,485,274	\$0.44	\$0.32	\$0.11	\$18,675,325	99.57%	99.57%
2013	\$4,110,657,933	\$0.44	\$0.32	\$0.11	\$18,017,578	99.61%	99.80%
2012	\$4,014,014,933	\$0.44	\$0.31	\$0.12	\$17,632,268	99.85%	99.85%

Tax Assessed Values Comments:

<b>Taxing Jurisdiction</b>	2015/16	2015/16	FYE 2015	Estimated %	City's
	Taxable Assessed Value	Tax Rate	Total Tax Supported Debt		Overlapping Tax Supported Debt
				Applicable	As of 9/30/2015
City of Keller	\$ 4,783,209,699	\$ 0.434690	\$ 35,254,000	100.00%	\$ 35,254,000 <sup>(1)</sup>
Carroll Independent School District	6,274,504,723	1.400000	216,607,746	0.18%	389,894
Keller Independent School District	13,510,698,269	1.540000	771,227,959	33.55%	258,746,980
Northwest Independent School District	12,299,289,794	1.452500	765,546,815	0.13%	995,211
Tarrant County	132,397,275,566	0.264000	361,420,000	3.30%	11,926,860
Tarrant County College District	132,593,775,668	0.148970	0	3.30%	0
Tarrant County Hospital District	132,397,026,445	0.227900	23,440,000	3.30%	773,520
Total Direct and Overlapping Tax Supported Debt					\$ 308,086,465

(1) Does not include self-supporting debt.

**Taxable Appraised Value for Fiscal Year Ended September 30,**

Category	2016		2015		2014	
	Amount	% of	Amount	% of	Amount	% of
		Total		Total		Total
Real, Residential, Single-Family	\$ 4,072,168,540	83.08%	\$ 3,893,817,062	82.11%	\$ 3,639,713,271	82.44%
Real, Residential, Multi-Family	160,892,289	3.28%	127,325,634	2.68%	121,014,360	2.74%
Real, Vacant Lots/Tracts	64,836,054	1.32%	102,551,601	2.16%	88,299,276	2.00%
Real, Acreage (Land Only)	795,404	0.02%	18,097,039	0.38%	36,172,140	0.82%
Real, Farm and Ranch Improvements	143,201	0.00%	-	0.00%	-	0.00%
Real, Commercial and Industrial	408,398,080	8.33%	413,767,532	8.73%	352,904,117	7.99%
Real, Oil, Gas and Mineral Reserve	977,260	0.02%	1,198,010	0.03%	1,397,180	0.03%
Real and Tangible Personal, Utilities	52,604,219	1.07%	54,672,235	1.15%	50,679,093	1.15%
Tangible Personal, Commercial	86,064,502	1.76%	87,162,473	1.84%	81,948,485	1.86%
Tangible Personal, Industrial	1,683,183	0.03%	1,854,021	0.04%	2,202,684	0.05%
Tangible Personal, Mobile Homes	61,500	0.00%	61,500	0.00%	69,700	0.00%
Real Property, Inventory	52,912,914	1.08%	41,770,970	0.88%	40,426,833	0.92%
Total Appraised Value Before Exemptions	\$ 4,901,537,146	100.00%	\$ 4,742,278,077	100.00%	\$ 4,414,827,139	100.00%
Adjustments	-		-		(19,702,083)	
Plus: Minimum Value of Protests	45,193,798		17,667,289		59,442,153	
Less: Total Exemption/Reductions	(163,521,245)		(207,033,114)		(190,081,935)	
Taxable Assessed Value	<u>\$ 4,783,209,699</u>		<u>\$ 4,552,912,252</u>		<u>\$ 4,264,485,274</u>	

Taxable Appraised Value for  
Fiscal Year Ended September 30,

Category	2013		2012	
	Amount	% of	Amount	% of
		Total		Total
Real, Residential, Single-Family	\$ 3,516,299,110	81.84%	\$ 3,433,095,615	81.84%
Real, Residential, Multi-Family	110,559,927	2.57%	104,508,550	2.49%
Real, Vacant Lots/Tracts	91,824,020	2.14%	92,300,784	2.20%
Real, Acreage (Land Only)	38,254,748	0.89%	40,705,906	0.97%
Real, Farm and Ranch Improvements	437,900	0.01%	437,900	0.01%
Real, Commercial and Industrial	356,250,561	8.29%	328,470,068	7.83%
Real, Oil, Gas and Mineral Reserve	2,469,300	0.06%	3,391,480	0.08%
Real and Tangible Personal, Utilities	50,705,443	1.18%	51,869,680	1.24%
Tangible Personal, Commercial	80,048,318	1.86%	75,495,515	1.80%
Tangible Personal, Industrial	1,814,670	0.04%	1,863,697	0.04%
Tangible Personal, Mobile Homes	72,000	0.00%	73,800	0.00%
Real Property, Inventory	47,617,542	1.11%	62,691,323	1.49%
Total Appraised Value Before Exemptions	\$ 4,296,353,539	100.00%	\$ 4,194,904,318	100.00%
Adjustments	(15,054,149)		(23,959,543)	
Plus: Minimum Value of Protests	15,965,528		21,416,861	
Less: Total Exemptions/Reductions	(186,606,925)		(178,347,487)	
Taxable Assessed Value	<u>\$ 4,110,657,993</u>		<u>\$ 4,014,014,149</u>	



**Taxable Appraised Value for Fiscal Year Ended September 30,**

Category	2016		2015		2014	
	Amount	% of	Amount	% of	Amount	% of
		Total		Total		Total
Real, Residential, Single-Family	\$ 4,072,168,540	83.08%	\$ 3,893,817,062	82.11%	\$ 3,639,713,271	82.44%
Real, Residential, Multi-Family	160,892,289	3.28%	127,325,634	2.68%	121,014,360	2.74%
Real, Vacant Lots/Tracts	64,836,054	1.32%	102,551,601	2.16%	88,299,276	2.00%
Real, Acreage (Land Only)	795,404	0.02%	18,097,039	0.38%	36,172,140	0.82%
Real, Farm and Ranch Improvements	143,201	0.00%	-	0.00%	-	0.00%
Real, Commercial and Industrial	408,398,080	8.33%	413,767,532	8.73%	352,904,117	7.99%
Real, Oil, Gas and Mineral Reserve	977,260	0.02%	1,198,010	0.03%	1,397,180	0.03%
Real and Tangible Personal, Utilities	52,604,219	1.07%	54,672,235	1.15%	50,679,093	1.15%
Tangible Personal, Commercial	86,064,502	1.76%	87,162,473	1.84%	81,948,485	1.86%
Tangible Personal, Industrial	1,683,183	0.03%	1,854,021	0.04%	2,202,684	0.05%
Tangible Personal, Mobile Homes	61,500	0.00%	61,500	0.00%	69,700	0.00%
Real Property, Inventory	52,912,914	1.08%	41,770,970	0.88%	40,426,833	0.92%
Total Appraised Value Before Exemptions	\$ 4,901,537,146	100.00%	\$ 4,742,278,077	100.00%	\$ 4,414,827,139	100.00%
Adjustments	-		-		(19,702,083)	
Plus: Minimum Value of Protests	45,193,798		17,667,289		59,442,153	
Less: Total Exemption/Reductions	(163,521,245)		(207,033,114)		(190,081,935)	
Taxable Assessed Value	<u>\$ 4,783,209,699</u>		<u>\$ 4,552,912,252</u>		<u>\$ 4,264,485,274</u>	

Taxable Appraised Value for  
Fiscal Year Ended September 30,

Category	2013		2012	
	Amount	% of	Amount	% of
		Total		Total
Real, Residential, Single-Family	\$ 3,516,299,110	81.84%	\$ 3,433,095,615	81.84%
Real, Residential, Multi-Family	110,559,927	2.57%	104,508,550	2.49%
Real, Vacant Lots/Tracts	91,824,020	2.14%	92,300,784	2.20%
Real, Acreage (Land Only)	38,254,748	0.89%	40,705,906	0.97%
Real, Farm and Ranch Improvements	437,900	0.01%	437,900	0.01%
Real, Commercial and Industrial	356,250,561	8.29%	328,470,068	7.83%
Real, Oil, Gas and Mineral Reserve	2,469,300	0.06%	3,391,480	0.08%
Real and Tangible Personal, Utilities	50,705,443	1.18%	51,869,680	1.24%
Tangible Personal, Commercial	80,048,318	1.86%	75,495,515	1.80%
Tangible Personal, Industrial	1,814,670	0.04%	1,863,697	0.04%
Tangible Personal, Mobile Homes	72,000	0.00%	73,800	0.00%
Real Property, Inventory	47,617,542	1.11%	62,691,323	1.49%
Total Appraised Value Before Exemptions	\$ 4,296,353,539	100.00%	\$ 4,194,904,318	100.00%
Adjustments	(15,054,149)		(23,959,543)	
Plus: Minimum Value of Protests	15,965,528		21,416,861	
Less: Total Exemptions/Reductions	(186,606,925)		(178,347,487)	
Taxable Assessed Value	<u>\$ 4,110,657,993</u>		<u>\$ 4,014,014,149</u>	

**Taxable Appraised Value for Fiscal Year Ended September 30,**

Category	2016		2015		2014	
	Amount	% of	Amount	% of	Amount	% of
		Total		Total		Total
Real, Residential, Single-Family	\$ 4,072,168,540	83.08%	\$ 3,893,817,062	82.11%	\$ 3,639,713,271	82.44%
Real, Residential, Multi-Family	160,892,289	3.28%	127,325,634	2.68%	121,014,360	2.74%
Real, Vacant Lots/Tracts	64,836,054	1.32%	102,551,601	2.16%	88,299,276	2.00%
Real, Acreage (Land Only)	795,404	0.02%	18,097,039	0.38%	36,172,140	0.82%
Real, Farm and Ranch Improvements	143,201	0.00%	-	0.00%	-	0.00%
Real, Commercial and Industrial	408,398,080	8.33%	413,767,532	8.73%	352,904,117	7.99%
Real, Oil, Gas and Mineral Reserve	977,260	0.02%	1,198,010	0.03%	1,397,180	0.03%
Real and Tangible Personal, Utilities	52,604,219	1.07%	54,672,235	1.15%	50,679,093	1.15%
Tangible Personal, Commercial	86,064,502	1.76%	87,162,473	1.84%	81,948,485	1.86%
Tangible Personal, Industrial	1,683,183	0.03%	1,854,021	0.04%	2,202,684	0.05%
Tangible Personal, Mobile Homes	61,500	0.00%	61,500	0.00%	69,700	0.00%
Real Property, Inventory	52,912,914	1.08%	41,770,970	0.88%	40,426,833	0.92%
Total Appraised Value Before Exemptions	\$ 4,901,537,146	100.00%	\$ 4,742,278,077	100.00%	\$ 4,414,827,139	100.00%
Adjustments	-		-		(19,702,083)	
Plus: Minimum Value of Protests	45,193,798		17,667,289		59,442,153	
Less: Total Exemption/Reductions	(163,521,245)		(207,033,114)		(190,081,935)	
Taxable Assessed Value	<u>\$ 4,783,209,699</u>		<u>\$ 4,552,912,252</u>		<u>\$ 4,264,485,274</u>	

Taxable Appraised Value for  
Fiscal Year Ended September 30,

Category	2013		2012	
	Amount	% of	Amount	% of
		Total		Total
Real, Residential, Single-Family	\$ 3,516,299,110	81.84%	\$ 3,433,095,615	81.84%
Real, Residential, Multi-Family	110,559,927	2.57%	104,508,550	2.49%
Real, Vacant Lots/Tracts	91,824,020	2.14%	92,300,784	2.20%
Real, Acreage (Land Only)	38,254,748	0.89%	40,705,906	0.97%
Real, Farm and Ranch Improvements	437,900	0.01%	437,900	0.01%
Real, Commercial and Industrial	356,250,561	8.29%	328,470,068	7.83%
Real, Oil, Gas and Mineral Reserve	2,469,300	0.06%	3,391,480	0.08%
Real and Tangible Personal, Utilities	50,705,443	1.18%	51,869,680	1.24%
Tangible Personal, Commercial	80,048,318	1.86%	75,495,515	1.80%
Tangible Personal, Industrial	1,814,670	0.04%	1,863,697	0.04%
Tangible Personal, Mobile Homes	72,000	0.00%	73,800	0.00%
Real Property, Inventory	47,617,542	1.11%	62,691,323	1.49%
Total Appraised Value Before Exemptions	\$ 4,296,353,539	100.00%	\$ 4,194,904,318	100.00%
Adjustments	(15,054,149)		(23,959,543)	
Plus: Minimum Value of Protests	15,965,528		21,416,861	
Less: Total Exemptions/Reductions	(186,606,925)		(178,347,487)	
Taxable Assessed Value	<u>\$ 4,110,657,993</u>		<u>\$ 4,014,014,149</u>	

**Taxable Appraised Value for Fiscal Year Ended September 30,**

Category	2016		2015		2014	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 4,072,168,540	83.08%	\$ 3,893,817,062	82.11%	\$ 3,639,713,271	82.44%
Real, Residential, Multi-Family	160,892,289	3.28%	127,325,634	2.68%	121,014,360	2.74%
Real, Vacant Lots/Tracts	64,836,054	1.32%	102,551,601	2.16%	88,299,276	2.00%
Real, Acreage (Land Only)	795,404	0.02%	18,097,039	0.38%	36,172,140	0.82%
Real, Farm and Ranch Improvements	143,201	0.00%	-	0.00%	-	0.00%
Real, Commercial and Industrial	408,398,080	8.33%	413,767,532	8.73%	352,904,117	7.99%
Real, Oil, Gas and Mineral Reserve	977,260	0.02%	1,198,010	0.03%	1,397,180	0.03%
Real and Tangible Personal, Utilities	52,604,219	1.07%	54,672,235	1.15%	50,679,093	1.15%
Tangible Personal, Commercial	86,064,502	1.76%	87,162,473	1.84%	81,948,485	1.86%
Tangible Personal, Industrial	1,683,183	0.03%	1,854,021	0.04%	2,202,684	0.05%
Tangible Personal, Mobile Homes	61,500	0.00%	61,500	0.00%	69,700	0.00%
Real Property, Inventory	52,912,914	1.08%	41,770,970	0.88%	40,426,833	0.92%
Total Appraised Value Before Exemptions	\$ 4,901,537,146	100.00%	\$ 4,742,278,077	100.00%	\$ 4,414,827,139	100.00%
Adjustments	-		-		(19,702,083)	
Plus: Minimum Value of Protests	45,193,798		17,667,289		59,442,153	
Less: Total Exemption/Reductions	(163,521,245)		(207,033,114)		(190,081,935)	
Taxable Assessed Value	<u>\$ 4,783,209,699</u>		<u>\$ 4,552,912,252</u>		<u>\$ 4,264,485,274</u>	

**Taxable Appraised Value for  
Fiscal Year Ended September 30,**

Category	2013		2012	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 3,516,299,110	81.84%	\$ 3,433,095,615	81.84%
Real, Residential, Multi-Family	110,559,927	2.57%	104,508,550	2.49%
Real, Vacant Lots/Tracts	91,824,020	2.14%	92,300,784	2.20%
Real, Acreage (Land Only)	38,254,748	0.89%	40,705,906	0.97%
Real, Farm and Ranch Improvements	437,900	0.01%	437,900	0.01%
Real, Commercial and Industrial	356,250,561	8.29%	328,470,068	7.83%
Real, Oil, Gas and Mineral Reserve	2,469,300	0.06%	3,391,480	0.08%
Real and Tangible Personal, Utilities	50,705,443	1.18%	51,869,680	1.24%
Tangible Personal, Commercial	80,048,318	1.86%	75,495,515	1.80%
Tangible Personal, Industrial	1,814,670	0.04%	1,863,697	0.04%
Tangible Personal, Mobile Homes	72,000	0.00%	73,800	0.00%
Real Property, Inventory	47,617,542	1.11%	62,691,323	1.49%
Total Appraised Value Before Exemptions	\$ 4,296,353,539	100.00%	\$ 4,194,904,318	100.00%
Adjustments	(15,054,149)		(23,959,543)	
Plus: Minimum Value of Protests	15,965,528		21,416,861	
Less: Total Exemptions/Reductions	(186,606,925)		(178,347,487)	
Taxable Assessed Value	<u>\$ 4,110,657,993</u>		<u>\$ 4,014,014,149</u>	

**Taxable Appraised Value for Fiscal Year Ended September 30,**

Category	2016		2015		2014	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	Real, Residential, Single-Family	\$ 4,072,168,540	83.08%	\$ 3,893,817,062	82.11%	\$ 3,639,713,271
Real, Residential, Multi-Family	160,892,289	3.28%	127,325,634	2.68%	121,014,360	2.74%
Real, Vacant Lots/Tracts	64,836,054	1.32%	102,551,601	2.16%	88,299,276	2.00%
Real, Acreage (Land Only)	795,404	0.02%	18,097,039	0.38%	36,172,140	0.82%
Real, Farm and Ranch Improvements	143,201	0.00%	-	0.00%	-	0.00%
Real, Commercial and Industrial	408,398,080	8.33%	413,767,532	8.73%	352,904,117	7.99%
Real, Oil, Gas and Mineral Reserve	977,260	0.02%	1,198,010	0.03%	1,397,180	0.03%
Real and Tangible Personal, Utilities	52,604,219	1.07%	54,672,235	1.15%	50,679,093	1.15%
Tangible Personal, Commercial	86,064,502	1.76%	87,162,473	1.84%	81,948,485	1.86%
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Tangible Personal, Mobile Homes	61,500	0.00%	61,500	0.00%	69,700	0.00%
Real Property, Inventory	52,912,914	1.08%	41,770,970	0.88%	40,426,833	0.92%
Total Appraised Value Before Exemptions	\$ 4,901,537,146	100.00%	\$ 4,742,278,077	100.00%	\$ 4,414,827,139	100.00%
Adjustments	-		-		(19,702,083)	
Plus: Minimum Value of Protests	45,193,798		17,667,289		59,442,153	
Less: Total Exemption/Reductions	(163,521,245)		(207,033,114)		(190,081,935)	
Taxable Assessed Value	<u>\$ 4,783,209,699</u>		<u>\$ 4,552,912,252</u>		<u>\$ 4,264,485,274</u>	

**Taxable Appraised Value for  
Fiscal Year Ended September 30,**

Category	2013		2012	
	Amount	% of Total	Amount	% of Total
	Real, Residential, Single-Family	\$ 3,516,299,110	81.84%	\$ 3,433,095,615
Real, Residential, Multi-Family	110,559,927	2.57%	104,508,550	2.49%
Real, Vacant Lots/Tracts	91,824,020	2.14%	92,300,784	2.20%
Real, Acreage (Land Only)	38,254,748	0.89%	40,705,906	0.97%
Real, Farm and Ranch Improvements	437,900	0.01%	437,900	0.01%
Real, Commercial and Industrial	356,250,561	8.29%	328,470,068	7.83%
Real, Oil, Gas and Mineral Reserve	2,469,300	0.06%	3,391,480	0.08%
Real and Tangible Personal, Utilities	50,705,443	1.18%	51,869,680	1.24%
Tangible Personal, Commercial	80,048,318	1.86%	75,495,515	1.80%
Tangible Personal, Industrial	1,814,670	0.04%	1,863,697	0.04%
Tangible Personal, Mobile Homes	72,000	0.00%	73,800	0.00%
Real Property, Inventory	47,617,542	1.11%	62,691,323	1.49%
Total Appraised Value Before Exemptions	\$ 4,296,353,539	100.00%	\$ 4,194,904,318	100.00%
Adjustments	(15,054,149)		(23,959,543)	
Plus: Minimum Value of Protests	15,965,528		21,416,861	
Less: Total Exemptions/Reductions	(186,606,925)		(178,347,487)	
Taxable Assessed Value	<u>\$ 4,110,657,993</u>		<u>\$ 4,014,014,149</u>	

# Top Ten Taxpayers

Taxpayer Name	Assessed Value	Percent of Total	Bankruptcy (Y/N)
SC Dominion Spe LLC	\$38,568,140	0.81%	N
T Arthouse Tx LLC	\$29,100,000	0.61%	N
SC Stone Glen LP	\$23,600,000	0.49%	N
Regency Centers LP	\$21,925,771	0.46%	N
Grand Estates at Keller LP	\$18,900,000	0.40%	N
Conservatory Senior Housing	\$18,500,000	0.39%	N
Oncor Electric Delivery Co. LLC	\$13,298,292	0.28%	N
GTE Southwest Inc.	\$11,350,420	0.24%	N
Lowe's Home Centers Inc.	\$11,265,561	0.24%	N
Keller Senior Community LP	\$10,439,854	0.22%	N

Top Ten Taxpayer Comments:

## Tax Rate and Sales Tax

Provide the maximum tax rate permitted by law per \$100 of property value.: \$2.5

Does the applicant collect sales tax?: Y

2016: \$1,862,450

2015: \$5,362,763

2014: \$4,960,591

2013: \$4,626,749

2012: \$4,321,704

Sales Tax History Comments:

Is the proposed loan tax-exempt?: Y

FYE	Projected		Net Available for Debt Service	Existing		\$4,060,000	\$4,060,000	\$4,060,000	Total Debt	
	Gross Revenues	Expenses <sup>(1)</sup>		Debt Paid by Utility Sys Revs	2016 SWIFT @ 2.20%	2019 SWIFT @ 3.00%	2022 SWIFT @ 3.50%	Paid by Utility Sys Revs	Projected Coverage	
2016	\$ 21,586,553	\$ 16,837,717	\$ 4,748,836	\$ 2,081,457					\$ 2,081,457	2.28x
2017	21,586,553	16,837,717	4,748,836	2,095,844	\$ 247,877				2,343,721	2.03x
2018	21,586,553	16,837,717	4,748,836	2,119,251	248,576				2,367,827	2.01x
2019	21,586,553	16,837,717	4,748,836	2,054,836	251,773				2,306,609	2.06x
2020	21,586,553	16,837,717	4,748,836	2,062,743	249,793	268,162			2,580,697	1.84x
2021	21,586,553	16,837,717	4,748,836	1,590,909	247,624	268,925			2,107,458	2.25x
2022	21,586,553	16,837,717	4,748,836	1,607,441	250,241	269,200			2,126,883	2.23x
2023	21,586,553	16,837,717	4,748,836	1,605,381	247,661	264,400	277,109		2,394,551	1.98x
2024	21,586,553	16,837,717	4,748,836	1,614,289	249,866	264,525	278,263		2,406,942	1.97x
2025	21,586,553	16,837,717	4,748,836	785,686	246,873	269,425	278,100		1,580,084	3.01x
2026	21,586,553	16,837,717	4,748,836	786,451	248,706	269,100	277,763		1,582,019	3.00x
2027	21,586,553	16,837,717	4,748,836	480,944	250,168	268,625	282,163		1,281,899	3.70x
2028	21,586,553	16,837,717	4,748,836	484,124	251,197	268,000	281,300		1,284,621	3.70x
2029	21,586,553	16,837,717	4,748,836	486,313	246,923	267,225	280,263		1,280,723	3.71x
2030	21,586,553	16,837,717	4,748,836	487,546	247,357	266,300	279,050		1,280,253	3.71x
2031	21,586,553	16,837,717	4,748,836	375,495	247,468	265,225	277,663		1,165,850	4.07x
2032	21,586,553	16,837,717	4,748,836	375,273	247,269	268,925	281,013		1,172,479	4.05x
2033	21,586,553	16,837,717	4,748,836		251,721	267,400	279,100		798,221	5.95x
2034	21,586,553	16,837,717	4,748,836		250,838	265,725	281,925		798,488	5.95x
2035	21,586,553	16,837,717	4,748,836		249,686	268,825	279,488		797,998	5.95x
2036	21,586,553	16,837,717	4,748,836		248,271	266,700	281,788		796,758	5.96x
2037	21,586,553	16,837,717	4,748,836			269,350	278,825		548,175	8.66x
2038	21,586,553	16,837,717	4,748,836			266,775	280,600		547,375	8.68x
2039	21,586,553	16,837,717	4,748,836			268,975	277,113		546,088	8.70x
2040	21,586,553	16,837,717	4,748,836				278,363		278,363	17.06x
2041	21,586,553	16,837,717	4,748,836				279,263		279,263	17.00x
2042	21,586,553	16,837,717	4,748,836				279,813		279,813	16.97x
Totals					\$ 21,093,984	\$ 4,979,883	\$ 5,351,787	\$ 5,588,959	\$ 37,014,613	

(1) Does not include depreciation or any other 'noncash' items.

Water and Wastewater Utilities

	Fiscal Year Ended September 30,				
	2015	2014	2013	2012	2011
<u>Operating Revenues</u>					
Water Revenue	\$ 14,942,388	\$ 14,637,240	\$ 14,528,008	\$ 14,702,250	\$ 15,878,101
Sewer Revenue	6,252,768	6,562,164	5,712,526	5,359,173	5,184,258
Drainage Revenue	-	-	-	-	-
Recreation/Aquatic Fee Revenue	-	-	-	-	-
Tap and Connection Fees	130,650	187,920	117,955	71,262	77,178
Intergovernmental	157,359	159,177	159,893	183,667	321,934
Miscellaneous revenues	38,736	31,640	39,751	36,924	45,709
Total Operating Revenue	\$ 21,521,901	\$ 21,578,141	\$ 20,558,133	\$ 20,353,276	\$ 21,507,180
<u>Operating Expenses</u>					
Personnel services	\$ 2,993,369	\$ 2,972,306	\$ 2,839,219	\$ 2,725,478	\$ 2,769,357
Supplies and Maintenance	1,269,402	853,924	865,766	723,182	618,029
Services and other	863,390	737,444	946,492	11,830	885,218
Wholesale water purchases	8,768,317	7,536,047	6,479,095	7,147,763	7,377,420
Wastewater services contracted	2,943,239	2,765,329	2,203,656	2,158,030	2,025,236
Depreciation and Amortization	2,951,243	2,951,323	2,993,190	3,209,728	2,861,947
Total Operating Expense	\$ 19,788,960	\$ 17,816,373	\$ 16,327,418	\$ 15,976,011	\$ 16,537,207
<u>Operating Income (Loss)</u>	\$ 1,732,941	\$ 3,761,768	\$ 4,230,715	\$ 4,377,265	\$ 4,969,973
<u>Non-Operating Revenues (Expenses)</u>					
Interest and Investment Revenues	\$ 64,652	\$ 90,482	\$ 87,119	\$ 103,818	\$ 116,870
Gain (loss) on disposal of assets	66,294	7,850	18,986	893	(320,655)
Interest expense	(571,767)	(688,184)	(774,448)	(781,941)	(949,231)
Total non-operating revenues (expenses)	(440,821)	(589,852)	(668,343)	(677,230)	(1,153,016)
<u>Income (Loss) Before Contributions and Transfers</u>	\$ 1,292,120	\$ 3,171,916	\$ 3,562,372	\$ 3,700,035	\$ 3,816,957
Capital Contributions	\$ 857,895	\$ 2,625,415	\$ 698,186	\$ 264,498	\$ 2,222,014
Transfers in	75,000	70,000	65,000	50,000	40,000
Transfers out	(3,188,285)	(3,699,248)	(3,839,385)	(3,406,345)	(3,715,793)
Change in Net Position	\$ (963,270)	\$ 2,168,083	\$ 486,173	\$ 608,188	\$ 2,363,178

Mark Mathews, Mayor  
Debbie Bryan, Place 1 Armin Mizani, Place 2 Tom Cawthra, Place 3 Bill Dodge, Place 4  
Bill Hodnett, Place 5 Rick Barnes, Mayor Pro Tem  
Mark Hafner, City Manager Aaron Rector, Director of Finance



# Comprehensive Annual Financial Report

Fiscal Year Ending Sept. 30, 2015

*Big-City Comforts, Small-Town Charm*







# **CITY OF KELLER, TEXAS**

**Comprehensive Annual  
Financial Report**

**For Fiscal Year Ended  
September 30, 2015**

**CITY OF KELLER, TEXAS**

*COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2015*

Prepared by the  
CITY OF KELLER  
FINANCE DEPARTMENT

CITY COUNCIL

Mark Matthews, Mayor

Rick Barnes, Mayor Pro-Tem

Debbie Bryan  
Armin Mizani  
Tom Cawthra  
Bill Dodge  
Bill Hodnett

CITY MANAGER

Mark Hafner

DIRECTOR OF FINANCE

Aaron M. Rector

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

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# INTRODUCTORY SECTION







April 21, 2016

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, 2015, 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.

Pattillo, Brown, & Hill, L.L.P., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City's financial statements for the fiscal year ended September 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

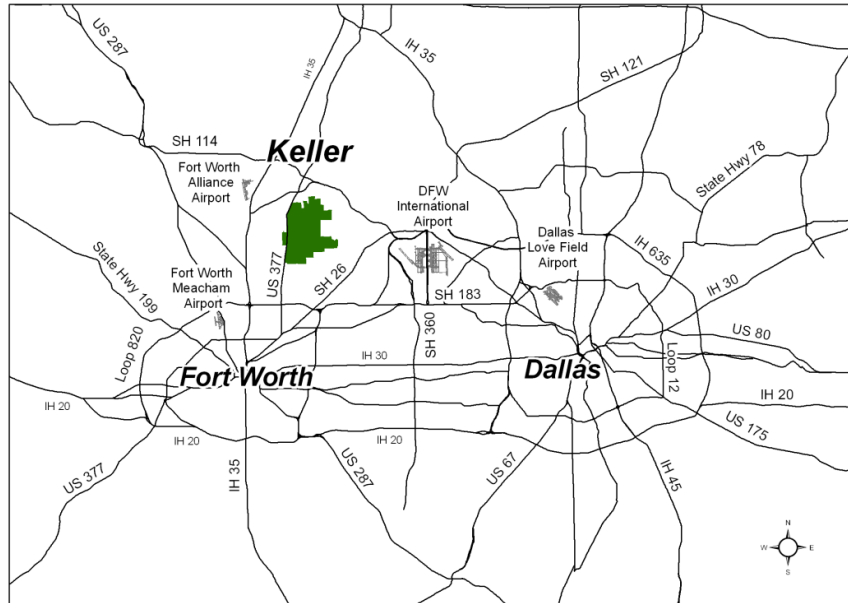
The comprehensive annual financial report (CAFR) is organized in three sections: *Introductory, Financial and Statistical*. Included in the *Financial* section is the Management's Discussion and Analysis (MD&A), which provides users a narrative introduction, overview and analysis of the basic financial 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 2017). City Council members, places 1 and 2, were elected in 2012 (terms expire May 2015), and Council places 3 and 4 were elected in 2013 (terms expire May 2016). Under the provisions of the City Charter, and subject only to the limitations imposed by the Texas Constitution, State law and the City Charter, the City Council enacts local legislation, adopts the annual operating budget and sets policy. The City Manager, appointed by the City Council, is responsible to the Council for proper administration of the City's daily affairs and appointment of heads of the various departments.

The City of Keller enjoys renown for being a good place to live and work, delivering big-city comforts with small-town charm. Keller has been named to CNN/Money Magazine's biennial listing of "Top 100 Places to Live — America's Best Small Towns" three times since 2007. Recent awards have included spots in The Dallas Morning News' "Top 10 Neighborhoods" and D Magazine's "Best Suburbs" rankings, mentions in ZoomTens' "Best Cities in America to Raise a Family" and Nerd Wallet's "Best Places for Young Families in Texas" lists, recognition as one of the Top 10 Safest Places in Texas by real estate website Movoto, certification as a Gold-level Scenic City by the Scenic Texas organization and more.

Some of the items that contributed to these rankings include our extremely low crime rate, an excellent park and trail system, diverse and affordable housing opportunities, and an overall high quality of life. This ranking is a reflection of the dynamic community that Keller is becoming and its premier location in the heart of the DFW Metroplex. Keller is approximately midway between the Dallas/Fort Worth International and Alliance airports, both major employers for our community. The city is traversed by several major traffic corridors, including US Highway 377 (US 377) and Farm-to-Market Road 1709 (FM 1709). The city's quality school system, high residential growth rate, business-friendly atmosphere and low taxes make Keller an inviting destination for new commercial development projects.



The City of Keller is located in Northeast Tarrant County, Texas, approximately 10 miles north of Fort Worth on US 377, and 25 miles northwest of downtown Dallas. It is part of the 12-county "Metroplex" of North Central Texas, which includes the cities of Fort Worth and Dallas as well as surrounding communities, with an estimated population in the 12 county MPA exceeding 6.8 million in January 2015. 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 21,682 in December 2015, compared to a total civilian labor force for Tarrant County of 996,134. Keller's unemployment rate in January 2016 was 3%, compared to the Tarrant County rate of 3.7%, a statewide rate of 4.2% and a nationwide rate of 4.8%. The unemployment rates for Keller and Tarrant County are not seasonally adjusted.

The City continues to experience an increase in population. Official Census reported population figures of 27,345 for 2000 and 39,627 for 2010. The January 2015 population estimate was

42,890, representing an increase of 15,545 (56.8%) since the 2000 Census. The following table presents Keller's official Census population since 1970, as well as the current year estimated population.

	Population	Increase (Decrease)	Percent Change
1970 Census	1,474	NA	NA
1980 Census	4,156	2,682	182.0%
1990 Census	13,683	9,527	229.2%
2000 Census	27,345	13,662	99.8%
2010 Census	39,627	12,282	44.9%
2015 Estimate	42,890	3,263	8.2%

Since 1970, the total population increase has exceeded 41,416. 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 2015 is anticipated to be 1,905,750, an increase of 21,130 or 1.1% over 2014.

Another factor in measuring the local economy is its overall real market value. Since 2000, the market value of property within Keller has more than doubled. Most of the increase has been the result of new residential development. Market values provide a better indication of new development than do taxable values, since taxable values are derived after deducting the various allowable exemptions. Market values provide the total estimated actual (market) values of all properties within the City. For Keller, this growth trend moderated in recent years. The following table provides the total market values of the City of Keller since 2005.

Year Ended September 30	Market Value (000's)	Percent Change
2005	\$ 2,939,038.3	6.3%
2006	3,187,969.2	8.5
2007	3,496,065.1	9.7
2008	3,860,670.4	10.4
2009	4,184,988.6	8.4
2010	4,348,033.1	3.9
2011	4,312,624.5	(0.8)
2012	4,384,679.0	1.7
2013	4,497,066.1	2.6
2014	4,658,547.1	3.6
2015	5,179,448.1	11.2

As shown, the rates of change in the City's total market value are now improving, evidenced with a 11.2 percent increase in 2015 over prior year. The rates of increase in taxable values can impact the City's general fund operations significantly, since property tax revenues comprise approximately 45.7% of the total revenues for the General Fund. City management continuously monitors local economic trends in order to maintain adequate fund balance reserve levels and to meet policy targets.

The City is approximately 85% developed and continues to grow primarily as a residential community. Most residents are employed by major companies located within a 15-mile radius of the City. Several manufacturing firms are located in the Keller area, as well as a variety of commercial establishments, medical facilities, restaurants, retail shops and grocery stores. The City continues to encourage quality commercial growth, which will benefit the entire community.

The value of new construction is included in both market and net taxable values. The net taxable value of new construction for calendar year 2014 (fiscal year 2015) was \$180.8 million, compared to \$78.3 million for calendar year 2013 (fiscal year 2014).

The net assessed taxable value for calendar year 2014 (fiscal year 2015) increased slightly by 6.8%, compared to an increase of 3.8% in calendar year 2013 (fiscal year 2014). 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 2014 and 2015 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 2015 represent the largest calendar year amount in the City's history, with collections totaling more than \$10.7 million; up from 2014 collections totaling \$8.7 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 2014-15 through 2018-19 was developed by City staff and reviewed and adopted by the City Council as a part of the fiscal year 2014-15 budget. The total five-year program for FY 2015 identified \$27.8 million of proposed improvements. Additionally, \$119 million of improvements were also identified in out-years (beyond five years).

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

### **Relevant Financial Policies**

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

The unassigned fund balance in the General Fund (representing 107 days of total General Fund expenditures) currently exceeds the requirements of the City's Financial Management Policies adopted by the City Council for budgetary and planning purposes (i.e., 70 days of General Fund

expenditures). In addition to providing financial stability and sustainability during difficult economic times, the City may use available fund balance reserves as a means to fund one-time, non-recurring projects or expenditures.

In December 2008, the City Council adopted a Financial Management Contingency Plan. The primary purpose of the Plan is to guide planning efforts for City management and is intended to assist in budget balancing strategies during periods of economic uncertainty. During fiscal year 2014-15, 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. The required unassigned fund balance of 70 days of expenditures remained unchanged.

### **Major Initiatives**

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

During 2014-15, \$4,586,630 of one-time expenditures were appropriated from fund balance in the General Fund for the following purposes: 1) economic development incentives \$1,000,000, 2) economic development incentives due developers \$300,000, 3) vehicle and equipment replacement \$386,630, 4) Keller Town Center core commercial viability enhancements \$100,000, 5) Old Town Keller West improvements \$1,500,000, 6) transfer to the fleet replacement fund Phase II \$300,000, 7) transfer to the debt service fund for possible debt retirement \$1,000,000.

### **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. At year-end, encumbrances remaining are re-appropriated in the subsequent year.

Near the end of each fiscal year, as the budget for the ensuing fiscal year is being considered and adopted, the City Council traditionally adopts a current year revised budget by ordinance. Although not required by City Charter or policy, this revised budget presents a more accurate picture of the City's financial position at the end of the current year than does the original adopted budget. For the fiscal year that ended September 30, 2015, a revised budget was approved and adopted by the City Council on September 15, 2015. The revised budget amounts are used throughout this report, where applicable, in the budget to actual comparisons. The report provides comparative information on the original adopted and revised budget where applicable.

Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as required supplementary information. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the major and non-major governmental fund sections of this report. All applicable financial targets were met or exceeded. Additional information regarding the annual budget is provided in the MD&A. For fiscal year 2015-2016, the City adopted a tax rate of \$0.43469 per \$100 of taxable value, a slight decrease from the previous year's rate of \$0.43719 per \$100 of taxable value.

### **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 Finance Director and the Mayor. 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, 2014; a reproduction of the certificate accompanies this report.

The City has received a Certificate of Achievement for twenty-six (26) consecutive fiscal years (FY1989 through FY2014). 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 2014 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 (19) consecutive fiscal years (FY1997 through FY2014). 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 Pattillo, Brown & Hill, Certified Public Accountants, for their dedicated assistance in producing this report.

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



Mark Hafner  
City Manager



Pamela McGee  
Finance/Purchasing Manager



Government Finance Officers Association

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

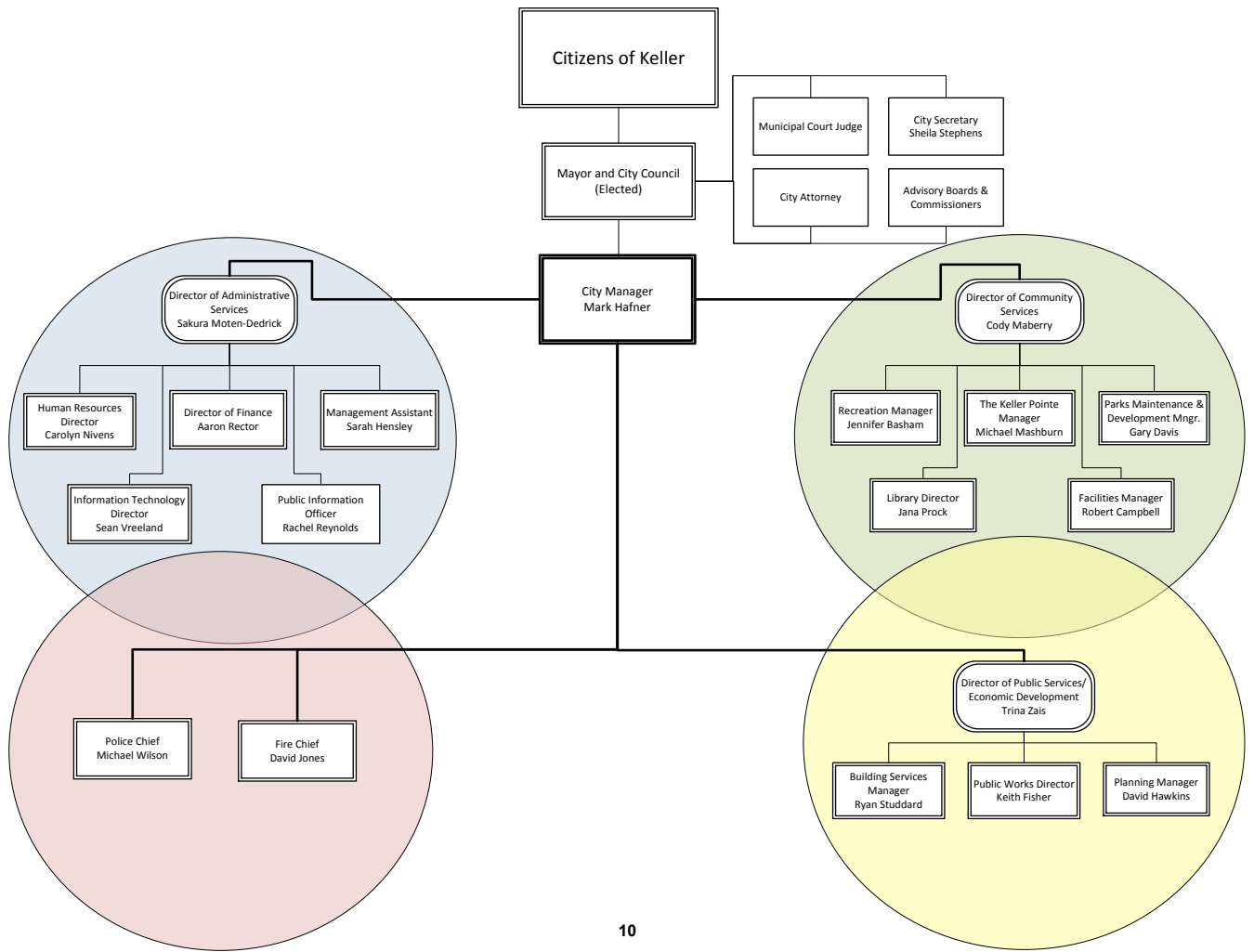
Presented to

**City of Keller  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2014**

Executive Director/CEO



# CITY OF KELLER, TEXAS

## PRINCIPAL OFFICIALS

SEPTEMBER 30, 2015

<u>Name</u>	<u>Title</u>
<b><u>Elected Officials:</u></b>	
Mark Matthews	Mayor
Debbie Bryan	Council Member, Place 1
Armin Mizani	Council Member, Place 2
Tom Cawthra	Council Member, Place 3
Bill Dodge	Council Member, Place 4
Bill Hodnett	Council Member, Place 5
Rick Barnes	Council Member, Place 6 and Mayor Pro Tem
<b><u>Appointed Officials:</u></b>	
Mark Hafner	City Manager
Sakura Moten-Dedrick	Director of Administrative Services
Trina Zais	Director of Public Services
Keith Fisher, P.E.	Director of Public Works
David Jones	Fire Chief
Michael Wilson	Police Chief
Cody Maberry	Director of Community Services
Sean Vreeland	Director of Information Services
Carolyn J. Nivens	Director of Human Resources
Aaron M. Rector	Director of Finance
Jana Prock	Library Director
Sheila Stephens	City Secretary
<b><u>Other Appointed Officials:</u></b>	
Boyle and Lowry, L.L.P.	City Attorney
First Southwest Company	Financial Advisors
Valley View Consulting, L.L.C.	Investment Advisors
McCall, Parkhurst & Horton, L.L.P.	Bond Counsel

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# FINANCIAL SECTION





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

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Keller, Texas' basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



### ***Change in Accounting Principle***

As discussed in Note I to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Account Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Governmental Account Standards (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### ***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, schedule of changes in net pension liability and related ratios and schedule of contributions on pages 19 – 29 and 74 – 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The combining and individual nonmajor fund financial statements and schedules the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 April 21, 2016, on our consideration of the City of Keller, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Keller, Texas' internal control over financial reporting and compliance.

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

Waco, Texas  
April 21, 2016

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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the City of Keller, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Keller exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2015, by \$206,540,285 (net position). Of this amount, \$19,320,025 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$5,528,247, or 2.80% for the year ended September 30, 2015. The net position of governmental activities increased \$6,483,818, or approximately 5.46%. This increase in net position resulted in part from an increase in total revenues. The total net position of business-type activities decreased by \$955,571, or 1.16%. The decrease was largely due to a decrease in capital grants and contributions of \$3,734,088.
- As of September 30, 2015, the City's governmental funds reported combined ending fund balances of \$43,631,865. Approximately 22.74% of this total amount, \$9,923,578, is unassigned and available for use within the City's designation and policies. Restrictions for (1) general government, \$149,678; (2) debt service, \$1,382,935; (3) capital acquisition and construction, \$15,784,265; (4) recreation and leisure, \$25,732; and (5) public safety, \$3,496,240, total \$20,838,850, and represent 47.76% of the total fund balance.
- Total cost of all the City's programs was \$68,642,290 in 2015, compared to \$58,644,050 in 2014.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$9,923,578, or 32.39% of total expenditures. This represents an increase of \$3,793,616, or 23.22% from the prior fiscal year due in part to determined efforts by the department to closely monitor expenditures throughout the year, combined with the transfer of some major capital improvement projects to fiscal year 2014-2015.
- The City's total bonded debt outstanding (excluding bond premiums and discounts) increased by \$5,024,285, or 5.53% during the current fiscal year, primarily the result of debt issued and the increase in the TMRS liability.
- As a result of adopting new accounting guidance for pensions, Governmental Accounting Standards (GASB) Statement No.68, the City's beginning net position decreased by \$8,975,205.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

## Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

- **Governmental activities** – These are functions such as public safety, public works, community development, general government, and recreation and leisure, including the Keller Public Library, and interest and fiscal charges that are principally supported by taxes and intergovernmental revenue.
- **Business-type activities** – These functions are intended to recover all or a significant portion of their costs through user fees and charges. Business-type activities of the City include water and sewer utilities, and drainage utility operations, and the recreation/aquatic center.

The government wide financial statements can be found on pages 33 – 35 of this report.

## Fund Financial Statements

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

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Enterprise Fund financial statements provide separate information for the Water and Sewer Utilities, Drainage Utility, and Recreation/ Aquatic Center Funds, since all are considered major funds of the City.

The City's basic proprietary fund financial statements can be found on pages 42 – 45 of this report.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements on pages 47 – 71 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Keller's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 74 – 78. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Keller, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$206,540,285 as of September 30, 2015.

The largest portion of the City's net position, \$157 million, or 75.86%, reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$31 million, or 14.78%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$19 million, 9.35%, may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities total assets increased by \$2,480,395, or 1.25% during fiscal year 2015. The increase in total assets of governmental activities resulted primarily from an increase in cash and investments, combined with a slight decrease in total capital assets. The decrease in net capital assets of \$6,268,635, (3.92%) is net of accumulated depreciation, a non-cash expense. During the year, total capital assets decreased primarily due to increased depreciation. Total liabilities of governmental activities increased \$4,475,066, or 6.05%. Non-current governmental activities' liabilities increased by \$4,539,982, or 6.42%. The increase in liabilities of governmental activities is primarily due to the issuance of debt and TMRS liability.



Business-type activity total assets decreased by \$1,218,731, or 1.12%. Total current assets decreased \$407,580, or 1.31%, while total capital assets decreased \$811,151, 1.04%, respectively. Net position of business-type activities decreased \$2,589,530, (3.08%). The decrease in current and other assets is primarily due to decreases in cash assets. The total liabilities for business-type activities increased \$1,701,806, 6.72%, primarily due to an increase in non-current liabilities (outstanding long-term debt).

The following table reflects the condensed Statement of Net Position:

**CITY OF KELLER'S NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 47,390,883	\$ 38,641,853	\$ 30,672,072	\$ 31,079,652	\$ 78,062,955	\$ 69,721,505
Capital assets	<u>153,559,499</u>	<u>159,828,134</u>	<u>77,259,883</u>	<u>78,071,034</u>	<u>230,819,382</u>	<u>237,899,168</u>
Total assets	<u>200,950,382</u>	<u>198,469,987</u>	<u>107,931,955</u>	<u>109,150,686</u>	<u>308,882,337</u>	<u>307,620,673</u>
Total deferred outflows of resources	<u>3,381,247</u>	<u>1,551,287</u>	<u>619,160</u>	<u>156,697</u>	<u>4,000,407</u>	<u>1,707,984</u>
Long-term liabilities	75,250,965	70,710,983	20,584,927	20,100,624	95,835,892	90,811,607
Other liabilities	<u>3,242,462</u>	<u>3,307,378</u>	<u>6,439,932</u>	<u>5,222,429</u>	<u>9,682,394</u>	<u>8,529,807</u>
Total liabilities	<u>78,493,427</u>	<u>74,018,361</u>	<u>27,024,859</u>	<u>25,323,053</u>	<u>105,518,286</u>	<u>99,341,414</u>
Total deferred inflows of resources	<u>692,717</u>	<u>-</u>	<u>131,456</u>	<u>-</u>	<u>824,173</u>	<u>-</u>
Net position:						
Net investment, in capital assets	94,005,152	96,268,556	62,680,465	58,172,320	156,685,617	154,440,876
Restricted	29,365,446	22,061,750	1,169,197	7,781,518	30,534,643	29,843,268
Unrestricted	<u>1,774,887</u>	<u>7,672,607</u>	<u>17,545,138</u>	<u>18,030,492</u>	<u>19,320,025</u>	<u>25,703,099</u>
Total net position	<u>\$ 125,145,485</u>	<u>\$ 126,002,913</u>	<u>\$ 81,394,800</u>	<u>\$ 83,984,330</u>	<u>\$ 206,540,285</u>	<u>\$ 209,987,243</u>

**Analysis of the City's Operations** – The following table provides a summary of the City's operations for year ended September 30, 2015. Overall the City had an increase in net position of \$5,528,247.

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

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,961,205	\$ 5,886,557	\$ 26,076,198	\$ 26,145,587	\$ 31,037,403	\$ 32,032,144
Operating grants and contributions	3,373,672	3,590,362	-	-	3,373,672	3,590,362
Capital grants and contributions	285,924	251,533	1,243,665	4,977,753	1,529,589	5,229,286
General revenues:						
Ad valorem taxes	22,777,252	21,526,556	-	-	22,777,252	21,526,556
Sales taxes	10,660,047	9,817,716	-	-	10,660,047	9,817,716
Other taxes	3,614,430	3,286,220	-	-	3,614,430	3,286,220
Investment earnings	861,938	180,677	80,990	121,260	942,928	301,937
Miscellaneous	164,711	240,932	54,614	42,688	219,325	283,620
Gain (loss) on sale of capital assets	15,891	98,274	-	-	15,891	98,274
<b>Total revenues</b>	<b>46,715,070</b>	<b>44,878,827</b>	<b>27,455,467</b>	<b>31,287,288</b>	<b>74,170,537</b>	<b>76,166,115</b>
<b>Expenses:</b>						
General government	9,224,860	7,011,362	-	-	9,224,860	7,011,362
Public safety	20,941,821	16,756,956	-	-	20,941,821	16,756,956
Public works	3,138,376	2,490,468	-	-	3,138,376	2,490,468
Community development	1,870,887	1,357,417	-	-	1,870,887	1,357,417
Recreation and leisure	5,855,468	4,938,515	-	-	5,855,468	4,938,515
Interest on long-term debt	2,542,830	2,882,936	-	-	2,542,830	2,882,936
Water and sewer	-	-	20,294,433	18,496,707	20,294,433	18,496,707
Drainage utility	-	-	2,172,976	2,040,218	2,172,976	2,040,218
Recreation/aquatic center	-	-	2,600,639	2,669,471	2,600,639	2,669,471
<b>Total expenses</b>	<b>43,574,242</b>	<b>35,437,654</b>	<b>25,068,048</b>	<b>23,206,396</b>	<b>68,642,290</b>	<b>58,644,050</b>
Increases in net position before transfers	3,140,828	9,441,173	2,387,419	8,080,892	5,528,247	17,522,065
Transfers	3,342,990	3,826,555	( 3,342,990)	( 3,826,555)	-	-
<b>Change in net position</b>	<b>6,483,818</b>	<b>13,267,728</b>	<b>( 955,571)</b>	<b>4,254,337</b>	<b>5,528,247</b>	<b>17,522,065</b>
Net position, beginning	126,002,913	113,644,658	83,984,330	80,014,050	209,987,243	193,658,708
Prior period adjustment	( 7,341,246)	( 909,473)	( 1,633,959)	( 284,057)	( 8,975,205)	( 1,193,530)
Net position, beginning as restated	118,661,667	112,735,185	82,350,371	79,729,993	201,012,038	192,465,178
<b>Net position, ending</b>	<b>\$ 125,145,485</b>	<b>\$ 126,002,913</b>	<b>\$ 81,394,800</b>	<b>\$ 83,984,330</b>	<b>\$ 206,540,285</b>	<b>\$ 209,987,243</b>

**Government Activities**

Government activities increased the City's net position by \$6,483,818, or 5.46% from the prior year. Total governmental revenues increased \$1,836,243, 4.09%. Major increases in revenues were capital grants and contributions of \$34,391, ad valorem (property) taxes of \$1,250,696 and sales taxes of \$842,331.

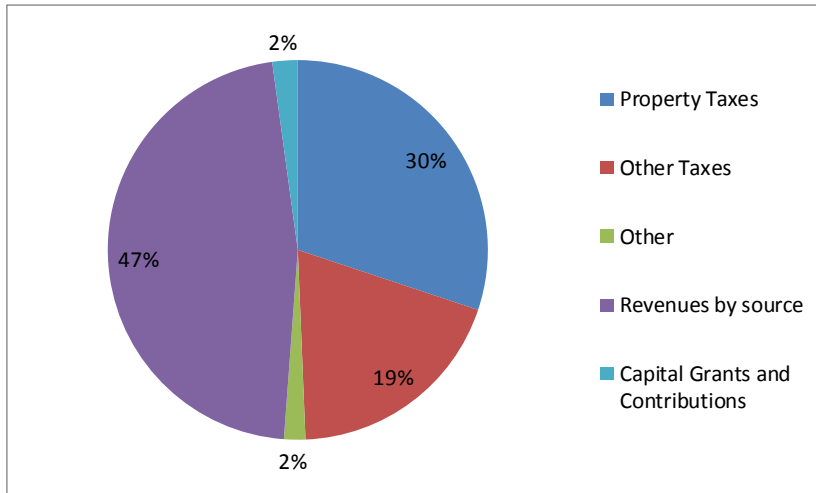
Total governmental expenses increased by \$8,136,588, 22.96%. The largest change in expenses was an increase of \$4,184,865, or 24.97% in public safety expenses. General government expenses increased \$2,213,498, or 31.57%. Public works expenses increased \$647,908, or 26.02%.

**Business-type Activities**

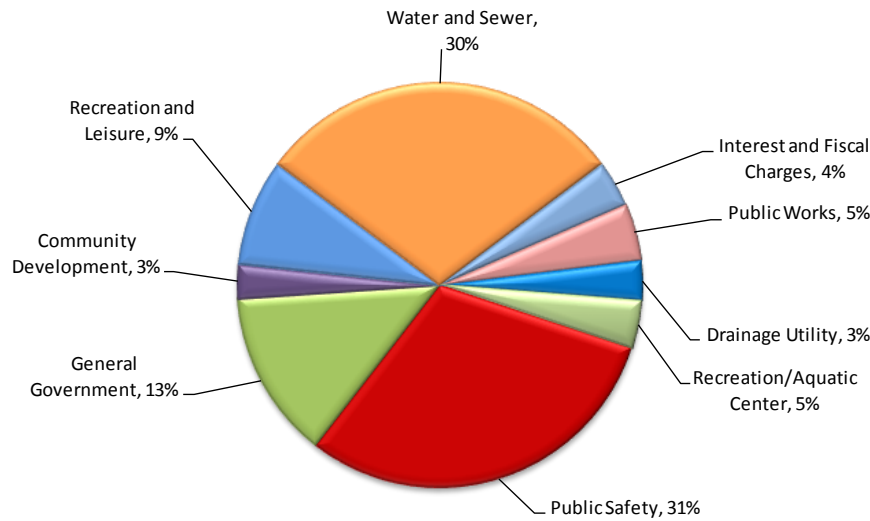
Net position from business-type activities decreased by \$955,571, or (1.16%). Total expenses increased by \$1,861,652, or (8.02%). Total revenues decreased \$3,831,821, (12.25%). Capital grants and contributions from developers decreased \$3,734,088, or 75.02% due a decrease of new development concurring within the City. Charges for services decreased \$69,389, or 0.27% primarily due to a decrease in demand for water usage.

The following table provides a summary of the City's operations for the year ended September 30, 2015:

**Total Revenues \$74,170,537**



**Total Expenses \$68,642,290**



**FINANCIAL ANALYSIS OF THE CITY’S FUNDS**

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

**Governmental Funds**

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

At the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$43,631,865, an increase of \$8,755,031, or 25% in comparison with the prior year. Approximately 47.76%, or \$20,838,850 of this total fund balance is restricted to indicate that it is not available for new spending because it has already been committed to: 1) general government, \$149,678; 2) debt service, \$1,382,935; 3) to pay for capital acquisition and construction, \$15,784,265; 4) recreation and leisure, \$25,732; and 5) for public safety, \$3,496,240. Approximately 22.74% of the total amount, \$9,923,578, constitutes unassigned fund balance, which is available for appropriation by the City Council. A portion of this unassigned fund balance, while not legally obligated, could be used for future one-time, non-recurring expenses, or capital projects.

In the General Fund, the City budgeted for a fund balance increase in the current year of \$692,084. One of the City’s financial policies requires that the City maintain an unassigned fund balance equal 70 days of operating expenditures. The actual unassigned fund balance exceeds this benchmark. Because overall actual revenues exceeded the final budget revenues, combined with actual expenditures less than final budget expenditures, the actual fund balance increased by \$3,793,616 from the final budget estimate. Total expenditures were under the final budget by \$2,524,830. This resulted in positive total actual expenditure variances from the final budget. The most significant variances were \$553,467 for capital outlay and \$614,450 for public safety. Capital outlay was below budgeted expenditures primarily because several public works projects were begun late in the fiscal year and as a result the actual capital expenditures will occur in fiscal year 2015-2016. Public safety expenditures were below budgeted expenditures due to determined efforts by the department to closely monitor expenditures throughout the year. The most significant positive revenue variance was intergovernmental \$198,622. The only negative revenue variance was permits, licenses and fees (-\$5,877). The amount of excess fund balance exceeding the fiscal year 2015 budget will be addressed during fiscal year 2015-2016 budget deliberations.

The Crime Control Prevention District Fund balance increased by \$384,445 in 2015 primarily due to a decrease in expenditures

The Debt Service fund balance decreased by \$343,277 in 2015 primarily due to a planned (budgeted) decrease in the fund balance. In fiscal year 2014-15, the City issued additional debt.

### **Enterprise Funds**

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

Total unrestricted net position of Enterprise Funds were \$17,545,138. Unrestricted net position of the respective major funds are: Water and Wastewater, \$13,870,182; and Drainage Utility, \$2,618,925. The Water and Wastewater operations had a decrease in net position of \$963,270, or 1.46%, while the Drainage Utility had an decrease in net position of \$370,673, or 2.36%. The decrease in net position of the Water and Wastewater and Drainage Utility resulted primarily from the TMRS net pension liability.

### **General Fund Budgetary Highlights**

In fiscal year 2015, the City Council approved revisions to the original budget appropriations. Although not required by official City policy or Charter, the annual budget is traditionally amended by the City Council toward the end of the fiscal year, in conjunction with the review and adoption of the subsequent year's budget. During the current year review process, all revenue sources and line-item expenditures are reviewed and adjusted to account for increases and/or decreases occurring during the year. As a result, a revised (final) budget, which reflects the recommended changes made to the original adopted budget, is usually adopted each September. The revised budget amounts are used throughout this report as the amended adopted (final) budget.

Significant budget changes were:

- The original General Fund adopted budget included a net increase of \$701,084 in fund balance, while the final budget reflected an increase of \$692,084 in fund balance, a difference of \$9,000.
- Total final budgeted expenditures (including transfers out) increased by \$9,000 over the original budget.

Significant budget variances:

- Total actual revenues and transfers in exceeded the final budgeted amounts by \$605,484, or 1.77%. The most significant favorable revenue variances were intergovernmental revenue \$198,622, charges for services \$111,968, and fines and forfeitures \$111,968.

In total, actual expenditures were less than budgeted by \$2,524,830. Capital outlay expenditures were below budgeted expenditures because several capital projects were either incomplete at the end of the year, or were transferred to fiscal year 2015-2016. Determined efforts by department managers to closely monitor expenditures throughout the year resulted in positive total actual expenditure variance from the final budget. All departments completed the year with lower actual expenditures compared to the final budget, with total expenditures (including transfers out) approximately 92.6 percent of the final budget amount.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$230,819,382 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, improvements other than buildings, and construction in progress. The total decrease in the City's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$7,079,786, or 2.98% (a 3.92% decrease in capital assets for governmental activities and 1.04% decrease in capital assets for business-type activities, respectively).

Capital grants and contributions primarily from developers, for fiscal year 2015, were \$1,243,665, a decrease of \$3,734,088, or 75.02% from the prior year.

Major capital asset events budgeted during 2014-2015 fiscal year included the following:

- Park improvements/ land acquisition \$385,765
- Street improvements \$1,815,500
- Curb & gutter improvements \$80,000
- Sidewalk improvements \$30,000
- Fleet replacement – water utility, \$25,400
- Fleet replacement – wastewater utility, \$362,500, sewer camera van and related equipment
- Fleet replacement – drainage utility, \$171,100, tandem dump truck, work truck
- Mount Gilead Road Greenwalk Trail, \$480,000 grant funding, plus \$120,000 city matching funds

The five-year capital improvements program (CIP) summary for fiscal years 2015-16 through 2019-20 was provided in the fiscal year 2015-16 budget document. The CIP identifies the estimated costs of proposed future capital projects, and the anticipated method of funding for each project.

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

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 33,954,758	\$ 34,016,592	\$ 1,535,270	\$ 1,502,301	\$ 35,490,028	\$ 35,518,893
Buildings	42,493,053	36,700,640	-	-	42,493,053	36,700,640
Equipment	6,498,816	7,028,286	478,896	549,689	6,977,712	7,577,975
Improvements	68,634,581	73,082,284	66,775,871	69,426,319	135,410,452	142,508,603
Capacity rights	-	-	2,440,947	2,597,989	2,440,947	2,597,989
Construction in progress	1,978,291	9,000,332	6,028,899	3,994,736	8,007,190	12,995,068
Total capital assets	<u>\$ 153,559,499</u>	<u>\$ 159,828,134</u>	<u>\$ 77,259,883</u>	<u>\$ 78,071,034</u>	<u>\$ 230,819,382</u>	<u>\$ 237,899,168</u>

Additional information regarding the City's capital assets can be found in Note IV on pages 59 – 60 of this report.

**Long-term Debt**

At September 30, 2015, the City of Keller had total long-term debt outstanding of \$91,118,973. Of this amount, \$61,124,840 represents bonds secured by the full faith and credit of the City, and \$17,524,160 represents bonds secured solely by self-supporting activities, i.e., the water and sewer revenues. Total outstanding debt of governmental activities decreased -\$1,379,237 (-1.89%), while total outstanding debt of business-type activities decreased -\$1,331,509 (-6.41%).

**City of Keller's Outstanding Debt**

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligations	\$ 17,231,728	\$ 19,970,000	\$ 10,759,160	\$ 14,480,000	\$ 27,990,888	\$ 34,450,000
Certificates of obligation	43,893,112	45,353,000	6,765,000	4,624,000	50,658,112	49,977,000
OPEB liability	480,694	397,514	-	-	480,694	397,514
TMRS net pension obligation	10,076,989	7,341,246	1,912,290	1,663,959	11,989,279	9,005,205
	<u>\$ 71,682,523</u>	<u>\$ 73,061,760</u>	<u>\$ 19,436,450</u>	<u>\$ 20,767,959</u>	<u>\$ 91,118,973</u>	<u>\$ 93,829,719</u>

As of September 30, 2015, of the \$61,124,840 in outstanding debt of governmental activities backed by the full faith and credit of the City, approximately 43.14%, or \$26,369,112 is self-supported debt from the following sources:

Keller Tax Increment Reinvestment Zone No. 1, \$13,195,000; and  
Keller Development Corporation, \$13,174,112.

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

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

	<u>Investors Service</u>	<u>&amp; Poor's</u>
General obligation bonds (tax supported)	Aa1	AA
Certificates of obligation (tax supported)	Aa1	AA

In December 2014 (the city's most recent rating analysis), these ratings were confirmed by the respective rating agencies.

Additional information on the City of Keller's long-term debt can be found in Note IV on pages 61 – 64 of this report.

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

In the fiscal year 2015-16 budget, general fund budgeted revenues (including transfers in) were budgeted to decrease by \$196,683 (0.58%) from the revised (final) 2014-15 budget, with general property taxes comprising about 45.8% of General Fund budgeted revenues and transfers in. Certified taxable assessed valuations (after adjustments) increased 3.02% over the prior year, compared to an increase of 4.25% last year. A small increase of 3.0% was projected for sales tax receipts in fiscal year 2015-16 because sales tax receipts have been on an increasing trend since 2011.

Conservative revenue projections, combined with an effort to maintain ending fund balances as required by the city's financial policies, resulted in an increase in the general fund projected ending unassigned fund balance at September 30, 2016. Expenditures for the 2015-16 adopted budget represents an increase of \$304,072, or 0.73% from the 2014-2015 original adopted budget (including one-time expenditures from fund balance for both years). The adopted budget maintains the required ending unassigned fund balance at September 30, 2016 of 70 days of operating expenditures (actual 88.4). The City's FY 2015-16 adopted property tax rate per \$100 in property value of \$0.43469 is a decrease from the prior year's tax rate of \$0.43719. This was possible because the City's conservative budget planning projects an ending unassigned fund balance exceeding the target unassigned fund balance. Including the one-time, non-recurring expenditures the projected unassigned fund balance for the General Fund exceeds the targeted fund balance by approximately 18 days of operations.

The City is able to maintain its financial position because of having a stable tax and retail base, as well as a competitive tax rate. The City's property tax rate for fiscal year 2015-2016 ranks as the third lowest among neighboring Tarrant County area cities.

## **REQUESTS FOR INFORMATION**

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



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**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF KELLER, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 271,549	\$ 16,077	\$ 287,626
Investments	45,286,292	12,366,691	57,652,983
Receivables	4,061,807	5,473,039	9,534,846
Due from other governmental agencies	95,665	-	95,665
Internal balances	( 2,451,892)	2,451,892	-
Inventories	101,184	295,700	396,884
Prepaid items	26,278	268,023	294,301
Restricted assets:			
Investments	-	9,800,650	9,800,650
Capital assets:			
Land	33,954,758	1,535,270	35,490,028
Construction in progress	1,978,291	6,028,899	8,007,190
Buildings and improvements	42,493,053	-	42,493,053
Improvements	68,634,581	-	68,634,581
Water and sewer system	-	66,775,871	66,775,871
Machinery and equipment	6,498,816	478,896	6,977,712
Capacity rights	-	2,440,947	2,440,947
Total capital assets	<u>153,559,499</u>	<u>77,259,883</u>	<u>230,819,382</u>
Total assets	<u>200,950,382</u>	<u>107,931,955</u>	<u>308,882,337</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	1,203,061	205,810	1,408,871
Deferred outflows related to pensions	2,178,186	413,350	2,591,536
Total deferred outflows of resources	<u>3,381,247</u>	<u>619,160</u>	<u>4,000,407</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	2,738,687	4,577,456	7,316,143
Unearned revenue	175,661	703,032	878,693
Accrued interest	279,996	84,945	364,941
Customer deposits	48,118	1,074,499	1,122,617
Noncurrent liabilities:			
Due within one year	7,107,462	2,463,705	9,571,167
Due in more than one year	68,143,503	18,121,222	86,264,725
Total liabilities	<u>78,493,427</u>	<u>27,024,859</u>	<u>105,518,286</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	692,717	131,456	824,173
Total deferred inflows of resources	<u>692,717</u>	<u>131,456</u>	<u>824,173</u>
<b>NET POSITION</b>			
Net investment in capital assets	94,005,152	62,680,465	156,685,617
Restricted for:			
Subsequent year appropriations	8,419,447	-	8,419,447
General government	149,678	-	149,678
Capital projects	15,784,265	1,169,197	16,953,462
Debt service	1,490,084	-	1,490,084
Recreation and leisure	25,732	-	25,732
Public safety	3,496,240	-	3,496,240
Unrestricted	1,774,887	17,545,138	19,320,025
Total net position	<u>\$ 125,145,485</u>	<u>\$ 81,394,800</u>	<u>\$ 206,540,285</u>

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

**CITY OF KELLER, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities:				
General government	\$ 9,224,860	\$ 367,463	\$ 10,709	\$ -
Public safety	20,941,821	2,191,380	2,761,463	-
Public works	3,138,376	82,024	528,271	74,388
Community development	1,870,887	1,775,456	-	-
Recreation and leisure	5,855,468	544,882	73,229	211,536
Interest and fiscal charges	2,542,830	-	-	-
Total governmental activities	<u>43,574,242</u>	<u>4,961,205</u>	<u>3,373,672</u>	<u>285,924</u>
Business-type activities:				
Water and wastewater utility	20,294,433	21,483,165	-	857,895
Drainage utility	2,172,976	1,610,683	-	385,770
Recreation/Aquatic Center	2,600,639	2,982,350	-	-
Total business-type activities	<u>25,068,048</u>	<u>26,076,198</u>	<u>-</u>	<u>1,243,665</u>
Total primary government	<u>\$ 68,642,290</u>	<u>\$ 31,037,403</u>	<u>\$ 3,373,672</u>	<u>\$ 1,529,589</u>

**General revenues:**

Taxes:
Property taxes
Sales taxes
Franchise taxes
Alcoholic beverage taxes
Investment earnings
Miscellaneous
Gain (loss) on sale of asset
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Prior period adjustment
Net position - beginning, as restated
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$( 8,846,688)	\$ -	\$( 8,846,688)
( 15,988,978)	-	( 15,988,978)
( 2,453,693)	-	( 2,453,693)
( 95,431)	-	( 95,431)
( 5,025,821)	-	( 5,025,821)
( 2,542,830)	-	( 2,542,830)
<u>( 34,953,441)</u>	<u>-</u>	<u>( 34,953,441)</u>
-	2,046,627	2,046,627
-	( 176,523)	( 176,523)
-	381,711	381,711
<u>-</u>	<u>2,251,815</u>	<u>2,251,815</u>
<u>( 34,953,441)</u>	<u>2,251,815</u>	<u>( 32,701,626)</u>
22,777,252	-	22,777,252
10,660,047	-	10,660,047
3,421,518	-	3,421,518
192,912	-	192,912
861,938	80,990	942,928
164,711	54,614	219,325
15,891	-	15,891
<u>3,342,990</u>	<u>( 3,342,990)</u>	<u>-</u>
<u>41,437,259</u>	<u>( 3,207,386)</u>	<u>38,229,873</u>
6,483,818	( 955,571)	5,528,247
<u>126,002,913</u>	<u>83,984,330</u>	<u>209,987,243</u>
( 7,341,246)	( 1,633,959)	( 8,975,205)
<u>118,661,667</u>	<u>82,350,371</u>	<u>201,012,038</u>
<u>\$ 125,145,485</u>	<u>\$ 81,394,800</u>	<u>\$ 206,540,285</u>

**CITY OF KELLER, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	<u>General Fund</u>	<u>Crime Control Prevention District</u>	<u>G.O. Debt Service</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,645	\$ -	\$ 69,761
Investments	23,053,416	3,265,876	92,702
Receivables, net of allowances for uncollectibles			
Taxes	2,040,031	207,591	119,218
Accounts	857,099	-	-
Interest	10,805	-	180
Other	15,716	-	-
Due from other funds	-	74,730	-
Due from other governments	87,574	-	-
Inventory	101,184	-	-
Prepaid items	26,278	-	-
Total assets	<u>\$ 26,211,748</u>	<u>\$ 3,548,197</u>	<u>\$ 281,861</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,123,610	\$ 48,978	\$ 750
Accrued liabilities	1,183,593	-	-
Due to other funds	2,973,203	-	-
Due to other governments	-	-	-
Unearned revenue	78,886	64,742	-
Customer deposits	48,118	-	-
Total liabilities	<u>5,407,410</u>	<u>113,720</u>	<u>750</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	264,694	-	107,149
Unavailable revenue - court fines	32,550	-	-
Unavailable revenue - ambulance	374,545	-	-
Unavailable revenue - assessments	-	-	-
Total deferred inflows of resources	<u>671,789</u>	<u>-</u>	<u>107,149</u>
<b>FUND BALANCES</b>			
Non-spendable:			
Inventory	101,184	-	-
Prepays	26,278	-	-
Restricted for:			
General government	-	-	-
Debt service	-	-	173,962
Capital acquisition and construction	-	-	-
Recreation and leisure	-	-	-
Public safety	-	3,434,477	-
Assigned for:			
Subsequent year appropriations	8,419,447	-	-
Recreation	348,120	-	-
Public information and broadcasting	508,241	-	-
Information services	649,369	-	-
Community Clean-Up	156,332	-	-
Unassigned	9,923,578	-	-
Total fund balances	<u>20,132,549</u>	<u>3,434,477</u>	<u>173,962</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,211,748</u>	<u>\$ 3,548,197</u>	<u>\$ 281,861</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 182,143	\$ 271,549
18,874,298	45,286,292
737,313	3,104,153
58,296	915,395
15,542	26,527
16	15,732
653,850	728,580
8,091	95,665
-	101,184
-	26,278
<u>\$ 20,529,549</u>	<u>\$ 50,571,355</u>
\$ 374,478	\$ 1,547,816
4,195	1,187,788
207,269	3,180,472
3,083	3,083
32,033	175,661
-	48,118
<u>621,058</u>	<u>6,142,938</u>
-	371,843
768	33,318
-	374,545
<u>16,846</u>	<u>16,846</u>
<u>17,614</u>	<u>796,552</u>
-	101,184
-	26,278
149,678	149,678
1,208,973	1,382,935
15,784,265	15,784,265
25,732	25,732
61,763	3,496,240
-	8,419,447
2,660,466	3,008,586
-	508,241
-	649,369
-	156,332
-	9,923,578
<u>19,890,877</u>	<u>43,631,865</u>
<u>\$ 20,529,549</u>	<u>\$ 50,571,355</u>



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**CITY OF KELLER, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

Total fund balance, governmental funds	\$ 43,631,865
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	153,559,499
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	796,552
Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>( 72,842,431)</u>
Net position of governmental activities in the Statement of Net Position	<u>\$ 125,145,485</u>

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

**CITY OF KELLER, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	General Fund	Crime Control Prevention District	G.O. Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property	\$ 14,872,914	\$ -	\$ 4,801,452	\$ 3,069,216	\$ 22,743,582
Sales	5,340,418	1,254,542	-	4,065,087	10,660,047
Franchise	3,421,518	-	-	-	3,421,518
Mixed beverage	192,912	-	-	-	192,912
Permits, licenses and fees	1,899,434	-	-	179,585	2,079,019
Intergovernmental	2,890,652	20,000	-	190,937	3,101,589
Charges for services	1,561,413	-	-	3,636	1,565,049
Fines and forfeitures	1,017,820	-	-	125,679	1,143,499
Special assessments and impact fees	-	-	-	576,321	576,321
Donations	42,964	-	-	65,492	108,456
Investment earnings	73,069	8,032	6,694	773,967	861,762
Miscellaneous	212,447	-	-	12,355	224,802
Total revenues	<u>31,525,561</u>	<u>1,282,574</u>	<u>4,808,146</u>	<u>9,062,275</u>	<u>46,678,556</u>
<b>EXPENDITURES</b>					
Current:					
General government	6,614,984	-	-	138,710	6,753,694
Public safety	15,042,122	120,705	-	118,261	15,281,088
Public works	2,165,626	-	-	124,224	2,289,850
Community development	1,365,628	-	-	-	1,365,628
Recreation and leisure	4,215,320	-	-	56,707	4,272,027
Capital outlay	1,238,198	259,119	-	3,294,016	4,791,333
Debt service:					
Principal	-	330,000	3,494,833	3,758,327	7,583,160
Interest and other charges	-	198,250	1,161,572	980,511	2,340,333
Total expenditures	<u>30,641,878</u>	<u>908,074</u>	<u>4,656,405</u>	<u>8,470,756</u>	<u>44,677,113</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>883,683</u>	<u>374,500</u>	<u>151,741</u>	<u>591,519</u>	<u>2,001,443</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	17,510	9,945	-	70,048	97,503
Bonds issued	-	-	5,125,000	14,455,000	19,580,000
Premium on bond issue	-	-	275,735	18,478	294,213
Payment to refunded bond escrow agent	-	-	( 5,352,396)	( 11,208,722)	( 16,561,118)
Transfers in	3,238,715	-	143,943	1,164,112	4,546,770
Transfers out	( 346,292)	-	( 687,300)	( 170,188)	( 1,203,780)
Total other financing sources and uses	<u>2,909,933</u>	<u>9,945</u>	<u>( 495,018)</u>	<u>4,328,728</u>	<u>6,753,588</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,793,616	384,445	( 343,277)	4,920,247	8,755,031
<b>FUND BALANCES, BEGINNING</b>	<u>16,338,933</u>	<u>3,050,032</u>	<u>517,239</u>	<u>14,970,630</u>	<u>34,876,834</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 20,132,549</u>	<u>\$ 3,434,477</u>	<u>\$ 173,962</u>	<u>\$ 19,890,877</u>	<u>\$ 43,631,865</u>

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

**CITY OF KELLER, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balances - total governmental funds:	\$ 8,755,031
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	( 6,268,635)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	20,623
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,270,065
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	( 293,266)
Change in net position of governmental activities	<u>\$ 6,483,818</u>

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

**CITY OF KELLER, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2015**

	Water and Wastewater Utilities	Drainage Utility	Non-Major Recreation/ Aquatic Center	Total Enterprise Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 11,982	\$ 2,406	\$ 1,689	\$ 16,077
Investments	8,006,162	2,794,113	1,566,416	12,366,691
Receivables, net of allowances for uncollectibles				
Accounts	5,357,244	72,556	26,946	5,456,746
Interest	13,741	1,506	1,046	16,293
Due from other funds	1,787,864	159,273	504,755	2,451,892
Inventory	295,700	-	-	295,700
Prepaid items	267,920	46	57	268,023
Restricted assets:				
Investments	9,800,650	-	-	9,800,650
Total current assets	<u>25,541,263</u>	<u>3,029,900</u>	<u>2,100,909</u>	<u>30,672,072</u>
Non-current assets:				
Capital assets:				
Land	1,473,998	61,272	-	1,535,270
Water and sewer system	94,458,199	28,888,602	-	123,346,801
Machinery and equipment	1,865,009	482,622	-	2,347,631
Capacity rights	6,281,781	-	-	6,281,781
Construction in progress	5,117,410	911,489	-	6,028,899
Less accumulated depreciation	( 44,653,729)	( 17,626,770)	-	( 62,280,499)
Total non-current assets	<u>64,542,668</u>	<u>12,717,215</u>	<u>-</u>	<u>77,259,883</u>
Total assets	<u>90,083,931</u>	<u>15,747,115</u>	<u>2,100,909</u>	<u>107,931,955</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	205,810	-	-	205,810
Deferred outflows related to pensions	292,585	52,608	68,157	413,350
Total deferred outflows of resources	<u>498,395</u>	<u>52,608</u>	<u>68,157</u>	<u>619,160</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	4,063,099	139,515	123,325	4,325,939
Accrued liabilities	162,667	30,701	58,149	251,517
Accrued interest payable	84,945	-	-	84,945
Unearned revenue	114,327	-	588,705	703,032
Customer deposits	1,068,638	-	5,861	1,074,499
Compensated absences	25,525	5,542	-	31,067
Certificates of obligation	574,000	-	-	574,000
General obligation bonds	1,858,638	-	-	1,858,638
Total current liabilities	<u>7,951,839</u>	<u>175,758</u>	<u>776,040</u>	<u>8,903,637</u>
Non-current liabilities:				
Compensated absences	127,625	27,712	-	155,337
Certificates of obligation	6,191,000	-	-	6,191,000
General obligation bonds	9,862,595	-	-	9,862,595
Net pension liability	1,353,589	243,382	315,319	1,912,290
Total non-current liabilities	<u>17,534,809</u>	<u>271,094</u>	<u>315,319</u>	<u>18,121,222</u>
Total liabilities	<u>25,486,648</u>	<u>446,852</u>	<u>1,091,359</u>	<u>27,024,859</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	93,049	16,731	21,676	131,456
Total deferred inflows of resources	<u>93,049</u>	<u>16,731</u>	<u>21,676</u>	<u>131,456</u>
<b>NET POSITION</b>				
Net investment in capital assets	49,963,250	12,717,215	-	62,680,465
Restricted for capital projects	1,169,197	-	-	1,169,197
Unrestricted	13,870,182	2,618,925	1,056,031	17,545,138
Total net position	<u>\$ 65,002,629</u>	<u>\$ 15,336,140</u>	<u>\$ 1,056,031</u>	<u>\$ 81,394,800</u>

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

**CITY OF KELLER, TEXAS**

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

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Water and Wastewater Utilities	Drainage Utility	Non-Major Recreation/ Aquatic Center	Total Enterprise Funds
<b>OPERATING REVENUES</b>				
Water revenue	\$ 14,942,388	\$ -	\$ -	\$ 14,942,388
Sewer revenue	6,252,768	-	-	6,252,768
Drainage revenue	-	1,610,683	-	1,610,683
Recreation / Aquatic Center revenue	-	-	2,980,624	2,980,624
Tap and connection fees	130,650	-	-	130,650
Intergovernmental	157,359	-	-	157,359
Miscellaneous revenues	38,736	-	15,878	54,614
Total operating revenues	<u>21,521,901</u>	<u>1,610,683</u>	<u>2,996,502</u>	<u>26,129,086</u>
<b>OPERATING EXPENSES</b>				
Personnel services	2,993,369	552,564	1,339,451	4,885,384
Supplies and maintenance	1,269,402	97,973	333,924	1,701,299
Services and other	863,390	207,129	927,264	1,997,783
Wholesale water purchases	8,768,317	-	-	8,768,317
Wastewater services contracted	2,943,239	-	-	2,943,239
Depreciation and amortization	2,951,243	1,315,310	-	4,266,553
Total operating expenses	<u>19,788,960</u>	<u>2,172,976</u>	<u>2,600,639</u>	<u>24,562,575</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,732,941</u>	<u>( 562,293)</u>	<u>395,863</u>	<u>1,566,511</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenues	64,652	9,555	6,783	80,990
Gain (loss) on disposal of assets	66,294	-	1,726	68,020
Interest expense	<u>( 571,767)</u>	<u>-</u>	<u>-</u>	<u>( 571,767)</u>
Total non-operating revenues (expenses)	<u>( 440,821)</u>	<u>9,555</u>	<u>8,509</u>	<u>( 422,757)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	1,292,120	( 552,738)	404,372	1,143,754
Capital contributions	857,895	385,770	-	1,243,665
Transfers in	75,000	-	-	75,000
Transfers out	<u>( 3,188,285)</u>	<u>( 203,705)</u>	<u>( 26,000)</u>	<u>( 3,417,990)</u>
<b>CHANGE IN NET POSITION</b>	( 963,270)	( 370,673)	378,372	( 955,571)
<b>TOTAL NET POSITION, BEGINNING</b>	<u>67,123,873</u>	<u>15,913,048</u>	<u>947,409</u>	<u>83,984,330</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>( 1,157,974)</u>	<u>( 206,235)</u>	<u>( 269,750)</u>	<u>( 1,633,959)</u>
<b>TOTAL NET POSITION, ENDING</b>	<u>\$ 65,002,629</u>	<u>\$ 15,336,140</u>	<u>\$ 1,056,031</u>	<u>\$ 81,394,800</u>

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

**CITY OF KELLER, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Water and Wastewater Utilities</u>	<u>Drainage Utility</u>	<u>Non-Major Recreation / Aquatic Center</u>	<u>Total Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 20,265,269	\$ 1,609,632	\$ 2,953,120	\$ 24,828,021
Cash payments for goods and services	( 12,921,126)	( 418,423)	( 1,335,123)	( 14,674,672)
Cash payments to employees/retirees	( 3,000,881)	( 544,965)	( 1,210,449)	( 4,756,295)
Net cash provided by operating activities	<u>4,343,262</u>	<u>646,244</u>	<u>407,548</u>	<u>5,397,054</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash paid to other funds	192,087	( 159,273)	( 504,755)	( 471,941)
Transfers from other funds	75,000	-	-	75,000
Transfers to other funds	( 3,188,285)	( 203,705)	( 26,000)	( 3,417,990)
Net cash used by noncapital financing activities	<u>( 2,921,198)</u>	<u>( 362,978)</u>	<u>( 530,755)</u>	<u>( 3,814,931)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on debt	( 1,984,248)	-	-	( 1,984,248)
Interest and fiscal charges on debt	( 47,541)	-	-	( 47,541)
Acquisition and construction of capital assets	( 1,944,543)	( 265,219)	-	( 2,209,762)
Proceeds from sale of capital assets	66,294	-	1,726	68,020
Net cash provided (used) by capital and related financing activities	<u>( 3,910,038)</u>	<u>( 265,219)</u>	<u>1,726</u>	<u>( 4,173,531)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment securities	2,437,317	( 87,495)	-	2,349,822
Proceeds from sale and maturities of securities	-	-	( 171,588)	( 171,588)
Interest on investments	62,639	9,860	6,867	79,366
Net cash used by investing activities	<u>2,499,956</u>	<u>( 77,635)</u>	<u>( 164,721)</u>	<u>2,257,600</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	11,982	( 59,588)	( 286,202)	( 333,808)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>-</u>	<u>61,994</u>	<u>287,891</u>	<u>349,885</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 11,982</u>	<u>\$ 2,406</u>	<u>\$ 1,689</u>	<u>\$ 16,077</u>

**CITY OF KELLER, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**(Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Water and Wastewater Utilities	Drainage Utility	Non-Major Recreation / Aquatic Center	Total Enterprise Funds
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ <u>1,732,941</u>	\$( <u>562,293</u> )	\$ <u>395,863</u>	\$ <u>1,566,511</u>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,951,243	1,315,310	-	4,266,553
Change in assets and liabilities:				
Decrease (increase) in assets:				
Customer receivables	( 1,333,651)	( 1,051)	( 3,084)	( 1,337,786)
Prepaid items	( 267,392)	( 6)	1,324	( 266,074)
Inventory	( 27,037)	-	-	( 27,037)
Increase (decrease) in liabilities:				
Accounts payable	1,217,651	( 113,315)	49,415	1,153,751
Accrued liabilities	6,785	4,864	5,240	16,889
Unearned revenue	8,570	-	( 40,380)	( 31,810)
Customer deposits	77,019	-	82	77,101
Compensated absences	( 18,946)	3,440	-	( 15,506)
Net pension liability	( 3,921)	( 705)	( 912)	( 5,538)
Total adjustments	<u>2,610,321</u>	<u>1,208,537</u>	<u>11,685</u>	<u>3,830,543</u>
Net cash provided by operating activities	\$ <u>4,343,262</u>	\$ <u>646,244</u>	\$ <u>407,548</u>	\$ <u>5,397,054</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Contributions of capital assets	\$ <u>857,895</u>	\$ <u>385,770</u>	\$ <u>-</u>	\$ <u>1,243,665</u>

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



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**CITY OF KELLER, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

**Blended Component Units**

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

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

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

Since the TIF Board of Directors acts primarily in an advisory role to the Keller City Council, who exercise the ultimate financial control over the recommendations of the TIF Board and the TIF provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City even though it does not provide services directly to it, the financial information of the TIF is blended as a governmental fund into the primary government.

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

Since the KCCPD Board acts primarily in an advisory role to the Keller City Council, who exercises the ultimate financial control over the recommendations of the KCCPD Board and the KCCPD provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City even though it does not provide services directly to it, the financial information for KCCPD is blended as a governmental fund into the primary government.

Separate financial statements for the component units are not prepared.

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

**3. Inventories and Prepaid Items**

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Restricted Assets**

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

**5. Capital Assets**

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

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

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

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

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

## **6. *Compensated Absences***

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

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

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

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

## **8. *Deferred Outflows/Inflows of Resources***

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

- Deferred charges on refundings – A deferred charge on refunding results 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.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has two types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, court fines, ambulance, and assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other type of item, deferred inflows related to pensions, is only presented in the government-wide financial statement of net position. The deferred inflow is the difference in expected and actual pension experience and is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

## 9. Fund Balance Classification

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

- **Nonspendable**: Includes amounts that are (a) not in a spendable form or (b) are required to be maintained intact. Examples include inventory and prepaid expenses.
- **Restricted**: Includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors, or contributions; or amounts constrained due to regulations of other governments. Examples include unspent grant awards funds and unspent bond proceeds at year-end.
- **Committed**: Includes amounts that are limited to specific purposes that are *self-imposed* by the City through formal action of the City Council, the highest level of decision-making authority. Commitments may be changed or removed only by majority vote of the City Council. An example of a committed fund balance would include designating a specific amount of fund balance to be set aside for future capital improvements.
- **Assigned**: This classification includes amounts that are constrained by the Council's intended use for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign funds for specific purposes. However, assignment of fund balance is not required to be approved by City Council. Per the fund balance policy, intent can be expressed by the City Council, or by an official to which the City Council delegates the authority (e.g., City Manager). In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. Examples of assigned fund balance include fund balances the City Council intends to earmark for future expenditures, such as portions of existing fund balance that will be incorporated into the subsequent year's budget to balance appropriations (appropriated fund balance), public education and government (PEG) programs, recreation programs, and city-wide information services support.
- **Unassigned**: The residual classification of amounts in the General Fund which includes all amounts not classified in other fund balance categories. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

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



**10. 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.

**11. Prior Period Adjustment**

As the result of implementing GASB Statement Nos. 68, the City has restated the beginning net position, effectively decreasing net position as of October 1, 2014 by \$(7,341,246) for the governmental activities and by \$(1,635,934) for the business-type activities for the net pension liability.

Further, the City has increased its business-type activities by \$1,975 for an adjustment to capital assets.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, "Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bond payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position." The details of this \$(72,842,431) difference are as follows:

General obligation bonds	\$( 17,231,728)
Certificates of obligation	( 43,893,112)
Premiums on bonds	( 1,965,055)
Deferred loss on refunding	1,203,061
Accrued interest payable	( 279,996)
Compensated absences	( 1,603,387)
OPEB liability	( 480,694)
TMRS net pension obligation	( 8,591,520)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$( 72,842,431)</u>

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

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(6,268,635) difference are as follows:

Capital outlay	\$ 3,510,655
Depreciation expense	( 9,779,290)
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ ( 6,268,635)

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$20,623 difference are as follows:

Property taxes	\$ 33,670
Ambulance fees	3,047
Assessments	24,699
Court fines	( 40,793)
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ 20,623

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(293,266) difference are as follows:

Compensated absences	\$( 36,773)
Interest payable	38,292
Amortization of deferred charge on refunding	( 477,945)
Amortization of bond discounts/premiums	237,156
Other post employment benefits	( 83,180)
TMRS net pension obligation	29,184
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ ( 293,266)

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2015, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Ratings (Standard &amp; Poor's)</u>
Certificates of Deposit	\$ 32,045,833	323	
TexPool	6,938,434	41	AAAm
LOGIC	1,394,493	33	AAAm
Money Market Mutual Funds	18,582,094	1	AAAm
Bonds	8,642,016	269	

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

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, excluding mortgage-backed securities [investment policy updated 4/21/15]; (4) obligations of agencies, counties, cities, and other political subdivisions of the State of Texas rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (5) A certificate of deposit (CD) or other form of deposit issued by a depository institution that has its main office or a branch office in the State and is: (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; or (B) secured in compliance with the City's investment policy; or (C) issued in accordance with Section 2256.010 (b) and placed through a selected depository institution or broker with its main office or branch office in Texas; or, (6) eligible local government investment pools which invest in instruments and follow practices allowed by current law as defined in Section 2256.016 of the Texas Public Funds Investment Act; (7) regulated no-load money market mutual funds that are (A) registered with and regulated by the Securities and Exchange Commission; (B) having a dollar-weighted average portfolio of ninety (90) days or less; (C) the investment objectives include the maintenance of a stable net position value of one dollar (\$1.00) per share; and (D) the fund is continuously rated no lower than "AAA" or its equivalent rating by at least one nationally recognized rating service; and (8) repurchase agreements and fully flexible repurchase agreements ("flex repos"), to the extent authorized under the Act (Texas Government Code 2256.001). The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

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

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

**Custodial Credit Risk** – In the case of deposits, this is the risk, that in the event of a bank failure, the City's deposits may not be returned to it. State and City statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2015, \$46,036,791 of the City's \$47,786,791 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$1,750,000, was covered by FDIC insurance.

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

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

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

**B. Receivables**

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

	General	Crime Control Prevention District	G.O. Debt Service	Other Governmental	Water and Wastewater Operations	Drainage Utility	Recreational Aquatic Center	Totals
Receivables:								
Property taxes	\$ 323,796	\$ -	\$ 129,979	\$ 16,789	\$ -	\$ -	\$ -	\$ 470,564
Sales taxes	960,445	207,591	-	720,524	-	-	-	1,888,560
Franchise taxes	784,093	-	-	-	-	-	-	784,093
Ambulance	968,325	-	-	-	-	-	-	968,325
Municipal court fines	325,497	-	-	7,683	-	-	-	333,180
Customer accounts	44,964	-	-	38,628	5,467,595	91,523	26,946	5,669,656
Intergovernmental	87,574	-	-	8,091	-	-	-	95,665
Interest	10,805	-	180	15,542	13,741	1,506	1,046	42,820
Other	412,036	-	-	24,250	-	-	-	436,286
Gross Receivables	3,917,535	207,591	130,159	831,507	5,481,336	93,029	27,992	10,689,149
Less: allowance for uncollectibles	906,310	-	10,761	12,249	110,351	18,967	-	1,058,638
Net total receivables	<u>\$ 3,011,225</u>	<u>\$ 207,591</u>	<u>\$ 119,398</u>	<u>\$ 819,258</u>	<u>\$ 5,370,985</u>	<u>\$ 74,062</u>	<u>\$ 27,992</u>	<u>\$ 9,630,511</u>

### C. Capital Assets

Capital assets activity for the year ended September 30, 2015, are as follows:

#### Primary Government

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 34,016,592	\$ -	\$ ( 61,834)	\$ -	\$ 33,954,758
Construction in progress	<u>9,000,332</u>	<u>574,750</u>	<u>( 4,915)</u>	<u>( 7,591,876)</u>	<u>1,978,291</u>
Total assets not being depreciated	<u>43,016,924</u>	<u>574,750</u>	<u>( 66,749)</u>	<u>( 7,591,876)</u>	<u>35,933,049</u>
Capital assets, being depreciated:					
Buildings	55,585,506	63,970	-	7,903,144	63,552,620
Improvements	184,409,706	1,993,013	-	( 311,268)	186,091,451
Machinery and equipment	<u>18,582,534</u>	<u>960,534</u>	<u>( 587,614)</u>	<u>-</u>	<u>18,955,454</u>
Total capital assets being depreciated	<u>258,577,746</u>	<u>3,017,517</u>	<u>( 587,614)</u>	<u>7,591,876</u>	<u>268,599,525</u>
Less accumulated depreciation:					
Buildings	( 18,884,866)	( 2,174,701)	-	-	( 21,059,567)
Improvements	( 111,327,422)	( 6,129,448)	-	-	( 117,456,870)
Machinery and equipment	<u>( 11,554,248)</u>	<u>( 1,475,141)</u>	<u>572,751</u>	<u>-</u>	<u>( 12,456,638)</u>
Total accumulated depreciation	<u>( 141,766,536)</u>	<u>( 9,779,290)</u>	<u>572,751</u>	<u>-</u>	<u>( 150,973,075)</u>
Total capital assets being depreciated, net	<u>116,811,210</u>	<u>( 6,761,773)</u>	<u>( 14,863)</u>	<u>7,591,876</u>	<u>117,626,450</u>
Governmental activities capital assets, net	<u>\$ 159,828,134</u>	<u>\$ (6,187,023)</u>	<u>\$ ( 81,612)</u>	<u>\$ -</u>	<u>\$ 153,559,499</u>

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,502,301	\$ 32,969	\$ -	\$ 1,535,270
Construction in progress	<u>3,994,736</u>	<u>2,034,163</u>	<u>-</u>	<u>6,028,899</u>
Total assets not being depreciated	<u>5,497,037</u>	<u>2,067,132</u>	<u>-</u>	<u>7,564,169</u>
Capital assets, being depreciated:				
Improvements other than building:	122,091,488	1,255,313	-	123,346,801
Machinery and equipment	2,306,144	80,358	( 38,871)	2,347,631
Capacity rights	<u>6,281,781</u>	<u>-</u>	<u>-</u>	<u>6,281,781</u>
Total capital assets being depreciated	<u>130,679,413</u>	<u>1,335,671</u>	<u>( 38,871)</u>	<u>131,976,213</u>
Less accumulated depreciation:				
Improvements other than building:	( 52,665,169)	( 3,905,761)	-	( 56,570,930)
Machinery and equipment	( 1,756,455)	( 151,151)	38,871	( 1,868,735)
Capacity rights	<u>( 3,683,792)</u>	<u>( 157,042)</u>	<u>-</u>	<u>( 3,840,834)</u>
Total accumulated depreciation	<u>( 58,105,416)</u>	<u>( 4,213,954)</u>	<u>38,871</u>	<u>( 62,280,499)</u>
Total capital assets being depreciated, net	<u>72,573,997</u>	<u>( 2,878,283)</u>	<u>-</u>	<u>69,695,714</u>
Business-type activities capital assets, net	<u>\$ 78,071,034</u>	<u>\$ ( 811,151)</u>	<u>\$ -</u>	<u>\$ 77,259,883</u>

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

Governmental activities:	
General government	\$ 2,204,409
Public safety	4,987,339
Public works	747,408
Community development	445,742
Recreation and leisure	<u>1,394,392</u>
Total depreciation expense - governmental activities	<u>\$ 9,779,290</u>
Business-type activities:	
Water and wastewater utilities	\$ 2,898,644
Drainage utilities	<u>1,315,310</u>
Total depreciation expense - business-type activities	<u>\$ 4,213,954</u>

### Construction Commitments

The City has active construction projects as of September 30, 2015. The projects include land acquisition, street construction, park improvements, water system improvements, and sewer system improvements.

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Big Bear East Collector	\$ -	\$ 2,848,673
Marshal Branch East Collector	1,385,622	1,693,947
Police Building Roofing Repair	-	104,359
Keller Smithfield R South Extension	229,290	708,758
Residential Street Reconstruction Project	1,686,316	22,073
Keller Pointe Expansion Project	<u>92,843</u>	<u>1,765,683</u>
Total	<u>\$ 3,394,071</u>	<u>\$ 7,143,493</u>

**D. Interfund Transfers**

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

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
General	Water and wastewater utilities	\$ 3,058,190
	Drainage utility	116,025
	Nonmajor governmental	38,500
	Nonmajor proprietary	26,000
General obligation debt service	Nonmajor governmental	131,688
	Water and wastewater utilities	12,255
Nonmajor governmental	General	346,292
	General obligation debt service	687,300
	Water and wastewater utilities	117,840
	Drainage utility	12,680
Water and wastewater utilities	Drainage utility	<u>75,000</u>
		<u>\$ 4,621,770</u>

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

**E. Long-term Debt**

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



General debt currently outstanding is as follows:

**Governmental Activities Debt:**

Purpose	Original Principal	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/15
General obligation bonds:					
City:					
Improvements	4,000,000	2009	2029	4.00% - 4.65%	\$ 3,235,000
Refunding	2,000,000	2010	2020	2.00% - 3.50%	625,000
Refunding	5,620,000	2010	2022	2.00% - 4.00%	4,000,000
Refunding	625,000	2012	2023	0.55%-2.85%	570,000
Refunding	4,155,000	2012	2024	2.00% - 5.00%	3,755,000
Refunding	5,125,000	2014	2026	2.00% - 4.00%	5,046,728
					<u>17,231,728</u>
Certificates of obligation:					
City:					
Improvements	8,310,000	2009	2029	3.00% - 4.70%	6,540,000
Improvements	6,710,000	2010	2030	2.00% - 4.00%	5,545,000
Improvements	6,000,000	2012	2027	2.00% - 5.00%	5,075,000
Improvements	601,000	2013	2018	0.56%-1.63%	364,000
Keller TIRZ (TIF)					
Refunding	6,299,997	2010	2028	1.00% - 4.125%	6,020,000
Refunding	9,545,000	2014	2018	4.00% - 5.00%	7,175,000
Keller Development Corp.					
Improvements	9,235,000	2004	2024	4.00% - 5.00%	8,475,000
Refunding	1,040,000	2014	2026	2.00% - 4.00%	1,024,112
Improvements	3,870,000	2014	2034	2.00% - 3.125%	3,675,000
					<u>\$ 43,893,112</u>

**Business-type Activities Debt:**

Purpose	Original Principal	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/15
General obligation bonds:					
City:					
Refunding	1,290,000	2010	2020	2.00% - 3.50%	\$ 420,000
Refunding	7,310,000	2012	2024	2.00% - 5.00%	6,095,000
Refunding	4,310,000	2014	2026	2.00% - 4.00%	4,244,160
					<u>10,759,160</u>
Certificates of obligation:					
City:					
Improvements	4,255,000	2006	2026	4.25% - 5.37%	200,000
Improvements	1,600,000	2010	2030	2.00% - 4.25%	1,320,000
Improvements	5,835,000	2012	2032	0.05%-2.20%	5,080,000
Improvements	272,000	2013	2018	0.56%-1.63%	165,000
					<u>6,765,000</u>
Less: bond issue (discount)/premium					<u>962,073</u>
Total business-type activities debt					<u>\$ 18,486,233</u>

Annual debt service requirements to maturity for general debt:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 6,591,362	\$ 2,189,486	\$ 2,432,638	\$ 530,019
2017	7,134,370	1,958,333	1,721,630	483,053
2018	7,295,463	1,713,604	1,713,538	416,494
2019	4,568,015	1,451,155	1,626,985	384,074
2020	4,842,085	1,282,678	1,587,915	306,968
2021-2025	19,584,475	3,921,563	5,430,525	905,758
2026-2030	10,119,070	1,020,573	2,280,929	267,775
2031-2034	<u>990,000</u>	<u>62,841</u>	<u>730,000</u>	<u>20,767</u>
Total	<u>\$ 61,124,840</u>	<u>\$ 13,600,233</u>	<u>\$ 17,524,160</u>	<u>\$ 3,314,908</u>

**Changes in Long-term Liabilities**

During the year ended September 30, 2015, the following changes occurred in general government long-term debt:

Description	Balance 9/30/14	Additions	Reductions	Balance 9/30/15	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 19,970,000	\$ 5,125,000	\$( 7,863,272)	\$ 17,231,728	\$ 2,580,909
Certificates of obligation	45,353,000	14,455,000	( 15,914,888)	43,893,112	4,010,453
Bond premiums/discounts	<u>2,144,397</u>	<u>294,213</u>	<u>( 473,555)</u>	<u>1,965,055</u>	<u>237,613</u>
Total bonds payable	67,467,397	19,874,213	( 24,251,715)	63,089,895	6,828,975
Compensated absences	1,566,614	1,447,638	( 1,410,865)	1,603,387	278,487
OPEB liability	397,514	83,180	-	480,694	-
TMRS net pension obligation	<u>1,279,458</u>	<u>10,240,023</u>	<u>( 1,442,492)</u>	<u>10,076,989</u>	<u>-</u>
	<u>\$ 70,710,983</u>	<u>\$ 31,645,054</u>	<u>\$(27,105,072)</u>	<u>\$ 75,250,965</u>	<u>\$ 7,107,462</u>
Business-type activities:					
General obligation bonds	\$ 9,145,000	\$ 4,310,000	\$( 2,695,840)	\$ 10,759,160	\$ 1,858,638
Certificates of obligation	9,959,000	-	( 3,194,000)	6,765,000	574,000
Bond premiums/discounts	<u>794,714</u>	<u>267,247</u>	<u>( 99,888)</u>	<u>962,073</u>	<u>-</u>
Total bonds payable	19,898,714	4,577,247	( 5,989,728)	18,486,233	2,432,638
Compensated absences	201,910	128,401	( 143,907)	186,404	31,067
TMRS net pension obligation	<u>1,635,934</u>	<u>307,295</u>	<u>( 30,939)</u>	<u>1,912,290</u>	<u>-</u>
	<u>\$ 21,736,558</u>	<u>\$ 5,012,943</u>	<u>\$( 6,164,574)</u>	<u>\$ 20,584,927</u>	<u>\$ 2,463,705</u>

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

### **Conduit Debt Obligations**

Certain revenue bonds have been issued in the past to provide financial assistance to nonprofit and public entities for the acquisition and construction of educational and student housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the entities served by the bonds. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2015, there was one series of revenue bonds outstanding. The aggregate principal amount payable for the issues was \$27,125,000.

### **Advance Refunding**

On January 15, 2015, the City issued \$10,475,000 General Obligation Refunding Bonds, Series 2015 with interest rates ranging from 3.625% to 4.375%. The proceeds were used to advance refund \$1,100,000 of outstanding 2003 Certificate of Obligation Bonds which had interest rate of 3.625%; \$520,000 of outstanding 2004 General Obligation Bonds which had an interest rate of 4.00%; \$6,360,000 of outstanding 2005 General Obligation Bonds which had interest rates ranging from 4.00% to 4.20%; \$2,630,000 of outstanding 2006 Certificate of Obligation Bonds which had an interest rate of 4.375%. The net proceeds of \$10,475,000 (including a \$585,686 premium and after payment of \$98,799 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2003, 2004, 2005, and 2006 bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. At September 30, 2015 \$2,630,000 of defeased bonds remain outstanding.

The reacquisition price exceeded the net carrying amount of the old debt by \$327,661. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City advance refunded the 2003CO, 2004 GO, 2005 GO, and 2006 CO bonds to reduce its total debt service payments by \$826,445.30 and to obtain an economic gain of \$776,013 (present value). The book gain on this refunding was \$327,661.

On January 15, 2015, the City issued \$9,545,000 Combination Tax & TIRZ Revenue Refunding, Series 2015A with interest rates ranging from 4.25% to 5.0%. The proceeds were used to advance refund \$9,920,000 of outstanding 2005 TIF REF FINAL Bonds. The net proceeds of \$9,545,000 (including a \$713,480 premium and after payment of \$87,220 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2005 bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$239,338. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City advance refunded the 2005 TIF REF FINAL bonds to reduce its total debt service payments by \$756,501 and to obtain an economic gain of \$738,770 (present value). The book gain on this refunding was \$239,337.

### **Debt Issued**

On January 15, 2015, the City and the Keller Development Corporation issued \$3,870,000 Certificates of Obligation, Series 2015. The bonds pay interest on February 15th and August 15th at rates of 2.0%. The Certificates mature in 2034.

## V. OTHER INFORMATION

### A. Risk Management

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

### B. Contingent Liabilities and Commitments

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

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

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

### C. Defined Benefit Pension Policies

**Plan Descriptions.** The City participates as one of 860 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 agency 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 Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tMrs.org](http://www.tMrs.org).

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

**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 over 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.

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Upated service credit	100% repeating
Annuity increase to retirees	50% of CPI, repeating

#### Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	101
Inactive employees entitled to but not yet receiving benefits	157
Active employees	<u>288</u>
	<u><u>546</u></u>

**Contributions.** The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions 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 15.47% and 15.67% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$2,711,603, and were equal to the required contributions.

**Net Pension Liability.** The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

#### Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, 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, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the 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 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 expenses 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. The target allocation and best estimates of arithmetic real rates return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

#### Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. 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 period of projected benefit payments to determine the Total Pension Liability.

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 74,002,827	\$ 61,819,575	\$ 12,183,252
Changes for the year:			
Service cost	2,983,097	-	2,983,097
Interest	5,216,222	-	5,216,222
Change of benefit terms	-	-	-
Difference between expected and actual experience	( 993,549)	-	( 993,549)
Changes of assumptions	-	-	-
Contributions - employer	-	2,678,823	( 2,678,823)
Contributions - employee	-	1,223,684	( 1,223,684)
Net investment income	-	3,537,194	( 3,537,194)
Benefit payments, including refunds of employee contributions	( 1,953,842)	( 1,953,842)	-
Administrative expense	-	( 36,922)	36,922
Other changes	-	( 3,036)	3,036
Net changes	<u>5,251,928</u>	<u>5,445,901</u>	<u>( 193,973)</u>
Balance at 12/31/2014	<u>\$ 79,254,755</u>	<u>\$ 67,265,476</u>	<u>\$ 11,989,279</u>

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) of 1-percentage-higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$ 24,613,220	\$ 11,989,279	\$ 1,730,377

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at [www.tmrs.org](http://www.tmrs.org).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** For the year ended September 30, 2015, the City recognized pension expense of \$2,676,881.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred <u>Outflows of Resources</u>	Deferred <u>Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 824,173
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	632,141	-
Contributions subsequent to the measurement date	<u>1,959,395</u>	<u>-</u>
Total	<u>\$ 2,591,536</u>	<u>\$ 824,173</u>

\$1,959,395 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year Ended,</u>		
2015	\$(	11,342)
2016	(	11,342)
2017	(	11,342)
2018	(	11,341)
2019	(	146,664)

#### **Subsequent Event**

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7.0% to 6.75% and changing the inflation assumption from 3.0% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change.



**D. Other Postemployment Benefits**

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual Required Contribution (ARC)	\$ 105,335
Interest on Net Pension Obligation	27,827
Adjustment to the ARC	<u>( 13,250)</u>
Annual Pension Cost	119,912
Contributions Made	<u>( 36,732)</u>
Increase (Decrease) in Net Pension Obligation	83,180
Net Pension Obligation/(Asset), beginning of year	<u>397,514</u>
 Net Pension Obligation/(Asset), ending of year	 <u>\$ 480,694</u>

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

In addition to the employer contribution, the retirees paid \$54,870 in the form of premiums which funded current medical claims.

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/13	\$ 85,652	\$ -	0.0%	\$ 294,294
9/30/14	107,412	4,192	3.9%	397,514
9/30/15	119,912	36,732	30.6%	480,694

**Funding Status and Funding Progress**

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

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

**Actuarial Methods and Assumptions**

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

In the December 1, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of investment expenses) and an annual health care costs trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2015, was 30 years. Inflation rates were assumed to be 3%.

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

**Supplemental Death Benefits Fund**

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

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

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

The City's contributions to the TMRS SDBF for the years ended September 30, 2015, 2014, and 2013, were \$24,038 \$22,676, and \$21,947, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates

Accounting Year Ending	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed	Net Pension Obligation
09/30/13	.13%	.13%	100%	\$ -
09/30/14	.13%	.13%	100%	-
09/30/15	.14%	.14%	100%	-

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Property	\$ 14,867,037	\$ 14,867,037	\$ 14,872,914	\$ 5,877
Sales	5,298,080	5,298,080	5,340,418	42,338
Franchise	3,357,740	3,357,740	3,421,518	63,778
Mixed beverage	179,360	179,360	192,912	13,552
Permits, licenses and fees	1,900,800	1,900,800	1,899,434	( 1,366)
Intergovernmental	2,692,030	2,692,030	2,890,652	198,622
Charges for services	1,449,445	1,449,445	1,561,413	111,968
Fines and forfeitures	918,000	918,000	1,017,820	99,820
Donations	26,800	26,800	42,964	16,164
Investment earnings	85,350	85,350	73,069	( 12,281)
Miscellaneous	145,435	145,435	212,447	67,012
Total revenues	<u>30,920,077</u>	<u>30,920,077</u>	<u>31,525,561</u>	<u>605,484</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,970,681	6,978,681	6,614,984	363,697
Public safety	15,655,572	15,656,572	15,042,122	614,450
Public works	2,465,895	2,507,570	2,165,626	341,944
Community development	1,573,870	1,573,870	1,365,628	208,242
Recreation and leisure	4,658,350	4,658,350	4,215,320	443,030
Capital outlay	1,833,340	1,791,665	1,238,198	553,467
Total expenditures	<u>33,157,708</u>	<u>33,166,708</u>	<u>30,641,878</u>	<u>2,524,830</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 2,237,631)</u>	<u>( 2,246,631)</u>	<u>883,683</u>	<u>3,130,314</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	17,510	17,510
Transfers in	3,238,715	3,238,715	3,238,715	-
Transfers out	( 300,000)	( 300,000)	( 346,292)	( 46,292)
Total other financing sources and uses	<u>2,938,715</u>	<u>2,938,715</u>	<u>2,909,933</u>	<u>( 28,782)</u>
<b>NET CHANGE IN FUND BALANCE</b>	701,084	692,084	3,793,616	3,101,532
<b>FUND BALANCE, BEGINNING</b>	<u>16,338,933</u>	<u>16,338,933</u>	<u>16,338,933</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 17,040,017</u>	<u>\$ 17,031,017</u>	<u>\$ 20,132,549</u>	<u>\$ 3,101,532</u>

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**CRIME CONTROL PREVENTION DISTRICT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Sales	\$ 1,200,645	\$ 1,200,645	\$ 1,254,542	\$ 53,897
Intergovernmental	20,000	20,000	20,000	-
Investment earnings	7,500	7,500	8,032	532
Total revenues	<u>1,228,145</u>	<u>1,228,145</u>	<u>1,282,574</u>	<u>54,429</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	124,100	127,850	120,705	7,145
Capital outlay	313,094	310,594	259,119	51,475
Debt service:				
Principal	330,000	330,000	330,000	-
Interest and other charges	199,500	199,500	198,250	1,250
Total expenditures	<u>966,694</u>	<u>967,944</u>	<u>908,074</u>	<u>59,870</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>261,451</u>	<u>260,201</u>	<u>374,500</u>	<u>114,299</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	10,000	10,000	9,945	( 55)
Total other financing sources and uses	<u>10,000</u>	<u>10,000</u>	<u>9,945</u>	<u>( 55)</u>
<b>NET CHANGE IN FUND BALANCE</b>	271,451	270,201	384,445	114,244
<b>FUND BALANCE, BEGINNING</b>	<u>3,050,032</u>	<u>3,050,032</u>	<u>3,050,032</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 3,321,483</u>	<u>\$ 3,320,233</u>	<u>\$ 3,434,477</u>	<u>\$ 114,244</u>

## **CITY OF KELLER, TEXAS**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2015**

#### **BUDGETARY INFORMATION**

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

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

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

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<b>Plan Year</b>	<u><b>2014</b></u>
<b>A. Total pension liability</b>	
Service Cost	\$ 2,983,097
Interest (on the Total Pension Liability)	5,216,222
Difference between expected and actual experience	( 993,549)
Benefit payments, including refunds of employee contributions	( 1,953,842)
Net change in total pension liability	5,251,928
Total pension liability - beginning	<u>74,002,827</u>
Total pension liability - ending (a)	<u>\$ 79,254,755</u>
<b>B. Plan fiduciary net position</b>	
Contributions - Employer	\$ 2,678,823
Contributions - Employee	1,223,684
Net Investment Income	3,537,194
Benefit payments, including refunds of employee contributions	( 1,953,842)
Administrative Expenses	( 36,922)
Other	<u>( 3,036)</u>
Net change in plan fiduciary net position	5,445,901
Plan fiduciary net position - beginning	<u>61,819,575</u>
Plan fiduciary net position - ending (b)	<u>\$ 67,265,476</u>
<b>C. Net pension liability - ending (a) - (b)</b>	<u>\$ 11,989,279</u>
<b>D. Plan fiduciary net position as a percentage of total pension liability</b>	84.87%
<b>E. Covered employee payroll</b>	\$ 17,462,991
<b>F. Net position liability as a percentage of covered employee payroll</b>	68.66%



**CITY OF KELLER, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<b>Plan Year</b>	<b>2014</b>	<b>2015</b>
Actuarial determined contribution	\$ 2,660,624	\$ 2,711,603
Contributions in relation to the actuarially determined contribution	<u>2,660,624</u>	<u>2,711,603</u>
Contribution deficiency (excess)	-	-
Covered employee payroll	17,443,044	17,520,409
Contributions as a percentage of covered employee payroll	15.25%	15.48%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months 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	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
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 of with BB.

**Other Information:**

Notes There were no benefit changes during the year.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

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

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

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

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

## **DEBT SERVICE FUND**

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

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

## **CAPITAL PROJECTS FUND**

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

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

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

**Park Development 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 related engineering.

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

**Parks Capital Improvements 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, 2015**

	Special Revenue Funds				
	Library	Municipal Court	Public Safety	Contributions/ Donations	Keller Development Corporation
<b>ASSETS</b>					
Cash and cash equivalents	\$ 189	\$ 873	\$ 84	\$ 9,906	\$ 1,537
Investments	30,432	57,294	106,580	20,810	2,393,857
Receivables, net of allowances for uncollectibles					
Taxes	-	-	-	-	480,222
Accounts	-	768	-	-	-
Interest	16	256	55	16	1,168
Other	-	-	-	-	-
Due from other funds	-	53,812	-	-	-
Due from other governments	-	8,091	-	-	-
	<u>30,637</u>	<u>121,094</u>	<u>106,719</u>	<u>30,732</u>	<u>2,876,784</u>
<b>LIABILITIES</b>					
Accounts payable	4,905	1,380	12,857	-	9,320
Accrued liabilities	-	-	-	-	4,195
Due to other funds	-	-	66	-	202,803
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	32,033	-	-
	<u>4,905</u>	<u>1,380</u>	<u>44,956</u>	<u>-</u>	<u>216,318</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - court fines	-	768	-	-	-
Unavailable revenue - assessments	-	-	-	-	-
	<u>-</u>	<u>768</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted	25,732	118,946	61,763	30,732	2,660,466
	<u>25,732</u>	<u>118,946</u>	<u>61,763</u>	<u>30,732</u>	<u>2,660,466</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 30,637</u>	<u>\$ 121,094</u>	<u>\$ 106,719</u>	<u>\$ 30,732</u>	<u>\$ 2,876,784</u>

Debt Service Fund		Capital Project Funds						Total Nonmajor Governmental Funds
TIF #1 Interest and Sinking	Capital Projects	Roadway Impact Fee	Park Development Fee	Street/Sidewalk Improvements	Equipment Replacement	Parks Capital Improvements		
\$ 82,240	\$ 4,604	\$ 29,206	\$ 45,386	\$ 2,201	\$ 1,208	\$ 4,709	\$ 182,143	
1,129,216	2,327,883	5,299,560	906,492	2,640,583	891,937	3,069,654	18,874,298	
16,789	-	-	-	240,302	-	-	737,313	
-	-	38,628	-	-	18,900	-	58,296	
600	1,202	2,752	491	1,413	765	6,808	15,542	
-	-	-	-	16	-	-	16	
-	-	27,688	-	90,511	327,109	154,730	653,850	
-	-	-	-	-	-	-	8,091	
<u>1,228,845</u>	<u>2,333,689</u>	<u>5,397,834</u>	<u>952,369</u>	<u>2,975,026</u>	<u>1,239,919</u>	<u>3,235,901</u>	<u>20,529,549</u>	
-	-	7,890	-	158,550	-	179,576	374,478	
-	-	-	-	-	-	-	4,195	
-	-	-	4,400	-	-	-	207,269	
3,083	-	-	-	-	-	-	3,083	
-	-	-	-	-	-	-	32,033	
<u>3,083</u>	<u>-</u>	<u>7,890</u>	<u>4,400</u>	<u>158,550</u>	<u>-</u>	<u>179,576</u>	<u>621,058</u>	
-	-	-	-	-	-	-	768	
<u>16,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57</u>	<u>-</u>	<u>-</u>	<u>16,846</u>	
<u>16,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57</u>	<u>-</u>	<u>-</u>	<u>17,614</u>	
<u>1,208,973</u>	<u>2,333,689</u>	<u>5,389,944</u>	<u>947,969</u>	<u>2,816,419</u>	<u>1,239,919</u>	<u>3,056,325</u>	<u>19,890,877</u>	
<u>1,208,973</u>	<u>2,333,689</u>	<u>5,389,944</u>	<u>947,969</u>	<u>2,816,419</u>	<u>1,239,919</u>	<u>3,056,325</u>	<u>19,890,877</u>	
<u>\$ 1,228,845</u>	<u>\$ 2,333,689</u>	<u>\$ 5,397,834</u>	<u>\$ 952,369</u>	<u>\$ 2,975,026</u>	<u>\$ 1,239,919</u>	<u>\$ 3,235,901</u>	<u>\$ 20,529,549</u>	

**CITY OF KELLER, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Special Revenue Funds				
	Library	Municipal Court	Public Safety	Contributions/ Donations	Keller Development Corporation
<b>REVENUES</b>					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-	2,709,926
Permits, licenses and fees	-	-	-	-	-
Intergovernmental	1,884	-	73,872	-	-
Charges for services	2,575	-	-	1,061	-
Fines and forfeitures	-	125,679	-	-	-
Special assessments and impact fees	-	-	-	-	-
Donations	33,443	-	32,049	-	-
Investment earnings	66	2,391	376	157	5,865
Miscellaneous	-	-	355	-	12,000
Total revenues	<u>37,968</u>	<u>128,070</u>	<u>106,652</u>	<u>1,218</u>	<u>2,727,791</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	122,901	-	-	-
Public safety	-	-	118,261	-	-
Public works	-	-	3,686	-	-
Recreation and leisure	16,790	-	-	-	17,051
Capital outlay	-	-	-	-	311,666
Debt service:					
Principal	-	-	-	-	1,238,327
Interest and other charges	-	-	-	-	353,594
Total expenditures	<u>16,790</u>	<u>122,901</u>	<u>121,947</u>	<u>-</u>	<u>1,920,638</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>21,178</u>	<u>5,169</u>	<u>( 15,295)</u>	<u>1,218</u>	<u>807,153</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	-	-	-	-	7,050
Bonds issued	-	-	-	-	1,040,000
Premium on bond issue	-	-	-	-	18,478
Payment to refunded bond escrow agent	-	-	-	-	( 1,049,384)
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	( 170,188)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 154,044)</u>
<b>NET CHANGE IN FUND BALANCES</b>	21,178	5,169	( 15,295)	1,218	653,109
<b>FUND BALANCES, BEGINNING</b>	<u>4,554</u>	<u>113,777</u>	<u>77,058</u>	<u>29,514</u>	<u>2,007,357</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 25,732</u>	<u>\$ 118,946</u>	<u>\$ 61,763</u>	<u>\$ 30,732</u>	<u>\$ 2,660,466</u>

Debt Service Fund	Capital Project Funds						Total Nonmajor Governmental Funds
	TIF #1 Interest and Sinking	Capital Projects	Roadway Impact Fee	Park Development Fee	Street/ Sidewalk Improvements	Equipment Replacement	
\$ 3,069,216	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,069,216
-	-	-	-	1,355,161	-	-	4,065,087
-	-	-	179,585	-	-	-	179,585
-	-	-	-	-	-	115,181	190,937
-	-	-	-	-	-	-	3,636
-	-	-	-	-	-	-	125,679
-	-	527,821	-	48,500	-	-	576,321
-	-	-	-	-	-	-	65,492
708,054	9,044	18,707	3,265	9,809	5,600	10,633	773,967
-	-	-	-	-	-	-	12,355
<u>3,777,270</u>	<u>9,044</u>	<u>546,528</u>	<u>182,850</u>	<u>1,413,470</u>	<u>5,600</u>	<u>125,814</u>	<u>9,062,275</u>
-	500	15,309	-	-	-	-	138,710
-	-	-	-	-	-	-	118,261
-	-	-	-	120,538	-	-	124,224
-	-	-	22,866	-	-	-	56,707
-	566,748	7,890	4,400	1,506,573	158,617	738,122	3,294,016
2,520,000	-	-	-	-	-	-	3,758,327
582,085	-	-	-	-	-	44,832	980,511
<u>3,102,085</u>	<u>567,248</u>	<u>23,199</u>	<u>27,266</u>	<u>1,627,111</u>	<u>158,617</u>	<u>782,954</u>	<u>8,470,756</u>
<u>675,185</u>	<u>( 558,204)</u>	<u>523,329</u>	<u>155,584</u>	<u>( 213,641)</u>	<u>( 153,017)</u>	<u>( 657,140)</u>	<u>591,519</u>
-	-	-	-	-	62,998	-	70,048
9,545,000	-	-	-	-	-	3,870,000	14,455,000
-	-	-	-	-	-	-	18,478
( 10,159,338)	-	-	-	-	-	-	( 11,208,722)
733,592	-	-	-	-	430,520	-	1,164,112
-	-	-	-	-	-	-	( 170,188)
<u>119,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>493,518</u>	<u>3,870,000</u>	<u>4,328,728</u>
794,439	( 558,204)	523,329	155,584	( 213,641)	340,501	3,212,860	4,920,247
414,534	2,891,893	4,866,615	792,385	3,030,060	899,418	( 156,535)	14,970,630
<u>\$ 1,208,973</u>	<u>\$ 2,333,689</u>	<u>\$ 5,389,944</u>	<u>\$ 947,969</u>	<u>\$ 2,816,419</u>	<u>\$ 1,239,919</u>	<u>\$ 3,056,325</u>	<u>\$ 19,890,877</u>



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**BUDGETARY  
COMPARISON SCHEDULES**

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

**GENERAL OBLIGATION DEBT SERVICE FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Property	\$ 4,804,770	\$ 4,804,770	\$ 4,801,452	\$( 3,318)
Investment earnings	6,000	6,000	6,694	694
Total revenues	<u>4,810,770</u>	<u>4,810,770</u>	<u>4,808,146</u>	<u>( 2,624)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	3,482,580	3,482,580	3,494,833	( 12,253)
Interest and other charges	1,166,665	1,166,665	1,161,572	5,093
Total expenditures	<u>4,649,245</u>	<u>4,649,245</u>	<u>4,656,405</u>	<u>( 7,160)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>161,525</u>	<u>161,525</u>	<u>151,741</u>	<u>( 9,784)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds Issued	5,125,000	5,125,000	5,125,000	-
Premium on bond issue	275,735	275,735	275,735	-
Payment to refunded bond escrow agent	( 5,352,400)	( 5,352,400)	( 5,352,396)	4
Transfers in	134,485	134,485	143,943	9,458
Transfers out	( 687,300)	( 687,300)	( 687,300)	-
Total other financing sources and uses	<u>( 504,480)</u>	<u>( 504,480)</u>	<u>( 495,018)</u>	<u>9,462</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 342,955)	( 342,955)	( 343,277)	( 322)
<b>FUND BALANCE, BEGINNING</b>	<u>517,239</u>	<u>517,239</u>	<u>517,239</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 174,284</u>	<u>\$ 174,284</u>	<u>\$ 173,962</u>	<u>\$( 322)</u>

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

**LIBRARY FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 1,884	\$ 1,884
Charges for services	2,200	2,200	2,575	375
Donations	32,500	32,500	33,443	943
Investment earnings	450	450	66	( 384)
Total revenues	<u>35,150</u>	<u>35,150</u>	<u>37,968</u>	<u>2,818</u>
<b>EXPENDITURES</b>				
Current:				
Recreation and leisure	15,000	15,000	16,790	( 1,790)
Total expenditures	<u>15,000</u>	<u>15,000</u>	<u>16,790</u>	<u>( 1,790)</u>
<b>NET CHANGE IN FUND BALANCE</b>	20,150	20,150	21,178	1,028
<b>FUND BALANCE, BEGINNING</b>	<u>4,554</u>	<u>4,554</u>	<u>4,554</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 24,704</u>	<u>\$ 24,704</u>	<u>\$ 25,732</u>	<u>\$ 1,028</u>

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

**MUNICIPAL COURT FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Fines and forfeitures	\$ 111,600	\$ 111,600	\$ 125,679	\$ 14,079
Investment earnings	<u>1,950</u>	<u>1,950</u>	<u>2,391</u>	<u>441</u>
Total revenues	<u>113,550</u>	<u>113,550</u>	<u>128,070</u>	<u>14,520</u>
<b>EXPENDITURES</b>				
Current:				
General government	<u>127,490</u>	<u>127,490</u>	<u>122,901</u>	<u>4,589</u>
Total expenditures	<u>127,490</u>	<u>127,490</u>	<u>122,901</u>	<u>4,589</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 13,940)	( 13,940)	5,169	19,109
<b>FUND BALANCE, BEGINNING</b>	<u>113,777</u>	<u>113,777</u>	<u>113,777</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 99,837</u>	<u>\$ 99,837</u>	<u>\$ 118,946</u>	<u>\$ 19,109</u>

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

**KELLER DEVELOPMENT CORPORATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Sales	\$ 2,649,040	\$ 2,649,040	\$ 2,709,926	\$ 60,886
Investment earnings	3,500	3,500	5,865	2,365
Miscellaneous	12,000	12,000	12,000	-
Total revenues	<u>2,664,540</u>	<u>2,664,540</u>	<u>2,727,791</u>	<u>63,251</u>
<b>EXPENDITURES</b>				
Current:				
Recreation and leisure	21,815	21,815	17,051	4,764
Capital outlay	646,800	646,800	311,666	335,134
Debt service:				
Principal	1,238,330	1,238,330	1,238,327	3
Interest and other charges	354,200	354,200	353,594	606
Total expenditures	<u>2,261,145</u>	<u>2,261,145</u>	<u>1,920,638</u>	<u>340,507</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>403,395</u>	<u>403,395</u>	<u>807,153</u>	<u>403,758</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	7,050	7,050
Bonds issued	1,040,000	1,040,000	1,040,000	-
Premium on bond issue	18,480	18,480	18,478	( 2)
Payment to refunding bond escrow agent	( 1,050,100)	( 1,050,100)	( 1,049,384)	716
Transfers out	( 172,985)	( 172,985)	( 170,188)	2,797
Total other financing sources and uses	<u>( 164,605)</u>	<u>( 164,605)</u>	<u>( 154,044)</u>	<u>10,561</u>
<b>NET CHANGE IN FUND BALANCE</b>	238,790	238,790	653,109	414,319
<b>FUND BALANCE, BEGINNING</b>	<u>2,007,357</u>	<u>2,007,357</u>	<u>2,007,357</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 2,246,147</u>	<u>\$ 2,246,147</u>	<u>\$ 2,660,466</u>	<u>\$ 414,319</u>

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

**TIF #1 INTEREST AND SINKING**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Property	\$ 3,069,225	\$ 3,069,225	\$ 3,069,216	\$( 9)
Investment earnings	9,000	9,000	708,054	699,054
Total revenues	<u>3,078,225</u>	<u>3,078,225</u>	<u>3,777,270</u>	<u>699,045</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	2,430,000	2,430,000	2,520,000	( 90,000)
Interest and other charges	643,015	643,015	582,085	60,930
Total expenditures	<u>3,073,015</u>	<u>3,073,015</u>	<u>3,102,085</u>	<u>( 29,070)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>5,210</u>	<u>5,210</u>	<u>675,185</u>	<u>669,975</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued	9,545,000	9,545,000	9,545,000	-
Payment to refunded bond escrow agent	( 10,159,340)	( 10,159,340)	( 10,159,338)	2
Transfers in	687,300	687,300	733,592	46,292
Total other financing sources and uses	<u>72,960</u>	<u>72,960</u>	<u>119,254</u>	<u>46,294</u>
<b>NET CHANGE IN FUND BALANCE</b>	78,170	78,170	794,439	716,269
<b>FUND BALANCE, BEGINNING</b>	<u>414,534</u>	<u>414,534</u>	<u>414,534</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 492,704</u>	<u>\$ 492,704</u>	<u>\$ 1,208,973</u>	<u>\$ 716,269</u>



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

**PARK DEVELOPMENT FEE FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Permits, licenses and fees	\$ 180,000	\$ 180,000	\$ 179,585	\$( 415)
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>3,265</u>	<u>2,265</u>
Total revenues	<u>181,000</u>	<u>181,000</u>	<u>182,850</u>	<u>1,850</u>
<b>EXPENDITURES</b>				
Current:				
Recreation and leisure	22,035	22,035	22,866	( 831)
Capital outlay	<u>-</u>	<u>-</u>	<u>4,400</u>	<u>( 4,400)</u>
Total expenditures	<u>22,035</u>	<u>22,035</u>	<u>27,266</u>	<u>( 5,231)</u>
<b>NET CHANGE IN FUND BALANCE</b>	158,965	158,965	155,584	( 3,381)
<b>FUND BALANCE, BEGINNING</b>	<u>792,385</u>	<u>792,385</u>	<u>792,385</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 951,350</u>	<u>\$ 951,350</u>	<u>\$ 947,969</u>	<u>\$( 3,381)</u>

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**STREET/SIDEWALK IMPROVEMENTS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Sales	\$ 1,350,739	\$ 1,350,739	\$ 1,355,161	\$ 4,422
Special assessments and impact fees	48,000	48,000	48,500	500
Investment earnings	6,170	6,170	9,809	3,639
Total revenues	<u>1,404,909</u>	<u>1,404,909</u>	<u>1,413,470</u>	<u>8,561</u>
<b>EXPENDITURES</b>				
Current:				
Public works	130,000	130,000	120,538	9,462
Capital outlay	1,306,254	1,306,254	1,506,573	( 200,319)
Total expenditures	<u>1,436,254</u>	<u>1,436,254</u>	<u>1,627,111</u>	<u>( 190,857)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 31,345)</u>	<u>( 31,345)</u>	<u>( 213,641)</u>	<u>( 182,296)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 31,345)</u>	<u>( 31,345)</u>	<u>( 213,641)</u>	<u>( 182,296)</u>
<b>FUND BALANCE, BEGINNING</b>	<u>3,030,060</u>	<u>3,030,060</u>	<u>3,030,060</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 2,998,715</u>	<u>\$ 2,998,715</u>	<u>\$ 2,816,419</u>	<u>\$ ( 182,296)</u>

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**EQUIPMENT REPLACEMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Investment earnings	\$ 3,000	\$ 3,000	\$ 5,600	\$ 2,600
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>5,600</u>	<u>2,600</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>171,100</u>	<u>171,100</u>	<u>158,617</u>	<u>12,483</u>
Total expenditures	<u>171,100</u>	<u>171,100</u>	<u>158,617</u>	<u>12,483</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 168,100)</u>	<u>( 168,100)</u>	<u>( 153,017)</u>	<u>15,083</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	45,000	45,000	62,998	17,998
Transfers in	<u>430,520</u>	<u>430,520</u>	<u>430,520</u>	<u>-</u>
Total other financing sources and uses	<u>475,520</u>	<u>475,520</u>	<u>493,518</u>	<u>17,998</u>
<b>NET CHANGE IN FUND BALANCE</b>	307,420	307,420	340,501	33,081
<b>FUND BALANCE, BEGINNING</b>	<u>899,418</u>	<u>899,418</u>	<u>899,418</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 1,206,838</u>	<u>\$ 1,206,838</u>	<u>\$ 1,239,919</u>	<u>\$ 33,081</u>

# STATISTICAL SECTION



**STATISTICAL SECTION  
(Unaudited)**

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

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	98
Revenue Capacity These schedules contain trend information to help the reader assess the City's most significant local revenue sources, the property tax and largest water customers.	108
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	119
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	125
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	127

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

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

	Fiscal Year			
	2006	2007	2008	2009
<b>Governmental activities:</b>				
Net investment in capital assets	\$ 63,207,052	\$ 64,573,383	\$ 74,502,492	\$ 70,395,104
Restricted	9,909,962	11,798,349	10,921,916	10,502,026
Unrestricted	<u>8,009,253</u>	<u>9,624,564</u>	<u>7,002,508</u>	<u>9,709,689</u>
Total governmental activities net position	<u>\$ 81,126,267</u>	<u>\$ 85,996,296</u>	<u>\$ 92,426,916</u>	<u>\$ 90,606,819</u>
<b>Business-type activities:</b>				
Net investment in capital assets	\$ 52,467,582	\$ 53,805,294	\$ 58,364,350	\$ 59,189,455
Restricted	496,892	518,135	9,453,952	9,453,952
Unrestricted	<u>16,596,805</u>	<u>16,403,823</u>	<u>8,190,132</u>	<u>7,658,655</u>
Total business-type activities net position	<u>\$ 69,561,279</u>	<u>\$ 70,727,252</u>	<u>\$ 76,008,434</u>	<u>\$ 76,302,062</u>
<b>Primary government:</b>				
Net investment in capital assets	\$ 115,674,634	\$ 118,378,677	\$ 132,866,842	\$ 129,584,559
Restricted	10,406,854	12,316,484	20,375,868	19,955,978
Unrestricted	<u>24,606,058</u>	<u>26,028,387</u>	<u>15,192,640</u>	<u>17,368,344</u>
Total primary government net position	<u>\$ 150,687,546</u>	<u>\$ 156,723,548</u>	<u>\$ 168,435,350</u>	<u>\$ 166,908,881</u>

TABLE 1

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 71,137,063	\$ 75,942,510	\$ 77,053,091	\$ 81,997,316	\$ 96,268,556	\$ 94,005,152
10,707,393	17,554,282	20,931,028	22,640,243	22,061,750	29,365,446
<u>12,066,456</u>	<u>7,784,575</u>	<u>10,160,534</u>	<u>9,007,099</u>	<u>7,672,607</u>	<u>1,774,887</u>
<u>\$ 93,910,912</u>	<u>\$ 101,281,367</u>	<u>\$ 108,144,653</u>	<u>\$ 113,644,658</u>	<u>\$ 126,002,913</u>	<u>\$ 125,145,485</u>
\$ 58,426,495	\$ 61,139,904	\$ 60,610,385	\$ 60,654,886	\$ 58,172,320	\$ 62,680,465
9,287,306	9,453,952	8,219,575	8,219,575	7,781,518	1,169,197
<u>8,006,813</u>	<u>9,177,880</u>	<u>11,001,160</u>	<u>11,139,589</u>	<u>18,030,492</u>	<u>17,545,138</u>
<u>\$ 75,720,614</u>	<u>\$ 79,771,736</u>	<u>\$ 79,831,120</u>	<u>\$ 80,014,050</u>	<u>\$ 83,984,330</u>	<u>\$ 81,394,800</u>
\$ 129,563,558	\$ 137,082,414	\$ 137,663,476	\$ 142,652,202	\$ 154,440,876	\$ 156,685,617
19,994,699	27,008,234	29,150,603	30,859,818	29,843,268	30,534,643
<u>20,073,269</u>	<u>16,962,455</u>	<u>21,161,694</u>	<u>20,146,688</u>	<u>25,703,099</u>	<u>19,320,025</u>
<u>\$ 169,631,526</u>	<u>\$ 181,053,103</u>	<u>\$ 187,975,773</u>	<u>\$ 193,658,708</u>	<u>\$ 209,987,243</u>	<u>\$ 206,540,285</u>



**CITY OF KELLER, TEXAS**

**CHANGES IN NET POSITION**

**LAST TEN FISCAL YEARS**

*(Accrual Basis)*

	Fiscal Year			
	2006	2007	2008	2009
<b>EXPENSES</b>				
Governmental activities:				
General government	\$ 5,046,206	\$ 5,495,707	\$ 5,630,782	\$ 7,413,655
Public safety	10,627,205	12,162,131	13,969,085	14,740,695
Public works	7,735,718	7,800,979	9,067,983	8,260,487
Community development	1,251,056	1,231,365	1,291,819	1,161,434
Recreation and leisure	8,089,054	8,449,576	8,592,564	9,483,618
Interest and fiscal charges	<u>4,303,912</u>	<u>3,909,308</u>	<u>3,794,400</u>	<u>3,723,887</u>
Total governmental activities expenses	<u>37,053,151</u>	<u>39,049,066</u>	<u>42,346,633</u>	<u>44,783,776</u>
Business-type activities:				
Water and wastewater utilities	14,859,712	14,664,225	15,056,060	15,146,621
Drainage utility	1,641,685	1,819,672	1,839,441	1,869,860
Recreation / Aquatic Center	-	-	-	-
Total business-type activities expenses	<u>16,501,397</u>	<u>16,483,897</u>	<u>16,895,501</u>	<u>17,016,481</u>
 Total primary government program expenses	 <u>\$ 53,554,548</u>	 <u>\$ 55,532,963</u>	 <u>\$ 59,242,134</u>	 <u>\$ 61,800,257</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Charges for services:				
Public works	\$ 1,437,910	\$ 920,400	\$ 42,787	\$ 15,200
Recreation and leisure	2,879,647	3,484,293	3,247,187	3,172,091
Other activities	5,725,963	5,717,426	3,957,986	3,215,505
Operating grants and contributions	241,527	241,636	2,483,052	2,400,191
Capital grants and contributions	<u>2,904,694</u>	<u>2,640,281</u>	<u>6,297,308</u>	<u>497,454</u>
Total governmental activities program revenues	<u>13,189,741</u>	<u>13,004,036</u>	<u>16,028,320</u>	<u>9,300,441</u>
Business-type activities:				
Charges for services:				
Water and wastewater utilities	18,725,239	15,100,194	18,403,123	17,785,742
Drainage utility	819,233	855,817	891,424	929,902
Recreation / Aquatic Center	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	<u>4,555,755</u>	<u>2,579,605</u>	<u>5,351,853</u>	<u>1,332,860</u>
Total business-type activities program revenues	<u>24,100,227</u>	<u>18,535,616</u>	<u>24,646,400</u>	<u>20,048,504</u>
 Total primary government program revenues	 <u>\$ 37,289,968</u>	 <u>\$ 31,539,652</u>	 <u>\$ 40,674,720</u>	 <u>\$ 29,348,945</u>

TABLE 2

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 7,389,603	\$ 7,618,197	7,470,050	\$ 7,973,740	\$ 7,011,362	\$ 9,224,860
14,258,649	17,358,623	18,753,263	19,415,960	16,756,956	20,941,821
7,189,802	2,560,006	2,823,250	2,981,588	2,490,468	3,138,376
1,100,186	1,183,353	1,283,179	1,425,851	1,357,417	1,870,887
7,546,936	4,866,264	5,125,705	5,345,157	4,938,515	5,855,468
3,790,680	3,632,289	3,213,594	3,277,731	2,882,936	2,542,830
<u>41,275,856</u>	<u>37,218,732</u>	<u>38,669,042</u>	<u>40,420,027</u>	<u>35,437,654</u>	<u>43,574,242</u>
15,214,564	17,807,093	16,757,059	17,055,816	18,496,707	20,294,433
1,972,553	1,987,027	2,054,396	2,004,342	2,040,218	2,172,976
-	2,854,913	2,892,151	3,080,094	2,669,471	2,600,639
<u>17,187,117</u>	<u>22,649,033</u>	<u>21,703,606</u>	<u>22,140,252</u>	<u>23,206,396</u>	<u>25,068,048</u>
<u>\$ 58,462,973</u>	<u>\$ 59,867,765</u>	<u>\$ 60,372,648</u>	<u>\$ 62,560,279</u>	<u>\$ 58,644,050</u>	<u>\$ 68,642,290</u>
\$ 11,354	\$ 35,207	\$ 39,828	\$ 56,267	\$ 79,719	\$ 82,024
3,166,420	329,768	283,440	628,121	915,060	544,882
3,622,406	3,442,865	3,501,127	4,004,921	4,891,778	4,334,299
2,358,986	5,300,350	2,301,766	2,751,993	3,590,362	3,373,672
445,168	630,960	3,969,333	1,117,756	251,533	285,924
<u>9,604,334</u>	<u>9,739,150</u>	<u>10,095,494</u>	<u>8,559,058</u>	<u>9,728,452</u>	<u>8,620,801</u>
17,301,977	21,461,471	20,316,352	20,518,382	21,546,501	21,483,165
1,507,699	1,484,183	1,505,930	1,540,590	1,569,419	1,610,683
-	3,002,013	3,026,909	3,087,021	3,029,667	2,982,350
-	-	-	-	-	-
<u>1,517,538</u>	<u>3,902,205</u>	<u>294,957</u>	<u>1,010,366</u>	<u>4,977,753</u>	<u>1,243,665</u>
<u>20,327,214</u>	<u>29,849,872</u>	<u>25,144,148</u>	<u>26,156,359</u>	<u>31,123,340</u>	<u>27,319,863</u>
<u>\$ 29,931,548</u>	<u>\$ 39,589,022</u>	<u>\$ 35,239,642</u>	<u>\$ 34,715,417</u>	<u>\$ 40,851,792</u>	<u>\$ 35,940,664</u>

**CITY OF KELLER, TEXAS**

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

	Fiscal Year			
	2006	2007	2008	2009
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	\$( 23,863,410)	\$( 26,045,030)	\$( 26,318,313)	\$( 35,483,335)
Business-type activities	<u>7,598,830</u>	<u>2,051,719</u>	<u>7,750,899</u>	<u>3,032,023</u>
Total primary government net expense	<u>\$( 16,264,580)</u>	<u>\$( 23,993,311)</u>	<u>\$( 18,567,414)</u>	<u>\$( 32,451,312)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental activities:				
Taxes				
Property	14,459,067	16,079,035	17,325,312	19,156,565
Sales	7,534,423	8,294,981	8,654,735	8,045,471
Franchise	3,089,399	3,182,681	2,579,383	2,520,961
Mixed beverage	49,460	53,482	52,475	55,350
Investment earnings	930,146	1,253,401	859,258	565,181
Miscellaneous	4,660	16,680	65,260	128,425
Gain (loss) on sale of capital assets	-	( 155,856)	26,973	-
Litigation settlement	-	298,249	-	-
Transfers	<u>2,192,110</u>	<u>1,892,406</u>	<u>3,185,538</u>	<u>3,191,285</u>
Total governmental activities	<u>28,259,265</u>	<u>30,915,059</u>	<u>32,748,934</u>	<u>33,663,238</u>
Business-type activities:				
Investment earnings	715,250	947,920	611,410	395,290
Miscellaneous revenue (expense)	2,599	66,392	37,408	40,255
Gain (loss) on sale of capital assets	-	( 7,652)	67,003	17,345
Transfers	<u>( 2,192,110)</u>	<u>( 1,892,406)</u>	<u>( 3,185,538)</u>	<u>( 3,191,285)</u>
Total business-type activities	<u>( 1,474,261)</u>	<u>( 885,746)</u>	<u>( 2,469,717)</u>	<u>( 2,738,395)</u>
Total primary government	<u>26,785,004</u>	<u>30,029,313</u>	<u>30,279,217</u>	<u>30,924,843</u>
<b>CHANGE IN NET POSITION</b>				
Governmental activities	4,395,855	4,870,029	6,430,621	( 1,820,097)
Business-type activities	<u>6,124,569</u>	<u>1,165,973</u>	<u>5,281,182</u>	<u>293,628</u>
Total primary government	<u>\$ 10,520,424</u>	<u>\$ 6,036,002</u>	<u>\$ 11,711,803</u>	<u>\$( 1,526,469)</u>

**TABLE 2  
(continued)**

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$( 31,671,522)	\$( 27,479,582)	\$( 28,573,548)	\$( 31,860,969)	\$( 25,709,202)	\$( 34,953,441)
<u>3,140,097</u>	<u>7,200,839</u>	<u>3,440,542</u>	<u>4,016,107</u>	<u>7,916,944</u>	<u>2,251,815</u>
<u>\$( 28,531,425)</u>	<u>\$( 20,278,743)</u>	<u>\$( 25,133,006)</u>	<u>\$( 27,844,862)</u>	<u>\$( 17,792,258)</u>	<u>\$( 32,701,626)</u>
20,250,125	19,794,916	20,036,667	20,691,721	21,526,556	22,777,252
7,939,671	8,087,781	8,615,790	9,184,887	9,817,716	10,660,047
2,788,527	2,988,616	2,830,981	2,850,968	3,157,388	3,421,518
60,935	64,242	61,567	92,029	128,832	192,912
232,082	280,809	192,931	153,767	180,677	861,938
292,685	295,808	270,763	295,807	240,932	164,711
-	-	18,508	104,855	98,274	15,891
-	-	-	-	-	-
<u>3,411,590</u>	<u>3,652,445</u>	<u>3,549,470</u>	<u>3,986,940</u>	<u>3,826,555</u>	<u>3,342,990</u>
<u>34,975,615</u>	<u>35,164,617</u>	<u>35,576,677</u>	<u>37,360,974</u>	<u>38,976,930</u>	<u>41,437,259</u>
92,367	137,567	122,036	102,252	121,260	80,990
30,943	59,619	46,276	51,511	42,688	54,614
( 433,265)	-	-	-	-	-
( 3,411,590)	( 3,661,483)	( 3,549,470)	( 3,986,940)	( 3,826,555)	( 3,342,990)
( 3,721,545)	( 3,464,297)	( 3,381,158)	( 3,833,177)	( 3,662,607)	( 3,207,386)
<u>31,254,070</u>	<u>31,700,320</u>	<u>32,195,519</u>	<u>33,527,797</u>	<u>35,314,323</u>	<u>38,229,873</u>
3,304,093	7,685,035	7,003,129	5,500,005	13,267,728	6,483,818
( 581,448)	3,736,542	59,384	182,930	4,254,337	( 955,571)
<u>\$ 2,722,645</u>	<u>\$ 11,421,577</u>	<u>\$ 7,062,513</u>	<u>\$ 5,682,935</u>	<u>\$ 17,522,065</u>	<u>\$ 5,528,247</u>

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## CITY OF KELLER, TEXAS

FUND BALANCES OF  
GOVERNMENTAL FUNDSLAST TEN FISCAL YEARS  
(Accrual Basis)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund										
Reserved	\$ 366,151	\$ 477,043	\$ 505,169	\$ 713,187	\$ 852,300	\$ -	\$ -	\$ -	\$ -	\$ -
Non-spendable	-	-	-	-	-	437,749	70,120	72,597	108,298	127,462
Assigned	-	-	-	-	-	655,573	941,993	5,646,441	6,849,905	10,081,509
Unreserved	6,710,715	6,620,147	7,779,047	8,356,777	9,951,738	-	-	-	-	-
Unassigned	-	-	-	-	-	11,596,853	11,375,745	9,362,608	9,380,730	9,923,578
Total general fund	\$ 7,076,866	\$ 7,097,190	\$ 8,284,216	\$ 9,069,964	\$ 10,804,038	\$ 12,690,175	\$ 12,387,858	\$ 15,081,646	\$ 16,338,933	\$ 20,132,549
All other governmental funds										
Reserved:										
Debt service	\$ 1,064,520	\$ 869,096	\$ 1,020,122	\$ 752,552	\$ 626,785	\$ -	\$ -	\$ -	\$ -	\$ -
Other	4,003,778	6,278,438	9,350,456	10,279,593	7,004,255	-	-	-	-	-
Unreserved, reported in:										
Special revenue	1,835,923	1,928,273	3,019,066	8,529,094	12,737,304	-	-	-	-	-
Capital projects	4,541,543	4,328,474	( 2,501,535)	( 3,001,569)	584,935	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	1,056,122	2,007,357	2,660,466
Non-spendable	-	-	-	-	-	1,251	1,771	125	-	-
Restricted:										
Debt service	-	-	-	-	-	564,353	545,493	690,229	931,773	1,382,935
Capital projects	-	-	-	-	-	12,410,163	9,985,464	11,114,335	12,480,371	15,784,265
Other	-	-	-	-	-	4,579,766	11,083,156	6,296,968	3,274,935	3,671,650
Unassigned	-	-	-	-	-	-	-	-	( 156,535)	-
Total all other governmental funds	\$ 11,445,764	\$ 13,404,281	\$ 10,888,109	\$ 16,559,670	\$ 20,953,279	\$ 17,555,533	\$ 21,615,884	\$ 19,157,779	\$ 18,537,901	\$ 23,499,316

## CITY OF KELLER, TEXAS

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>REVENUES</b>										
Taxes	\$ 25,280,908	\$ 27,436,311	\$ 28,984,792	\$ 29,764,912	\$ 30,875,274	\$ 30,917,467	\$ 31,604,211	\$ 32,846,813	\$ 34,626,731	\$ 37,018,059
Licenses, fees and permits	2,687,921	1,981,637	1,753,197	1,119,177	1,492,765	1,271,576	1,313,373	2,214,199	2,300,895	2,079,019
Intergovernmental	885,493	1,584,392	2,433,675	2,220,113	2,243,917	5,521,904	5,752,557	2,915,931	3,611,678	3,101,589
Charges for services	3,298,315	3,642,795	4,009,487	4,068,661	4,225,420	1,473,354	1,429,532	1,409,324	1,498,686	1,565,049
Fines	1,174,530	1,177,651	1,059,808	996,203	946,204	883,816	923,809	901,147	1,326,291	1,143,499
Special assessments and impact fees	1,220,663	865,963	794,323	533,903	530,996	406,801	576,455	906,533	885,077	576,321
Donations	151,921	497,102	295,879	179,443	116,425	65,986	75,915	102,617	96,580	108,456
Interest income	930,146	1,253,401	859,258	565,181	232,082	280,479	192,931	153,767	180,496	861,762
Miscellaneous	556,088	902,062	368,711	411,048	345,339	350,563	325,397	350,608	295,074	224,802
Total revenues	<u>36,185,985</u>	<u>39,341,314</u>	<u>40,559,130</u>	<u>39,858,641</u>	<u>41,008,422</u>	<u>41,171,946</u>	<u>42,194,180</u>	<u>41,800,939</u>	<u>44,821,508</u>	<u>46,678,556</u>
<b>EXPENDITURES</b>										
Current:										
General government	4,174,610	5,097,346	4,865,176	5,664,989	5,912,363	6,029,397	5,770,520	6,077,590	6,269,082	6,753,694
Public safety	9,630,205	11,111,382	12,888,788	13,464,699	13,245,554	14,183,759	14,486,660	14,628,765	14,968,628	15,281,088
Public works	1,915,734	1,944,150	2,147,931	2,078,623	2,167,078	2,091,785	2,180,925	2,272,568	2,224,682	2,289,850
Community development	1,216,936	1,208,865	1,265,371	1,148,647	1,082,844	966,920	991,240	1,086,784	1,212,552	1,365,628
Recreation and leisure	6,245,698	6,512,392	6,648,619	6,901,084	6,594,491	3,976,232	3,959,543	4,074,082	4,411,469	4,272,027
Capital outlay	4,041,731	2,866,487	7,809,160	9,769,903	5,649,594	8,784,499	11,072,371	8,219,386	9,000,163	4,791,333
Debt service:										
Principal	4,044,830	6,681,820	3,594,567	3,418,491	6,597,743	6,555,603	6,876,829	6,730,769	7,156,404	7,583,160
Interest	5,938,927	3,832,434	5,677,177	6,481,007	3,648,886	3,486,895	2,925,696	3,200,476	2,871,535	2,340,333
Bond issue costs	30,638	-	-	-	428,737	-	331,775	-	-	-
Advance refunding escrow	-	-	-	-	108,360	-	14,549,637	-	-	-
Total expenditures	<u>37,239,309</u>	<u>39,254,876</u>	<u>44,896,789</u>	<u>48,927,443</u>	<u>45,435,650</u>	<u>46,075,090</u>	<u>63,145,196</u>	<u>46,290,420</u>	<u>48,114,515</u>	<u>44,677,113</u>

TABLE 4  
(continued)

CITY OF KELLER, TEXAS

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ ( 1,053,324)	\$ 86,438	\$ ( 4,337,659)	\$ ( 9,068,802)	\$ ( 4,427,228)	\$ ( 4,903,144)	\$ ( 20,951,016)	\$ ( 4,489,481)	\$ ( 3,293,007)	\$ 2,001,443
<b>OTHER FINANCING SOURCES (USES)</b>										
Sale of capital assets	-	-	26,973	24,826	44,599	53,670	80,100	110,724	103,861	97,503
Transfers in	4,230,611	4,773,096	5,681,956	5,131,231	5,462,515	5,094,970	4,620,375	4,924,073	5,200,474	4,546,770
Transfers out	( 2,038,501)	( 2,880,690)	( 2,510,416)	( 1,939,946)	( 2,054,120)	( 1,442,525)	( 1,070,905)	( 910,633)	( 1,373,919)	( 1,203,780)
Bonds issued	1,160,000	-	-	12,310,000	20,629,997	-	19,450,000	601,000	-	19,580,000
Bond premium	-	-	-	-	842,858	-	1,769,323	-	-	294,213
Payments to refunded bond escrow agent	( 937,743)	-	-	-	( 14,370,938)	-	-	-	-	( 16,561,118)
Total other financing sources (uses)	2,414,367	1,892,406	3,198,513	15,526,111	10,554,911	3,706,115	24,848,893	4,725,164	3,930,416	6,753,588
<b>NET CHANGE IN FUND BALANCES</b>	\$ 1,361,043	\$ 1,978,844	\$ ( 1,139,146)	\$ 6,457,309	\$ 6,127,683	\$ ( 1,197,029)	\$ 3,897,877	\$ 235,683	\$ 637,409	\$ 8,755,031
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	29.9%	35.0%	34.4%	23.7%	25.8%	29.2%	19.1%	26.3%	29.9%	24.1%



TABLE 5

## CITY OF KELLER, TEXAS

## TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

Fiscal Year	Property Tax	Sales and Use Tax	Franchise Tax	Mixed Beverage Tax	Total
2006	\$ 14,607,625	\$ 7,534,422	\$ 2,312,400	\$ 49,461	\$ 24,503,908
2007	16,079,035	8,294,981	2,280,832	53,482	26,708,330
2008	17,698,199	8,654,735	2,579,383	52,475	28,984,792
2009	19,143,130	8,045,471	2,520,961	55,350	29,764,912
2010	20,086,141	7,939,671	2,788,527	60,935	30,875,274
2011	19,543,407	8,087,781	2,988,616	64,242	30,684,046
2012	19,631,878	8,670,174	2,695,881	61,567	31,059,500
2013	19,625,642	9,184,887	2,842,453	92,029	31,745,011
2014	21,522,795	9,817,716	3,157,388	128,832	34,626,731
2015	22,743,582	10,660,047	3,421,518	192,912	37,018,059

TABLE 6

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

Fiscal Year	Residential Property	Commercial and Industrial Property	Undeveloped Vacant Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Total Assessed Value as a Percentage of Actual Value
2006	\$ 2,503,947,102	\$ 472,408,098	\$ 211,613,983	\$ 557,827,224	\$ 2,630,141,959	\$ 0.44413	\$ 2,894,770,545	100%
2007	2,725,521,606	556,935,766	216,651,329	289,881,845	3,209,226,856	0.43219	3,209,226,856	100%
2008	3,064,761,852	622,932,772	173,975,819	315,523,601	3,546,146,842	0.43219	3,546,432,507	100%
2009	3,334,115,025	707,454,500	143,420,000	317,110,873	3,867,878,652	0.43219	3,867,878,652	100%
2010	3,545,294,700	656,087,602	146,651,300	334,742,514	4,013,291,088	0.44219	4,013,291,088	100%
2011	3,530,301,647	647,067,001	137,210,172	349,431,177	3,965,147,643	0.44219	3,965,147,643	100%
2012	3,619,741,614	651,316,929	134,835,788	391,880,182	4,014,014,149	0.44219	4,014,014,149	100%
2013	3,686,628,494	693,422,671	132,152,843	401,546,015	4,110,657,993	0.44219	4,110,657,933	100%
2014	3,828,837,003	715,121,502	129,772,860	409,246,091	4,264,485,274	0.44219	4,264,485,274	100%
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%

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

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

Source: Tarrant Appraisal District

## CITY OF KELLER, TEXAS

## PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

## LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates			Overlapping Rates						Total Direct and Overlapping Rates
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Carroll Independent School District	Keller Independent School District	Northwest Independent School District	Tarrant County	Tarrant County College District	Tarrant County Hospital District	
2006	\$ 0.30570	\$ 0.13843	\$ 0.44413	\$ -	\$ 1.71580	N/A	\$ 0.2725	\$ 0.2725	\$ 0.235397	\$ 2.940327
2007	0.30447	0.12772	0.43219	-	1.60800	N/A	0.2715	0.2715	0.235397	2.818587
2008	0.31247	0.11972	0.43219	-	1.35740	N/A	0.2665	0.2665	0.235397	2.425867
2009	0.31175	0.12044	0.43219	-	1.41690	1.35500	0.2640	0.2640	0.227897	2.451004
2010	0.31009	0.13210	0.44219	1.415	1.48630	1.35500	0.2640	0.2640	0.227897	2.490524
2011	0.29278	0.14941	0.44219	1.415	1.53060	1.37500	0.2640	0.2640	0.227897	2.511927
2012	0.32552	0.12864	0.45416	1.415	1.54000	1.37500	0.2640	0.2640	0.227897	2.526390
2013	0.32552	0.11667	0.44219	1.400	1.54000	1.45250	0.2640	0.2640	0.227897	2.547754
2014	0.32646	0.11573	0.44219	1.400	1.54000	1.45250	0.2640	0.2640	0.227897	2.547754
2015	0.31676	0.12043	0.43719	1.400	1.54000	1.45250	0.2640	0.1495	0.227897	2.542754

Notes: 1 Rates are per \$100 valuation.

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

Source: Tarrant County Appraisal District

TABLE 8

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

Taxpayer	2015			Taxpayer	2006	
	Market Value (000's)	Percentage of Total City Market Value	Rank		Market Value (000's)	Percentage of Total City Market Value
SC Dominion SPE LLC	\$ 34,800	18.69%	1	Pr Town Center LP/ Pr Keller	\$ 21,291	17.76%
Amstar/ Southern Art House LP	25,300	13.59%	2	Regency Centers LP	15,642	13.05%
SC Stone Glen LP	23,000	12.35%	3	Lowe's Home Centers Inc	14,791	12.34%
Grand Peaks Estates at Keller LP	18,150	9.75%	4	Pr Keller Partners LP	13,150	10.97%
Conservatory Senior Living	17,935	9.63%	5	Home Depot USA Inc	11,736	9.79%
Regency Centers LP	16,330	8.77%	6	TXU Electric Delivery Co	10,380	8.66%
T Keller Crossing TX LLC	14,079	7.56%	7	Margaux Keller Dev LTD	10,057	8.39%
Oncor Electric Delivery Company LL	13,298	7.14%	8	GTE Southwest Inc	8,270	6.90%
GTE Southwest Inc	11,942	6.41%	9	Kohl's Texas LP	7,461	6.23%
Lowes Home Centers Inc	<u>11,400</u>	<u>6.12%</u>	10	Wal-Mart Real Estate Business	<u>7,073</u>	<u>5.90%</u>
Total	<u>\$ 186,234</u>	<u>100.00%</u>		Total	<u>\$ 119,851</u>	<u>100.00%</u>

Source: Tarrant County Appraisal District

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TABLE 9

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

Fiscal Year Ended	Taxes Levied for the Fiscal Year <sup>1</sup>	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 12,905,665	\$ 12,744,905	98.75%	\$ 155,600	\$ 12,900,505	99.96%
2007	13,839,577	13,707,407	99.04%	128,091	13,835,498	99.97%
2008	15,271,712	15,142,043	99.15%	122,020	15,264,063	99.95%
2009	16,624,386	16,462,169	99.02%	149,245	16,611,414	99.92%
2010	17,597,422	17,424,740	99.02%	156,512	17,581,252	99.91%
2011	17,370,019	17,212,260	99.09%	132,282	17,344,542	99.85%
2012	17,645,180	17,538,272	99.39%	78,756	17,617,028	99.84%
2013	18,026,485	17,946,631	99.56%	45,316	17,991,947	99.81%
2014	18,671,558	18,595,909	99.57%	35,275	18,631,184	99.57%
2015	19,605,135	19,504,832	99.49%	-	19,504,832	99.49%

Note: <sup>1</sup>Adjusted through September 30, 2015

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

	Fiscal Year			
	2006	2007	2008	2009
Construction	\$ 5,248,032	\$ 7,013,295	\$ 7,549,622	\$ 7,653,377
Transportation, communications	696,935	13,270,529	10,542,719	-
Utilities	20,503,791	26,447,297	30,128,038	-
Manufacturing	7,935,347	8,904,880	295,450	2,940,779
Wholesale trade	12,306,490	7,213,880	7,891,276	5,890,013
Retail trade	87,195,184	95,563,198	108,725,426	159,769,554
Information	29,277,212	17,947,316	38,930,359	1,309,930
Finance and insurance	566,094	1,021,182	4,141,296	1,344,111
Real estate, rental and leasing	1,421,852	1,408,433	11,665,675	6,712,679
Professional, scientific and technical services	5,053,089	17,275,861	4,667,602	4,095,448
Administrative and support services	15,605,492	6,569,325	12,374,811	6,347,933
Educational services	36,003	37,249	307,699	78,540
Arts, entertainment and recreation	3,365,641	3,539,286	3,681,219	8,810,317
Accommodation and food services	26,001,060	21,821,352	41,325,976	47,316,633
Other Services except PA <sup>1</sup>	4,618,231	5,296,379	7,756,203	9,806,464
Other	<u>85,632,350</u>	<u>105,762,350</u>	<u>53,868,594</u>	<u>1,406,225</u>
<b>Total</b>	<b><u>\$ 305,462,803</u></b>	<b><u>\$ 339,091,812</u></b>	<b><u>\$ 343,851,965</u></b>	<b><u>\$ 263,482,003</u></b>
Direct sales tax rate	2.000%	2.000%	2.000%	2.000%

Notes:

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

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

TABLE 10

Fiscal Year						
2010	2011	2012	2013	2014	2015	
\$ 5,644,566	\$ 7,487,590	\$ 5,690,397	\$ 8,628,139	\$ 7,891,854	\$ 8,227,863	
123,993	6,981,819	11,695,882	12,048,822	12,219,719	-	
39,979,714	38,586,553	523,381	34,432,043	32,061,719	34,119,759	
6,419,863	320,998	523,381	337,657	273,857	175,751	
8,956,140	7,824,042	7,861,903	9,018,601	9,763,717	11,905,554	
100,766,160	108,724,134	116,508,313	124,257,630	129,472,431	71,784,004	
53,397,031	40,204,903	41,788,728	44,491,839	42,655,529	56,500,069	
1,361,454	3,418,573	4,544,921	4,732,909	4,114,482	842,937	
4,594,903	9,610,727	12,667,771	13,332,200	12,632,715	15,573,215	
4,017,325	4,585,668	5,642,146	5,334,402	5,987,358	8,375,138	
9,821,471	11,397,517	11,689,606	14,142,641	14,024,258	12,613,163	
466,628	437,575	269,071	351,655	406,363	391,465	
3,915,255	4,379,237	4,522,275	4,207,107	3,086,830	4,623,197	
40,617,242	38,757,393	42,932,278	47,229,686	49,744,779	55,162,234	
10,843,370	6,876,945	8,273,649	8,864,231	9,012,614	8,425,228	
<u>108,891,431</u>	<u>53,445,162</u>	<u>56,115,562</u>	<u>61,564,107</u>	<u>73,637,665</u>	<u>194,592,471</u>	
<u>\$ 399,816,546</u>	<u>\$ 343,038,836</u>	<u>\$ 331,249,264</u>	<u>\$ 392,973,669</u>	<u>\$ 406,985,891</u>	<u>\$ 483,312,048</u>	
2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	



TABLE 11

## CITY OF KELLER, TEXAS

## DIRECT AND OVERLAPPING SALES TAX RATES

LAST TEN FISCAL YEARS  
(UNAUDITED)

Fiscal Year	State of Texas	Keller Direct Rate	Keller Development Corporation (1)	Keller Crime Control District (2)	Keller Street Maintenance (3)	Totals
2006	6.250%	1.000%	0.500%	0.375%	0.125%	8.250%
2007	6.250%	1.000%	0.500%	0.375%	0.125%	8.250%
2008	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2009	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2010	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2011	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2012	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2013	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2014	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2015	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%

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

TABLE 12

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

Taxpayer	2015				2006			
	Number of Payers	Percent of Total	Tax (1)	Percent of Total	Number of Payers	Percent of Total	Tax (2)	Percent of Total
Construction	1,958	6.36%	\$ 143,988	1.73%	305	6.49%	\$ 104,961	1.68%
Transportation, communications and warehousing	-	- %	-	- %	n/a	- %	-	- %
Utilities, mining	583	1.89%	597,096	7.18%	20	0.43%	421,873	6.77%
Manufacturing	271	0.88%	3,076	0.04%	241	5.13%	158,707	2.55%
Wholesale trade	4,450	14.46%	208,347	2.51%	527	11.22%	246,130	3.95%
Retail trade	3,188	10.36%	1,256,220	15.11%	1,430	30.44%	1,743,904	27.98%
Information	3,221	10.46%	988,751	11.89%	394	8.39%	585,544	9.39%
Finance and insurance	403	1.31%	14,751	.18%	45	.96%	11,322	.18%
Real estate, rental and leasing	776	2.52%	272,531	3.28%	73	1.55%	28,437	0.46%
Professional, scientific and technical services	1,744	5.67%	146,565	1.76%	266	5.66%	101,062	1.62%
Administrative and support services	2,301	7.48%	220,730	2.65%	393	8.37%	312,110	5.01%
Educational services	356	1.16%	6,851	0.08%	18	0.38%	720	0.01%
Arts, entertainment and recreation	154	.50%	80,906	0.97%	15	0.32%	67,313	1.08%
Accommodation and food services	896	2.91%	965,339	11.61%	56	1.19%	520,021	8.34%
Other services except PA <sup>(3)</sup>	1,263	4.10%	147,441	1.77%	119	2.53%	92,365	1.48%
Other	9,216	29.94%	3,263,167	39.24%	796	16.94%	1,839,243	29.50%
<b>Total</b>	<b>30,780</b>	<b>100.00%</b>	<b>\$ 8,315,759</b>	<b>100.00%</b>	<b>4,698</b>	<b>100.00%</b>	<b>\$ 6,233,712</b>	<b>100.00%</b>

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

- (1) Direct Sales Tax Rate 1%, Keller Development Corporation .5%, Street Maintenance .25%, Crime Control District .25%  
(2) Direct Sales Tax Rate 1%, Keller Development Corporation .5%  
(3) PA - Public Administration per naics.com.

**CITY OF KELLER, TEXAS**  
**TEN LARGEST WATER CUSTOMERS BY CONSUMPTION (USAGE)**  
**AS OF SEPTEMBER 30, 2015**

2015				2006			
Customer	Total 2015 Consumption (000's)	Sales	Pct of Total Usage	Customer	Total 2006 Consumption (000's)	Sales	Pct of Total Usage
City of Keller	55,424.5	\$ 182,322	2.07%	City of Keller	100,137.5	\$ 236,359	2.86%
Keller Independent School District	38,078.1	235,681	1.42%	Keller Independent School District	87,937.0	439,023	2.51%
Hidden Lakes Home Owner Ass'n	14,693.8	85,152	0.55%	Hidden Lakes Home Owner Ass'n	31,745.8	158,163	0.91%
Keller Senior Community, LP	8,731.2	50,285	0.33%	Capri W. Lakes, LLC	28,126.8	140,784	0.80%
Grand Estates at Keller, LP	8,458.0	50,076	0.32%	XTO Energy	10,307.8	53,110	0.29%
Conservatory Senior Housing	7,861.6	45,387	0.29%	Plant Shed, Inc.	9,062.8	43,964	0.26%
SC Town Center LP	7,478.0	44,469	0.28%	Keller Oaks Healthcare Center	7,254.5	34,778	0.21%
SC Stone Glen, LP	6,839.5	43,618	0.25%	Mimosa Manor	7,141.4	36,387	0.20%
St Elizabeth Ann Seton	6,513.4	37,058	0.24%	Flanigan Hill Home Owner Ass'n	5,826.8	28,762	0.17%
Keller Oaks Healthcare Center	<u>5,992.8</u>	<u>33,862</u>	<u>0.22%</u>	Home Depot	<u>5,759.7</u>	<u>27,441</u>	<u>0.16%</u>
Subtotal	160,070.9	807,910	5.97%	Subtotal	293,300.1	1,198,771	8.37%
Other customers	<u>2,523,292.1</u>	<u>12,740,393</u>	<u>94.03%</u>	Other customers	<u>3,209,014.9</u>	<u>8,532,439</u>	91.63%
TOTAL	<u>2,683,363.0</u>	<u>\$ 13,548,303</u>	<u>100.00%</u>	TOTAL	<u>3,502,315.0</u>	<u>\$ 9,731,210</u>	<u>100.00%</u>

Source: Information provided by City staff

TABLE 14

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

Fiscal Year	Governmental Activities				Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	KDC Revenue Bonds	Premiums / Discounts	General Obligation Bonds	Certificates of Obligation	Revenue Bonds	TRA - Other	Premiums / Discounts			
2006	\$ 21,226,401	\$ 69,425,000	\$ 890,000	\$ -	\$ 9,768,600	\$ 15,515,000	\$ -	\$ 1,621,409	\$ -	\$ 118,446,410	28.13%	\$ 11,252
2007	19,577,414	64,590,000	775,000	-	8,728,625	14,850,000	-	1,216,439	-	109,737,478	6.97%	2,926
2008	17,883,020	61,460,000	660,000	-	7,761,982	14,130,000	-	772,337	-	102,667,339	6.32%	2,687
2009	20,048,603	64,755,000	535,000	-	6,981,398	13,370,000	-	303,537	-	105,993,538	6.52%	2,695
2010	24,105,000	61,179,997	405,000	-	5,995,000	14,385,000	-	501,420	-	106,571,417	6.83%	2,698
2011	21,945,000	56,923,550	275,000	-	5,585,000	21,040,000	-	521,228	-	106,289,778	6.16%	2,669
2012	24,580,000	53,730,020	140,000	-	10,560,000	11,765,000	-	139,037	-	100,914,057	5.32%	2,460
2013	22,415,000	50,002,894	-	2,384,865	9,700,000	11,042,000	-	241,691	885,923	96,672,373	5.29%	2,355
2014	19,970,000	45,353,000	-	2,144,397	9,145,000	9,959,000	-	-	794,714	87,366,111	4.72%	2,037
2015	17,231,728	43,893,112	-	1,965,055	10,759,160	6,765,000	-	-	962,073	81,576,128	4.19%	1,902

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

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

Fiscal Year	General Bonded Debt Outstanding				Total	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Debt Service Fund	Certificates of Obligation	Debt Service			
2006	\$ 30,995,001	\$ 1,085,740	\$ 84,940,000	\$ 724,770	\$ 117,745,511	4.07%	\$ 3,225
2007	28,360,001	1,217,054	80,215,000	560,249	110,352,304	3.44%	2,927
2008	25,645,002	759,971	75,590,000	555,897	102,550,870	2.89%	2,670
2009	27,030,001	753,065	78,125,000	247,354	106,155,420	2.74%	2,691
2010	30,100,000	1,109,121	75,564,997	216,019	106,990,137	2.67%	2,700
2011	27,530,000	841,552	77,963,550	84,735	106,419,837	2.68%	2,666
2012	35,140,000	576,537	65,495,000	76,817	101,288,354	2.52%	2,505
2013	32,115,000	526,302	61,044,894	108,913	93,795,109	2.28%	2,283
2014	29,115,000	525,621	55,312,000	159,461	85,112,082	2.00%	2,025
2015	27,990,888	517,240	50,658,112	414,534	79,580,774	1.75%	1,855

Amounts should be net of related premiums/discounts

TABLE 16

**CITY OF KELLER, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF SEPTEMBER 30, 2015**

Government Unit	Debt Outstanding	Estimated Percentage Applicable <sup>(1)</sup>	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
Carroll Independent School District	\$ 216,607,746	0.18%	\$ 389,894
Keller Independent School District	771,277,959	33.55%	258,746,980
Northwest Independent School District	765,546,815	0.13%	995,211
Tarrant County General Obligation Debt	361,420,000	3.30%	11,926,860
Tarrant County College District	-	3.30%	-
Tarrant County Hospital District	23,440,000	3.30%	<u>773,520</u>
Subtotal, overlapping debt			272,832,465
City of Keller direct debt <sup>(2)</sup>		100.00%	<u>61,124,840</u>
Total direct and overlapping debt			<u>\$ 333,957,305</u>

Source: [www.mactexas.com](http://www.mactexas.com)

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

<sup>(2)</sup> Includes both tax-supported self-supported debt of the Keller Development Corporation, Keller Crime Control and Prevention District and the Tax Increment Reinvestment Zone No. 1

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

	Fiscal Year			
	2006	2007	2008	2009
Debt limit	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000
Adopted tax rate	<u>0.44413</u>	<u>0.43219</u>	<u>0.43219</u>	<u>0.43219</u>
Additional rate available	<u>2.05587</u>	<u>2.06781</u>	<u>2.06781</u>	<u>2.06781</u>
Legal debt margin	<u>\$ 57,579,511</u>	<u>\$ 66,156,570</u>	<u>\$ 72,891,093</u>	<u>\$ 77,696,131</u>
Total net debt applicable to the limit as a percentage of debt limit	17.77%	17.29%	17.29%	17.29%

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

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

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

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

TABLE 17

		Fiscal Year									
		2010	2011	2012	2013	2014	2015				
\$	2.50000	\$	2.50000	\$	2.50000	\$	2.50000	\$	2.50000	\$	2.50000
	<u>0.44219</u>		<u>0.44219</u>		<u>0.44219</u>		<u>0.44219</u>		<u>0.44219</u>		<u>0.43719</u>
	<u>2.05781</u>		<u>2.05781</u>		<u>2.05781</u>		<u>2.05781</u>		<u>2.05781</u>		<u>2.06281</u>
\$	<u>77,320,390</u>	\$	<u>81,114,904</u>	\$	<u>82,600,785</u>	\$	<u>84,589,531</u>	\$	<u>84,589,531</u>	\$	<u>93,614,599</u>
	17.69%		17.69%		17.69%		17.69%		17.69%		17.49%

Legal Debt Margin Calculation for the Current Fiscal Year:

Maximum allowable tax rate	\$	2.50000
Adopted tax rate		<u>0.43719</u>
Additional rate available		<u>2.06281</u>
Total taxable value		4,538,207,540
Additional tax levy available (debt margin)		93,614,599
Less: amount set aside for repayment of general obligation debt		<u>1,374,771</u>
Legal debt margin	\$	<u>92,239,828</u>



TABLE 18

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

Fiscal Year	Water Revenue Bonds					Times Coverage
	Utility Services Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements		
				Principal	Interest	
2006	\$ 18,725,239	\$ 11,509,760	\$ 7,215,479	\$ -	\$ -	N/A
2007	15,071,034	10,878,806	4,192,228	-	-	N/A
2008	18,440,505	11,072,183	7,368,322	-	-	N/A
2009	17,825,997	11,263,357	6,562,640	-	-	N/A
2010	17,332,920	11,393,852	5,939,068	-	-	N/A
2011	21,507,180	13,675,260	7,831,920	-	-	N/A
2012	19,856,182	15,515,102	4,341,080	-	-	N/A
2013	20,017,810	12,010,745	8,007,065	-	-	N/A
2014	21,578,141	17,816,373	3,761,768	-	-	N/A
2015	21,521,901	19,788,960	1,732,941	-	-	N/A

TABLE 19

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

Calendar Year	Population <sup>1</sup>	Personal Income	Per Capita Personal Income	Median Age	School Enrollment (KISD) <sup>2</sup>	National Unemployment Rate <sup>4</sup>
2006	36,508	\$ 1,460,320,000	\$ 40,000 <sup>7</sup>	35.0	25,873	4.4%
2007	37,700	1,583,400,000	42,000 <sup>7</sup>	35.0	27,905	5.0%
2008	38,402	1,632,085,000	42,500 <sup>7</sup>	35.0 <sup>5</sup>	29,424	7.3%
2009	39,450	1,558,827,300	39,514 <sup>7</sup>	35.0 <sup>5</sup>	30,299	9.9%
2010	39,627 <sup>10</sup>	4,565,821,278	39,514 <sup>7</sup>	35.0 <sup>6</sup>	32,808	9.3%
2011	39,920	1,730,172,720	43,341 <sup>8</sup>	32.0 <sup>6</sup>	32,796	8.5%
2012	40,440	1,896,838,200	46,905 <sup>8</sup>	36.9 <sup>6</sup>	33,130	7.8%
2013	41,090	1,828,422,820	44,498 <sup>3</sup>	39.9 <sup>9</sup>	33,367	7.2%
2014	42,040	1,852,618,720	44,068 <sup>3</sup>	41.1 <sup>9</sup>	33,440	5.9%
2015	42,890	1,947,849,350	45,415	41.3	33,616	5.1%

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

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

<sup>3</sup> Bureau of Census

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

<sup>5</sup> www.idcide.com, (©) 2008

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

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

<sup>8</sup> BEA.gov

<sup>9</sup> IndexMundi

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

TABLE 20

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

2015				2006		
Employer	Employees	Percentage of Total City Employment	Rank	Employer	Employees	Percentage of Total City Employment
Keller ISD	1,261	47.67%	1	Sabre Corporation	3,345	22.26%
City of Keller	352	13.31%	2	AMR Corporation	2,381	15.85%
Kroger	210	7.94%	3	Fidelity Investments	2,132	14.19%
Kohl's Department Store	200	7.56%	4	Keller ISD	2,103	14.00%
Lowe's	153	5.78%	5	Nokia	1,500	9.98%
Keller Oaks Healthcare Center	150	5.67%	6	Motorola	1,300	8.65%
Home Depot	139	5.26%	7	Daimler Chrysler	1,000	6.66%
Tom Thumb	90	3.40%	8	Southwestern Bell	750	4.99%
Walmart Neighborhood Market	90	3.40%	9	Advanced PCS Systems	515	3.43%
Total	<u>2,645</u>	<u>100.00%</u>		Total	<u>15,026</u>	<u>100.00%</u>

Source: Texas Workforce Commission  
Demographics provided by The Retail Coach

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

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Administration	7.00	7.00	8.50	10.00	10.00	8.00	8.00	8.00	8.00	9.00
Finance	7.00	7.00	7.50	7.50	6.50	6.50	7.00	7.00	7.00	7.50
Planning	14.25	14.25	14.50	14.50	11.00	11.00	11.00	12.00	11.96	12.41
Town Hall operations	1.00	1.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00
Other	17.73	17.73	22.83	22.83	20.83	25.00	16.14	15.50	15.40	13.78
Police										
Officers	67.00	71.00	78.00	78.00	77.00	79.00	50.50	51.50	50.00	49.00
Civilians	4.00	4.00	4.00	4.00	4.00	4.00	34.00	34.00	35.48	37.48
Fire										
Firefighters and officers	44.50	44.50	60.50	60.50	54.00	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	6.00	5.50	5.50	3.00	3.00	3.00	3.00
Other	11.33	11.33	11.33	11.33	8.83	8.83	11.73	12.10	12.10	12.33
Parks and recreation	87.24	87.24	83.08	84.05	77.65	71.64	74.16	76.22	76.40	74.07
Library	15.97	15.97	15.97	15.97	15.42	15.42	15.42	15.42	15.42	15.48
Water	34.92	35.92	35.92	37.92	33.67	33.67	30.30	30.67	30.67	31.17
Wastewater	7.50		10.50	9.50	9.50	9.50	9.50	9.50	9.50	11.50
Drainage	<u>7.75</u>	<u>8.75</u>	<u>8.75</u>	<u>8.75</u>	<u>8.50</u>	<u>8.50</u>	<u>8.50</u>	<u>8.50</u>	<u>8.50</u>	<u>8.50</u>
Total	<u>335.19</u>	<u>333.69</u>	<u>371.38</u>	<u>374.85</u>	<u>346.40</u>	<u>348.56</u>	<u>341.25</u>	<u>345.41</u>	<u>345.43</u>	<u>345.22</u>

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

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

Function/Program	Fiscal Year <sup>1</sup>									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General government</b>										
Council and work sessions held	32	51	45	48	42	45	32	33	32	52
Cable broadcasts	594	658	3,582	5,109	7,118	7,338	406	7,305	7,305	7,646
Birth/death certificates issued	1,308	1,218	1,495	935	396	833		364	436	195
Building permits issued	473	255	277	183	248	250	250	250	300	275
New construction plan review	480	360	165	256	346	350	350	315	385	325
<b>Police</b>										
Physical arrests	1,754	1,631	1,813	1,800	1,600	1,625	1,550	1,190	1,540	1,324
Total citations issued	15,517	12,755	12,755	11,750	11,438	11,800	10,000	9,300	10,500	11,271
Total emergency 911 calls*	13,160	13,160	30,350	30,029	32,500	36,400	39,000	30,000	39,764	40,738
Calls for service*	76,103	77,329	88,559	174,669	155,124	220,000	232,180	245,484	257,664	292,784
<b>Animal control</b>										
Animals adopted/redeemed	834	619	885	819	552	556	724	811	720	641
Animals impounded	1,504	1,152	1,511	1,334	1,108	1,293	1,114	970	850	886
Animal bite investigations	61	65	74	63	63	70	68	68	82	105
<b>Fire</b>										
Emergency responses	2,500	1,625	1,785	2,706	2,844	2,980	2,180	2,124	3,288	3,369
Calls for service, excludes EMS	928	970	1,175	914	1,018	1,139	1,225	1,217	1,244	1,098
Fire hydrants maintained	1,824	1,875	2,026	2,050	2,065	2,063	2,077	2,077	2,150	2,237
Inspections	420	584	516	697	731	720	300	300	1,316	1,998
<b>Finance</b>										
Accounts payable checks processed	5,819	5,107	5,269	5,476	5,269	5,600	3,500	4,400	4,400	4,100
Payroll checks processed	4,986	10,442	11,320	11,624	11,320	11,800	10,200	11,700	11,650	10,900
Journal entries posted	4,499	5,189	5,813	5,795	5,510	5,500	5,000	5,000	4,450	4,300
Purchase orders processed	316	346	336	323	336	357	300	300	300	285
<b>Human resources</b>										
Applications processed	1,704	2,200	1,899	1,190	730	750	1,550	1,350	1,800	1,650
Vacancies filled	42	44	57	26	25	130	147	153	200	230
Turnover rate	13.18%	12.50%	10.75%	7.49%	9.30%	10.00%	15.00%	14.00%	18.00%	18.00%
Safety classes conducted	9	9	6	6	5	5	5	5	4	4
Worker compensation claims	53	60	43	49	55	40	40	40	34	45

TABLE 22  
(continued)

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

Function/Program	Fiscal Year <sup>1</sup>									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Municipal court										
Citations processed	15,613	12,755	10,500	10,524	11,438	11,800	11,000	10,800	10,400	10,526
Warrants processed	2,370	2,938	2,400	1,967	2,000	2,000	2,000	2,275	2,000	2,000
Court sessions <sup>4</sup>	204	212	212	212	189	189	208	100	47	47
Defendant requests for court date	7,809	4,915	3,981	6,915	6,950	6,950	6,300	4,350	4,200	4,200
Public works										
Review CIP designed by others	14	14	20	14	10	12	12	12	12	10
Street resurfacing (miles)	6.87	12.00	16.00	12.00	12.00	14.00	14.00	14.00	16.00	10.00
Sidewalks repaired (linear feet)	620	300	56	725	750	750	1,000	1,700	1,500	1,500
Parks and recreation										
Park acreage	442	442	456	456	456	456	456	491	491	491
Facility reservations	495	492	646	814	825	840	975	1,000	975	978
Program attendance										
(incl. Sr. programs)	27,308	27,901	34,091	27,359	21,200	22,000	18,307	15,007	34,226	41,985
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Recreation programs provided										
(incl. Sr. programs)	367	900	960	975	975	1,050	1,012	410	1,658	1,828
Library										
Library customer visits	249,455	251,327	253,000	191,739	280,000	300,000	232,000	231,500	238,000	227,000
Total volumes borrowed	412,000	380,258	398,633	317,834	411,930	450,000	579,500	563,000	562,000	495,396
Volumes in collection	110,000	119,232	129,154	128,979	139,954	84,358	100,363	114,363	127,663	138,663
Water										
New customers (net)	( 265)	308	322	127	242	201	179	254	326	255
Water main breaks	101	44	45	31	29	42	29	22	27	14
Average daily consumption (gallons) <sup>3</sup>	9,697	6,353	8,216	7,804	7,482	9,784	8,838	8,297	8,400	7,692
Peak daily consumption (million gallons) <sup>3</sup>	19.300	15.371	18.785	18.973	18.204	22.565	20.551	23.465	22.000	21.591
Water purchased (million gallons)	3,539.3	2,318.9	3,007.0	2,848.3	2,731.0	3,571.3	3,225.9	3,028.5	3,029.4	2,807.7
Wastewater										
Average daily sewage treatment										
(million gallons) <sup>5</sup>	2.877	3.150	2.542	2.800	2.975	2.865	2.866	2.876	2.972	2.950

Sources:

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

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

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

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

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

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

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	28	25	25	23	21	21	23	23	23	29
<b>Fire</b>										
Stations	3	3	3	4	4	3	3	3	3	3
Engines/trucks	3	3	6	5	5	4	5	5	5	5
<b>Public works</b>										
Streets (miles)	182	393	410	414	418	418	477	477	475	485
Street lights	2,055	2,075	2,369	2,405	2,408	2,500	2,505	2,585	2,487	2,605
Traffic signals	4	4	5	6	6	6	10	10	-	10
<b>Parks and recreation</b>										
Acreage	442	442	456	456	456	456	456	491	491	491
Playgrounds	8	9	9	9	9	9	9	9	9	9
Baseball/softball fields	8	11	11	11	11	11	11	11	11	11
Soccer/football fields	8	9	9	9	9	9	9	9	9	9
Community centers <sup>1</sup>	1	1	1	1	1	1	1	1	1	1
<b>Water</b>										
Water mains (miles) <sup>2</sup>	256	256	256	256	258	260	190	290	288	286
Storage capacity (million gallons)	9	9	10	10	10	10	10	10	10	10
<b>Wastewater</b>										
Sanitary sewers (miles) <sup>2</sup>	183	183	183	183	183	193	193	192	192	196
Storm sewers (miles) <sup>2</sup>	45.00	46.85	50.08	50.15	50.15	50.15	50.15	50.15	50.15	50.15
Treatment capacity (million gallons)	10	10	10	10	10	10	10	10	10	10

## Notes:

- <sup>1</sup> Increase includes purchases as well as three leased motorcycle units.
- <sup>2</sup> City staff correction to prior year estimates due to upgrades to GIS technology and new federal tracking requirements; numbers are estimates.
- <sup>3</sup> Water System transfer from City of Keller to City of Fort Worth.
- <sup>4</sup> TXU and TCEC erect City street lights, therefore provider supplies count. The City of Keller remits the cost of electricity to the provider.

# COMPLIANCE SECTION





**COMPLIANCE SECTION**

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Keller, Texas' basic financial statements, and have issued our report thereon dated April 21, 2016.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. During our audit we did identify deficiencies in internal control that we consider to be material weaknesses, and which are described in the accompanying Schedule of Findings and Responses as items 2015-001 and 2015-002. Additional material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **City of Keller, Texas' Response to Finding**

The City of Keller, Texas' response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. City of Keller, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

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

Waco, Texas  
April 21, 2016

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Item 2015-001**

Criteria: Beginning of the year equity accounts should agree to the ending equity amounts for the prior year. This information should be maintained by the City's management to ensure accurate information is available for financial reporting in accordance with generally accepted accounting standards.

Condition: Several of the City's equity accounts did not agree to final amounts contained in the prior year's audited financial statements.

Effect: Significant time and effort was necessary to reconcile the City's equity accounts.

Recommendation: We recommend that the City evaluate procedures and policies to address internal controls with regard to the equity accounts. Additionally, we recommend the City to reconcile its fund balance and net position on a quarterly basis. This will provide the City with an accurate fund balance and net position amount on the general ledger during the year and significantly reduce the time and effort necessary to reconcile these accounts at year end.

Management's Response: The City will begin reconciling the equity accounts on a quarterly basis.

Contact Person Responsible for Corrective Action: Finance Director

Anticipated Completion Date: June, 2016

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Item 2015-002**

<u>Criteria:</u>	All journal entries posted to the general ledger should be reviewed and posted on a timely basis.
<u>Condition:</u>	Many of the City's year end adjusting entries had not been made prior to the start of the financial statement audit. As a result, a significant number of entries were required after a trial balance was provided to the auditors.
<u>Effect:</u>	Adjusting entries not posted in a timely manner could result in material misstatements of the City's financial statements and provide significant delays in the City's management receiving relevant financial information.
<u>Recommendation:</u>	We recommend that the City evaluate procedures and policies to address the closing process currently in place as well as the journal entry posting process during the year. Additionally, we recommend the City prepare an end of the year checklist. This will provide the City with a smoother close of the general ledger and help eliminate the risk of material misstatement.
<u>Management's Response:</u>	The City will evaluate the procedures associated with the posting of journal entries, specifically entries posted at year-end. Additionally, the City will maintain an end of the year checklist to ensure that all entries are posted.
<u>Contact Person Responsible for Corrective Action:</u>	Finance Director.
<u>Anticipated Completion Date:</u>	December, 2016

Mark Mathews, Mayor  
Debbie Bryan, Place 1 Armin Mizani, Place 2 Tom Cawthra, Place 3 Bill Dodge, Place 4  
Bill Hodnett, Place 5 Rick Barnes, Mayor Pro Tem  
Mark Hafner, City Manager Aaron Rector, Director of Finance



# Comprehensive Annual Financial Report

Fiscal Year Ending Sept. 30, 2015

*Big-City Comforts, Small-Town Charm*







# **CITY OF KELLER, TEXAS**

**Comprehensive Annual  
Financial Report**

**For Fiscal Year Ended  
September 30, 2015**

**CITY OF KELLER, TEXAS**

*COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2015*

Prepared by the  
CITY OF KELLER  
FINANCE DEPARTMENT

CITY COUNCIL

Mark Matthews, Mayor

Rick Barnes, Mayor Pro-Tem

Debbie Bryan  
Armin Mizani  
Tom Cawthra  
Bill Dodge  
Bill Hodnett

CITY MANAGER

Mark Hafner

DIRECTOR OF FINANCE

Aaron M. Rector

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

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

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# INTRODUCTORY SECTION







April 21, 2016

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, 2015, 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.

Pattillo, Brown, & Hill, L.L.P., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City's financial statements for the fiscal year ended September 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

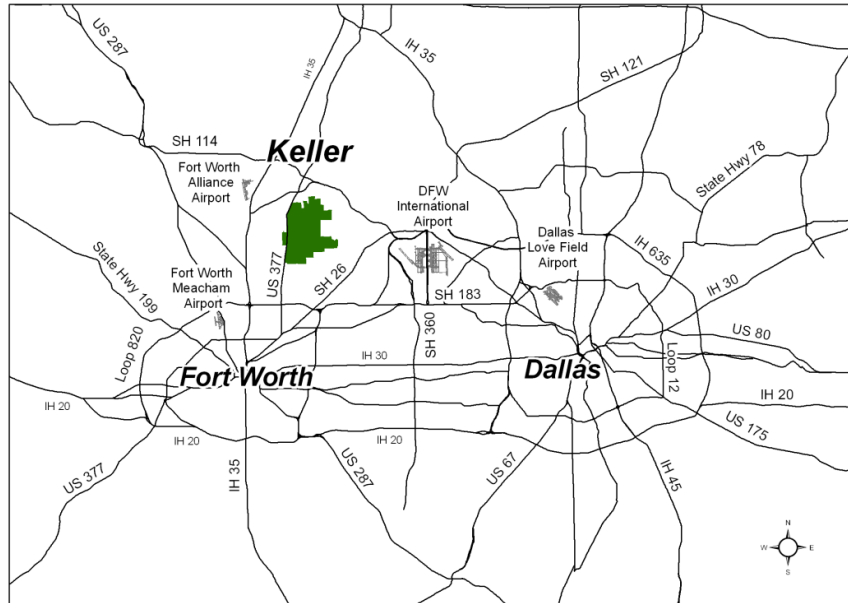
The comprehensive annual financial report (CAFR) is organized in three sections: *Introductory, Financial and Statistical*. Included in the *Financial* section is the Management's Discussion and Analysis (MD&A), which provides users a narrative introduction, overview and analysis of the basic financial 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 2017). City Council members, places 1 and 2, were elected in 2012 (terms expire May 2015), and Council places 3 and 4 were elected in 2013 (terms expire May 2016). Under the provisions of the City Charter, and subject only to the limitations imposed by the Texas Constitution, State law and the City Charter, the City Council enacts local legislation, adopts the annual operating budget and sets policy. The City Manager, appointed by the City Council, is responsible to the Council for proper administration of the City's daily affairs and appointment of heads of the various departments.

The City of Keller enjoys renown for being a good place to live and work, delivering big-city comforts with small-town charm. Keller has been named to CNN/Money Magazine's biennial listing of "Top 100 Places to Live — America's Best Small Towns" three times since 2007. Recent awards have included spots in The Dallas Morning News' "Top 10 Neighborhoods" and D Magazine's "Best Suburbs" rankings, mentions in ZoomTens' "Best Cities in America to Raise a Family" and Nerd Wallet's "Best Places for Young Families in Texas" lists, recognition as one of the Top 10 Safest Places in Texas by real estate website Movoto, certification as a Gold-level Scenic City by the Scenic Texas organization and more.

Some of the items that contributed to these rankings include our extremely low crime rate, an excellent park and trail system, diverse and affordable housing opportunities, and an overall high quality of life. This ranking is a reflection of the dynamic community that Keller is becoming and its premier location in the heart of the DFW Metroplex. Keller is approximately midway between the Dallas/Fort Worth International and Alliance airports, both major employers for our community. The city is traversed by several major traffic corridors, including US Highway 377 (US 377) and Farm-to-Market Road 1709 (FM 1709). The city's quality school system, high residential growth rate, business-friendly atmosphere and low taxes make Keller an inviting destination for new commercial development projects.



The City of Keller is located in Northeast Tarrant County, Texas, approximately 10 miles north of Fort Worth on US 377, and 25 miles northwest of downtown Dallas. It is part of the 12-county "Metroplex" of North Central Texas, which includes the cities of Fort Worth and Dallas as well as surrounding communities, with an estimated population in the 12 county MPA exceeding 6.8 million in January 2015. 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 21,682 in December 2015, compared to a total civilian labor force for Tarrant County of 996,134. Keller's unemployment rate in January 2016 was 3%, compared to the Tarrant County rate of 3.7%, a statewide rate of 4.2% and a nationwide rate of 4.8%. The unemployment rates for Keller and Tarrant County are not seasonally adjusted.

The City continues to experience an increase in population. Official Census reported population figures of 27,345 for 2000 and 39,627 for 2010. The January 2015 population estimate was

42,890, representing an increase of 15,545 (56.8%) since the 2000 Census. The following table presents Keller's official Census population since 1970, as well as the current year estimated population.

	Population	Increase (Decrease)	Percent Change
1970 Census	1,474	NA	NA
1980 Census	4,156	2,682	182.0%
1990 Census	13,683	9,527	229.2%
2000 Census	27,345	13,662	99.8%
2010 Census	39,627	12,282	44.9%
2015 Estimate	42,890	3,263	8.2%

Since 1970, the total population increase has exceeded 41,416. 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 2015 is anticipated to be 1,905,750, an increase of 21,130 or 1.1% over 2014.

Another factor in measuring the local economy is its overall real market value. Since 2000, the market value of property within Keller has more than doubled. Most of the increase has been the result of new residential development. Market values provide a better indication of new development than do taxable values, since taxable values are derived after deducting the various allowable exemptions. Market values provide the total estimated actual (market) values of all properties within the City. For Keller, this growth trend moderated in recent years. The following table provides the total market values of the City of Keller since 2005.

Year Ended September 30	Market Value (000's)	Percent Change
2005	\$ 2,939,038.3	6.3%
2006	3,187,969.2	8.5
2007	3,496,065.1	9.7
2008	3,860,670.4	10.4
2009	4,184,988.6	8.4
2010	4,348,033.1	3.9
2011	4,312,624.5	(0.8)
2012	4,384,679.0	1.7
2013	4,497,066.1	2.6
2014	4,658,547.1	3.6
2015	5,179,448.1	11.2

As shown, the rates of change in the City's total market value are now improving, evidenced with a 11.2 percent increase in 2015 over prior year. The rates of increase in taxable values can impact the City's general fund operations significantly, since property tax revenues comprise approximately 45.7% of the total revenues for the General Fund. City management continuously monitors local economic trends in order to maintain adequate fund balance reserve levels and to meet policy targets.

The City is approximately 85% developed and continues to grow primarily as a residential community. Most residents are employed by major companies located within a 15-mile radius of the City. Several manufacturing firms are located in the Keller area, as well as a variety of commercial establishments, medical facilities, restaurants, retail shops and grocery stores. The City continues to encourage quality commercial growth, which will benefit the entire community.

The value of new construction is included in both market and net taxable values. The net taxable value of new construction for calendar year 2014 (fiscal year 2015) was \$180.8 million, compared to \$78.3 million for calendar year 2013 (fiscal year 2014).

The net assessed taxable value for calendar year 2014 (fiscal year 2015) increased slightly by 6.8%, compared to an increase of 3.8% in calendar year 2013 (fiscal year 2014). 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 2014 and 2015 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 2015 represent the largest calendar year amount in the City's history, with collections totaling more than \$10.7 million; up from 2014 collections totaling \$8.7 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 2014-15 through 2018-19 was developed by City staff and reviewed and adopted by the City Council as a part of the fiscal year 2014-15 budget. The total five-year program for FY 2015 identified \$27.8 million of proposed improvements. Additionally, \$119 million of improvements were also identified in out-years (beyond five years).

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

### **Relevant Financial Policies**

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

The unassigned fund balance in the General Fund (representing 107 days of total General Fund expenditures) currently exceeds the requirements of the City's Financial Management Policies adopted by the City Council for budgetary and planning purposes (i.e., 70 days of General Fund

expenditures). In addition to providing financial stability and sustainability during difficult economic times, the City may use available fund balance reserves as a means to fund one-time, non-recurring projects or expenditures.

In December 2008, the City Council adopted a Financial Management Contingency Plan. The primary purpose of the Plan is to guide planning efforts for City management and is intended to assist in budget balancing strategies during periods of economic uncertainty. During fiscal year 2014-15, 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. The required unassigned fund balance of 70 days of expenditures remained unchanged.

### **Major Initiatives**

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

During 2014-15, \$4,586,630 of one-time expenditures were appropriated from fund balance in the General Fund for the following purposes: 1) economic development incentives \$1,000,000, 2) economic development incentives due developers \$300,000, 3) vehicle and equipment replacement \$386,630, 4) Keller Town Center core commercial viability enhancements \$100,000, 5) Old Town Keller West improvements \$1,500,000, 6) transfer to the fleet replacement fund Phase II \$300,000, 7) transfer to the debt service fund for possible debt retirement \$1,000,000.

### **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. At year-end, encumbrances remaining are re-appropriated in the subsequent year.

Near the end of each fiscal year, as the budget for the ensuing fiscal year is being considered and adopted, the City Council traditionally adopts a current year revised budget by ordinance. Although not required by City Charter or policy, this revised budget presents a more accurate picture of the City's financial position at the end of the current year than does the original adopted budget. For the fiscal year that ended September 30, 2015, a revised budget was approved and adopted by the City Council on September 15, 2015. The revised budget amounts are used throughout this report, where applicable, in the budget to actual comparisons. The report provides comparative information on the original adopted and revised budget where applicable.

Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as required supplementary information. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the major and non-major governmental fund sections of this report. All applicable financial targets were met or exceeded. Additional information regarding the annual budget is provided in the MD&A. For fiscal year 2015-2016, the City adopted a tax rate of \$0.43469 per \$100 of taxable value, a slight decrease from the previous year's rate of \$0.43719 per \$100 of taxable value.

### **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 Finance Director and the Mayor. 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, 2014; a reproduction of the certificate accompanies this report.

The City has received a Certificate of Achievement for twenty-six (26) consecutive fiscal years (FY1989 through FY2014). 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 2014 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 (19) consecutive fiscal years (FY1997 through FY2014). 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 Pattillo, Brown & Hill, Certified Public Accountants, for their dedicated assistance in producing this report.

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



Mark Hafner  
City Manager



Pamela McGee  
Finance/Purchasing Manager



Government Finance Officers Association

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

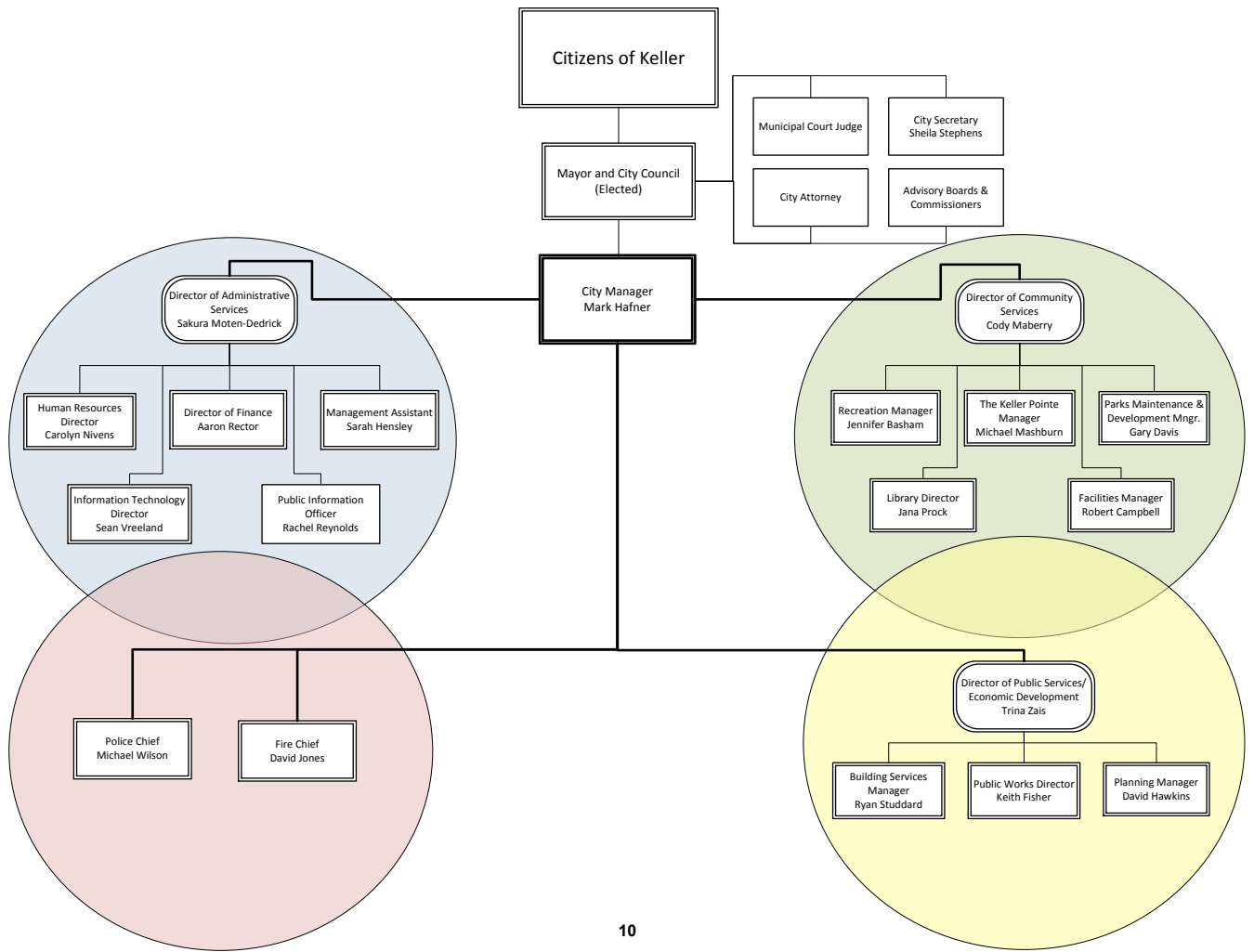
Presented to

**City of Keller  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2014**

Executive Director/CEO



# CITY OF KELLER, TEXAS

## PRINCIPAL OFFICIALS

SEPTEMBER 30, 2015

<u>Name</u>	<u>Title</u>
<b><u>Elected Officials:</u></b>	
Mark Matthews	Mayor
Debbie Bryan	Council Member, Place 1
Armin Mizani	Council Member, Place 2
Tom Cawthra	Council Member, Place 3
Bill Dodge	Council Member, Place 4
Bill Hodnett	Council Member, Place 5
Rick Barnes	Council Member, Place 6 and Mayor Pro Tem
<b><u>Appointed Officials:</u></b>	
Mark Hafner	City Manager
Sakura Moten-Dedrick	Director of Administrative Services
Trina Zais	Director of Public Services
Keith Fisher, P.E.	Director of Public Works
David Jones	Fire Chief
Michael Wilson	Police Chief
Cody Maberry	Director of Community Services
Sean Vreeland	Director of Information Services
Carolyn J. Nivens	Director of Human Resources
Aaron M. Rector	Director of Finance
Jana Prock	Library Director
Sheila Stephens	City Secretary
<b><u>Other Appointed Officials:</u></b>	
Boyle and Lowry, L.L.P.	City Attorney
First Southwest Company	Financial Advisors
Valley View Consulting, L.L.C.	Investment Advisors
McCall, Parkhurst & Horton, L.L.P.	Bond Counsel

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# FINANCIAL SECTION





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

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Keller, Texas' basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



### ***Change in Accounting Principle***

As discussed in Note I to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Account Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Governmental Account Standards (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### ***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, schedule of changes in net pension liability and related ratios and schedule of contributions on pages 19 – 29 and 74 – 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The combining and individual nonmajor fund financial statements and schedules the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 April 21, 2016, on our consideration of the City of Keller, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Keller, Texas' internal control over financial reporting and compliance.

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

Waco, Texas  
April 21, 2016

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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the City of Keller, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Keller exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2015, by \$206,540,285 (net position). Of this amount, \$19,320,025 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$5,528,247, or 2.80% for the year ended September 30, 2015. The net position of governmental activities increased \$6,483,818, or approximately 5.46%. This increase in net position resulted in part from an increase in total revenues. The total net position of business-type activities decreased by \$955,571, or 1.16%. The decrease was largely due to a decrease in capital grants and contributions of \$3,734,088.
- As of September 30, 2015, the City's governmental funds reported combined ending fund balances of \$43,631,865. Approximately 22.74% of this total amount, \$9,923,578, is unassigned and available for use within the City's designation and policies. Restrictions for (1) general government, \$149,678; (2) debt service, \$1,382,935; (3) capital acquisition and construction, \$15,784,265; (4) recreation and leisure, \$25,732; and (5) public safety, \$3,496,240, total \$20,838,850, and represent 47.76% of the total fund balance.
- Total cost of all the City's programs was \$68,642,290 in 2015, compared to \$58,644,050 in 2014.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$9,923,578, or 32.39% of total expenditures. This represents an increase of \$3,793,616, or 23.22% from the prior fiscal year due in part to determined efforts by the department to closely monitor expenditures throughout the year, combined with the transfer of some major capital improvement projects to fiscal year 2014-2015.
- The City's total bonded debt outstanding (excluding bond premiums and discounts) increased by \$5,024,285, or 5.53% during the current fiscal year, primarily the result of debt issued and the increase in the TMRS liability.
- As a result of adopting new accounting guidance for pensions, Governmental Accounting Standards (GASB) Statement No.68, the City's beginning net position decreased by \$8,975,205.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

## Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

- **Governmental activities** – These are functions such as public safety, public works, community development, general government, and recreation and leisure, including the Keller Public Library, and interest and fiscal charges that are principally supported by taxes and intergovernmental revenue.
- **Business-type activities** – These functions are intended to recover all or a significant portion of their costs through user fees and charges. Business-type activities of the City include water and sewer utilities, and drainage utility operations, and the recreation/aquatic center.

The government wide financial statements can be found on pages 33 – 35 of this report.

## Fund Financial Statements

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

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Enterprise Fund financial statements provide separate information for the Water and Sewer Utilities, Drainage Utility, and Recreation/ Aquatic Center Funds, since all are considered major funds of the City.

The City's basic proprietary fund financial statements can be found on pages 42 – 45 of this report.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements on pages 47 – 71 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Keller's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 74 – 78. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Keller, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$206,540,285 as of September 30, 2015.

The largest portion of the City's net position, \$157 million, or 75.86%, reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$31 million, or 14.78%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$19 million, 9.35%, may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities total assets increased by \$2,480,395, or 1.25% during fiscal year 2015. The increase in total assets of governmental activities resulted primarily from an increase in cash and investments, combined with a slight decrease in total capital assets. The decrease in net capital assets of \$6,268,635, (3.92%) is net of accumulated depreciation, a non-cash expense. During the year, total capital assets decreased primarily due to increased depreciation. Total liabilities of governmental activities increased \$4,475,066, or 6.05%. Non-current governmental activities' liabilities increased by \$4,539,982, or 6.42%. The increase in liabilities of governmental activities is primarily due to the issuance of debt and TMRS liability.



Business-type activity total assets decreased by \$1,218,731, or 1.12%. Total current assets decreased \$407,580, or 1.31%, while total capital assets decreased \$811,151, 1.04%, respectively. Net position of business-type activities decreased \$2,589,530, (3.08%). The decrease in current and other assets is primarily due to decreases in cash assets. The total liabilities for business-type activities increased \$1,701,806, 6.72%, primarily due to an increase in non-current liabilities (outstanding long-term debt).

The following table reflects the condensed Statement of Net Position:

**CITY OF KELLER'S NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 47,390,883	\$ 38,641,853	\$ 30,672,072	\$ 31,079,652	\$ 78,062,955	\$ 69,721,505
Capital assets	<u>153,559,499</u>	<u>159,828,134</u>	<u>77,259,883</u>	<u>78,071,034</u>	<u>230,819,382</u>	<u>237,899,168</u>
Total assets	<u>200,950,382</u>	<u>198,469,987</u>	<u>107,931,955</u>	<u>109,150,686</u>	<u>308,882,337</u>	<u>307,620,673</u>
Total deferred outflows of resources	<u>3,381,247</u>	<u>1,551,287</u>	<u>619,160</u>	<u>156,697</u>	<u>4,000,407</u>	<u>1,707,984</u>
Long-term liabilities	75,250,965	70,710,983	20,584,927	20,100,624	95,835,892	90,811,607
Other liabilities	<u>3,242,462</u>	<u>3,307,378</u>	<u>6,439,932</u>	<u>5,222,429</u>	<u>9,682,394</u>	<u>8,529,807</u>
Total liabilities	<u>78,493,427</u>	<u>74,018,361</u>	<u>27,024,859</u>	<u>25,323,053</u>	<u>105,518,286</u>	<u>99,341,414</u>
Total deferred inflows of resources	<u>692,717</u>	<u>-</u>	<u>131,456</u>	<u>-</u>	<u>824,173</u>	<u>-</u>
Net position:						
Net investment, in capital assets	94,005,152	96,268,556	62,680,465	58,172,320	156,685,617	154,440,876
Restricted	29,365,446	22,061,750	1,169,197	7,781,518	30,534,643	29,843,268
Unrestricted	<u>1,774,887</u>	<u>7,672,607</u>	<u>17,545,138</u>	<u>18,030,492</u>	<u>19,320,025</u>	<u>25,703,099</u>
Total net position	<u>\$ 125,145,485</u>	<u>\$ 126,002,913</u>	<u>\$ 81,394,800</u>	<u>\$ 83,984,330</u>	<u>\$ 206,540,285</u>	<u>\$ 209,987,243</u>

**Analysis of the City's Operations** – The following table provides a summary of the City's operations for year ended September 30, 2015. Overall the City had an increase in net position of \$5,528,247.

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

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,961,205	\$ 5,886,557	\$ 26,076,198	\$ 26,145,587	\$ 31,037,403	\$ 32,032,144
Operating grants and contributions	3,373,672	3,590,362	-	-	3,373,672	3,590,362
Capital grants and contributions	285,924	251,533	1,243,665	4,977,753	1,529,589	5,229,286
General revenues:						
Ad valorem taxes	22,777,252	21,526,556	-	-	22,777,252	21,526,556
Sales taxes	10,660,047	9,817,716	-	-	10,660,047	9,817,716
Other taxes	3,614,430	3,286,220	-	-	3,614,430	3,286,220
Investment earnings	861,938	180,677	80,990	121,260	942,928	301,937
Miscellaneous	164,711	240,932	54,614	42,688	219,325	283,620
Gain (loss) on sale of capital assets	15,891	98,274	-	-	15,891	98,274
<b>Total revenues</b>	<b>46,715,070</b>	<b>44,878,827</b>	<b>27,455,467</b>	<b>31,287,288</b>	<b>74,170,537</b>	<b>76,166,115</b>
<b>Expenses:</b>						
General government	9,224,860	7,011,362	-	-	9,224,860	7,011,362
Public safety	20,941,821	16,756,956	-	-	20,941,821	16,756,956
Public works	3,138,376	2,490,468	-	-	3,138,376	2,490,468
Community development	1,870,887	1,357,417	-	-	1,870,887	1,357,417
Recreation and leisure	5,855,468	4,938,515	-	-	5,855,468	4,938,515
Interest on long-term debt	2,542,830	2,882,936	-	-	2,542,830	2,882,936
Water and sewer	-	-	20,294,433	18,496,707	20,294,433	18,496,707
Drainage utility	-	-	2,172,976	2,040,218	2,172,976	2,040,218
Recreation/aquatic center	-	-	2,600,639	2,669,471	2,600,639	2,669,471
<b>Total expenses</b>	<b>43,574,242</b>	<b>35,437,654</b>	<b>25,068,048</b>	<b>23,206,396</b>	<b>68,642,290</b>	<b>58,644,050</b>
Increases in net position before transfers	3,140,828	9,441,173	2,387,419	8,080,892	5,528,247	17,522,065
Transfers	3,342,990	3,826,555	( 3,342,990)	( 3,826,555)	-	-
Change in net position	6,483,818	13,267,728	( 955,571)	4,254,337	5,528,247	17,522,065
Net position, beginning	126,002,913	113,644,658	83,984,330	80,014,050	209,987,243	193,658,708
Prior period adjustment	( 7,341,246)	( 909,473)	( 1,633,959)	( 284,057)	( 8,975,205)	( 1,193,530)
Net position, beginning as restated	118,661,667	112,735,185	82,350,371	79,729,993	201,012,038	192,465,178
<b>Net position, ending</b>	<b>\$ 125,145,485</b>	<b>\$ 126,002,913</b>	<b>\$ 81,394,800</b>	<b>\$ 83,984,330</b>	<b>\$ 206,540,285</b>	<b>\$ 209,987,243</b>

**Government Activities**

Government activities increased the City's net position by \$6,483,818, or 5.46% from the prior year. Total governmental revenues increased \$1,836,243, 4.09%. Major increases in revenues were capital grants and contributions of \$34,391, ad valorem (property) taxes of \$1,250,696 and sales taxes of \$842,331.

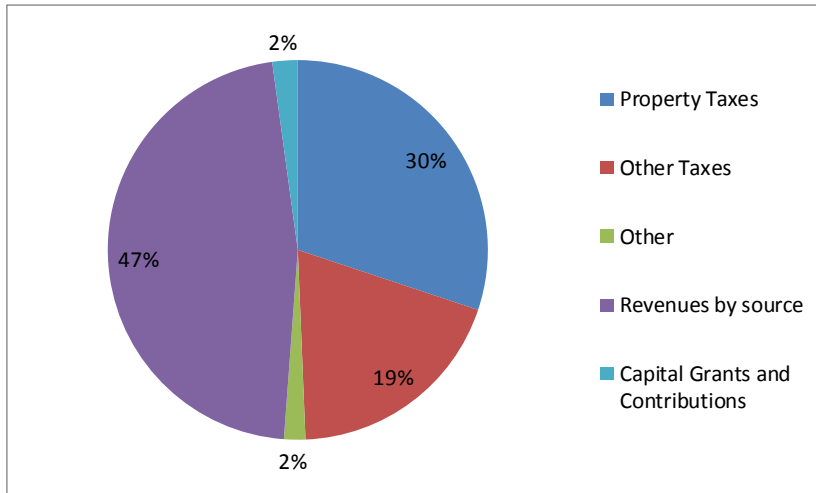
Total governmental expenses increased by \$8,136,588, 22.96%. The largest change in expenses was an increase of \$4,184,865, or 24.97% in public safety expenses. General government expenses increased \$2,213,498, or 31.57%. Public works expenses increased \$647,908, or 26.02%.

**Business-type Activities**

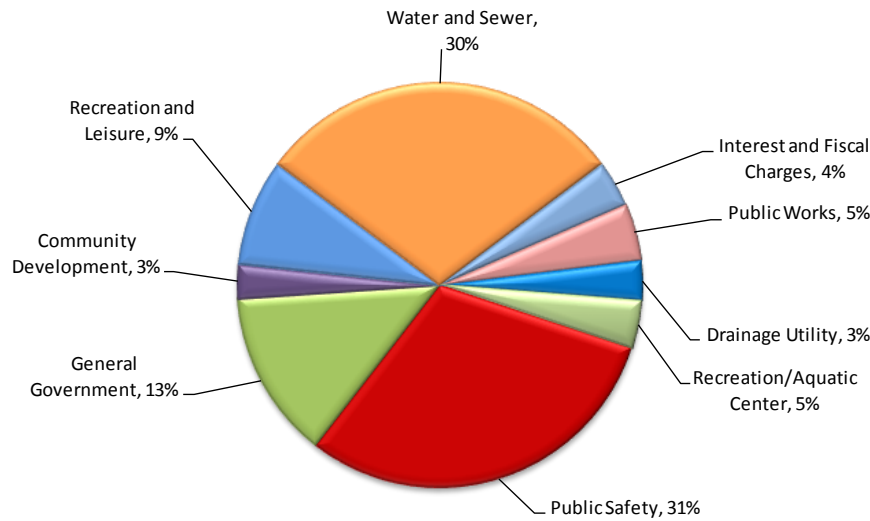
Net position from business-type activities decreased by \$955,571, or (1.16%). Total expenses increased by \$1,861,652, or (8.02%). Total revenues decreased \$3,831,821, (12.25%). Capital grants and contributions from developers decreased \$3,734,088, or 75.02% due a decrease of new development concurring within the City. Charges for services decreased \$69,389, or 0.27% primarily due to a decrease in demand for water usage.

The following table provides a summary of the City's operations for the year ended September 30, 2015:

**Total Revenues \$74,170,537**



**Total Expenses \$68,642,290**



**FINANCIAL ANALYSIS OF THE CITY’S FUNDS**

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

**Governmental Funds**

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

At the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$43,631,865, an increase of \$8,755,031, or 25% in comparison with the prior year. Approximately 47.76%, or \$20,838,850 of this total fund balance is restricted to indicate that it is not available for new spending because it has already been committed to: 1) general government, \$149,678; 2) debt service, \$1,382,935; 3) to pay for capital acquisition and construction, \$15,784,265; 4) recreation and leisure, \$25,732; and 5) for public safety, \$3,496,240. Approximately 22.74% of the total amount, \$9,923,578, constitutes unassigned fund balance, which is available for appropriation by the City Council. A portion of this unassigned fund balance, while not legally obligated, could be used for future one-time, non-recurring expenses, or capital projects.

In the General Fund, the City budgeted for a fund balance increase in the current year of \$692,084. One of the City’s financial policies requires that the City maintain an unassigned fund balance equal 70 days of operating expenditures. The actual unassigned fund balance exceeds this benchmark. Because overall actual revenues exceeded the final budget revenues, combined with actual expenditures less than final budget expenditures, the actual fund balance increased by \$3,793,616 from the final budget estimate. Total expenditures were under the final budget by \$2,524,830. This resulted in positive total actual expenditure variances from the final budget. The most significant variances were \$553,467 for capital outlay and \$614,450 for public safety. Capital outlay was below budgeted expenditures primarily because several public works projects were begun late in the fiscal year and as a result the actual capital expenditures will occur in fiscal year 2015-2016. Public safety expenditures were below budgeted expenditures due to determined efforts by the department to closely monitor expenditures throughout the year. The most significant positive revenue variance was intergovernmental \$198,622. The only negative revenue variance was permits, licenses and fees (-\$5,877). The amount of excess fund balance exceeding the fiscal year 2015 budget will be addressed during fiscal year 2015-2016 budget deliberations.

The Crime Control Prevention District Fund balance increased by \$384,445 in 2015 primarily due to a decrease in expenditures

The Debt Service fund balance decreased by \$343,277 in 2015 primarily due to a planned (budgeted) decrease in the fund balance. In fiscal year 2014-15, the City issued additional debt.

### **Enterprise Funds**

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

Total unrestricted net position of Enterprise Funds were \$17,545,138. Unrestricted net position of the respective major funds are: Water and Wastewater, \$13,870,182; and Drainage Utility, \$2,618,925. The Water and Wastewater operations had a decrease in net position of \$963,270, or 1.46%, while the Drainage Utility had an decrease in net position of \$370,673, or 2.36%. The decrease in net position of the Water and Wastewater and Drainage Utility resulted primarily from the TMRS net pension liability.

### **General Fund Budgetary Highlights**

In fiscal year 2015, the City Council approved revisions to the original budget appropriations. Although not required by official City policy or Charter, the annual budget is traditionally amended by the City Council toward the end of the fiscal year, in conjunction with the review and adoption of the subsequent year's budget. During the current year review process, all revenue sources and line-item expenditures are reviewed and adjusted to account for increases and/or decreases occurring during the year. As a result, a revised (final) budget, which reflects the recommended changes made to the original adopted budget, is usually adopted each September. The revised budget amounts are used throughout this report as the amended adopted (final) budget.

Significant budget changes were:

- The original General Fund adopted budget included a net increase of \$701,084 in fund balance, while the final budget reflected an increase of \$692,084 in fund balance, a difference of \$9,000.
- Total final budgeted expenditures (including transfers out) increased by \$9,000 over the original budget.

Significant budget variances:

- Total actual revenues and transfers in exceeded the final budgeted amounts by \$605,484, or 1.77%. The most significant favorable revenue variances were intergovernmental revenue \$198,622, charges for services \$111,968, and fines and forfeitures \$111,968.

In total, actual expenditures were less than budgeted by \$2,524,830. Capital outlay expenditures were below budgeted expenditures because several capital projects were either incomplete at the end of the year, or were transferred to fiscal year 2015-2016. Determined efforts by department managers to closely monitor expenditures throughout the year resulted in positive total actual expenditure variance from the final budget. All departments completed the year with lower actual expenditures compared to the final budget, with total expenditures (including transfers out) approximately 92.6 percent of the final budget amount.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$230,819,382 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, improvements other than buildings, and construction in progress. The total decrease in the City's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$7,079,786, or 2.98% (a 3.92% decrease in capital assets for governmental activities and 1.04% decrease in capital assets for business-type activities, respectively).

Capital grants and contributions primarily from developers, for fiscal year 2015, were \$1,243,665, a decrease of \$3,734,088, or 75.02% from the prior year.

Major capital asset events budgeted during 2014-2015 fiscal year included the following:

- Park improvements/ land acquisition \$385,765
- Street improvements \$1,815,500
- Curb & gutter improvements \$80,000
- Sidewalk improvements \$30,000
- Fleet replacement – water utility, \$25,400
- Fleet replacement – wastewater utility, \$362,500, sewer camera van and related equipment
- Fleet replacement – drainage utility, \$171,100, tandem dump truck, work truck
- Mount Gilead Road Greenwalk Trail, \$480,000 grant funding, plus \$120,000 city matching funds

The five-year capital improvements program (CIP) summary for fiscal years 2015-16 through 2019-20 was provided in the fiscal year 2015-16 budget document. The CIP identifies the estimated costs of proposed future capital projects, and the anticipated method of funding for each project.

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

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 33,954,758	\$ 34,016,592	\$ 1,535,270	\$ 1,502,301	\$ 35,490,028	\$ 35,518,893
Buildings	42,493,053	36,700,640	-	-	42,493,053	36,700,640
Equipment	6,498,816	7,028,286	478,896	549,689	6,977,712	7,577,975
Improvements	68,634,581	73,082,284	66,775,871	69,426,319	135,410,452	142,508,603
Capacity rights	-	-	2,440,947	2,597,989	2,440,947	2,597,989
Construction in progress	1,978,291	9,000,332	6,028,899	3,994,736	8,007,190	12,995,068
Total capital assets	<u>\$ 153,559,499</u>	<u>\$ 159,828,134</u>	<u>\$ 77,259,883</u>	<u>\$ 78,071,034</u>	<u>\$ 230,819,382</u>	<u>\$ 237,899,168</u>

Additional information regarding the City's capital assets can be found in Note IV on pages 59 – 60 of this report.

**Long-term Debt**

At September 30, 2015, the City of Keller had total long-term debt outstanding of \$91,118,973. Of this amount, \$61,124,840 represents bonds secured by the full faith and credit of the City, and \$17,524,160 represents bonds secured solely by self-supporting activities, i.e., the water and sewer revenues. Total outstanding debt of governmental activities decreased -\$1,379,237 (-1.89%), while total outstanding debt of business-type activities decreased -\$1,331,509 (-6.41%).

**City of Keller's Outstanding Debt**

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligations	\$ 17,231,728	\$ 19,970,000	\$ 10,759,160	\$ 14,480,000	\$ 27,990,888	\$ 34,450,000
Certificates of obligation	43,893,112	45,353,000	6,765,000	4,624,000	50,658,112	49,977,000
OPEB liability	480,694	397,514	-	-	480,694	397,514
TMRS net pension obligation	10,076,989	7,341,246	1,912,290	1,663,959	11,989,279	9,005,205
	<u>\$ 71,682,523</u>	<u>\$ 73,061,760</u>	<u>\$ 19,436,450</u>	<u>\$ 20,767,959</u>	<u>\$ 91,118,973</u>	<u>\$ 93,829,719</u>

As of September 30, 2015, of the \$61,124,840 in outstanding debt of governmental activities backed by the full faith and credit of the City, approximately 43.14%, or \$26,369,112 is self-supported debt from the following sources:

Keller Tax Increment Reinvestment Zone No. 1, \$13,195,000; and  
Keller Development Corporation, \$13,174,112.

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

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

	<u>Investors Service</u>	<u>&amp; Poor's</u>
General obligation bonds (tax supported)	Aa1	AA
Certificates of obligation (tax supported)	Aa1	AA

In December 2014 (the city's most recent rating analysis), these ratings were confirmed by the respective rating agencies.

Additional information on the City of Keller's long-term debt can be found in Note IV on pages 61 – 64 of this report.

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

In the fiscal year 2015-16 budget, general fund budgeted revenues (including transfers in) were budgeted to decrease by \$196,683 (0.58%) from the revised (final) 2014-15 budget, with general property taxes comprising about 45.8% of General Fund budgeted revenues and transfers in. Certified taxable assessed valuations (after adjustments) increased 3.02% over the prior year, compared to an increase of 4.25% last year. A small increase of 3.0% was projected for sales tax receipts in fiscal year 2015-16 because sales tax receipts have been on an increasing trend since 2011.

Conservative revenue projections, combined with an effort to maintain ending fund balances as required by the city's financial policies, resulted in an increase in the general fund projected ending unassigned fund balance at September 30, 2016. Expenditures for the 2015-16 adopted budget represents an increase of \$304,072, or 0.73% from the 2014-2015 original adopted budget (including one-time expenditures from fund balance for both years). The adopted budget maintains the required ending unassigned fund balance at September 30, 2016 of 70 days of operating expenditures (actual 88.4). The City's FY 2015-16 adopted property tax rate per \$100 in property value of \$0.43469 is a decrease from the prior year's tax rate of \$0.43719. This was possible because the City's conservative budget planning projects an ending unassigned fund balance exceeding the target unassigned fund balance. Including the one-time, non-recurring expenditures the projected unassigned fund balance for the General Fund exceeds the targeted fund balance by approximately 18 days of operations.

The City is able to maintain its financial position because of having a stable tax and retail base, as well as a competitive tax rate. The City's property tax rate for fiscal year 2015-2016 ranks as the third lowest among neighboring Tarrant County area cities.

## **REQUESTS FOR INFORMATION**

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



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**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF KELLER, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 271,549	\$ 16,077	\$ 287,626
Investments	45,286,292	12,366,691	57,652,983
Receivables	4,061,807	5,473,039	9,534,846
Due from other governmental agencies	95,665	-	95,665
Internal balances	( 2,451,892)	2,451,892	-
Inventories	101,184	295,700	396,884
Prepaid items	26,278	268,023	294,301
Restricted assets:			
Investments	-	9,800,650	9,800,650
Capital assets:			
Land	33,954,758	1,535,270	35,490,028
Construction in progress	1,978,291	6,028,899	8,007,190
Buildings and improvements	42,493,053	-	42,493,053
Improvements	68,634,581	-	68,634,581
Water and sewer system	-	66,775,871	66,775,871
Machinery and equipment	6,498,816	478,896	6,977,712
Capacity rights	-	2,440,947	2,440,947
Total capital assets	<u>153,559,499</u>	<u>77,259,883</u>	<u>230,819,382</u>
Total assets	<u>200,950,382</u>	<u>107,931,955</u>	<u>308,882,337</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	1,203,061	205,810	1,408,871
Deferred outflows related to pensions	2,178,186	413,350	2,591,536
Total deferred outflows of resources	<u>3,381,247</u>	<u>619,160</u>	<u>4,000,407</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	2,738,687	4,577,456	7,316,143
Unearned revenue	175,661	703,032	878,693
Accrued interest	279,996	84,945	364,941
Customer deposits	48,118	1,074,499	1,122,617
Noncurrent liabilities:			
Due within one year	7,107,462	2,463,705	9,571,167
Due in more than one year	68,143,503	18,121,222	86,264,725
Total liabilities	<u>78,493,427</u>	<u>27,024,859</u>	<u>105,518,286</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	692,717	131,456	824,173
Total deferred inflows of resources	<u>692,717</u>	<u>131,456</u>	<u>824,173</u>
<b>NET POSITION</b>			
Net investment in capital assets	94,005,152	62,680,465	156,685,617
Restricted for:			
Subsequent year appropriations	8,419,447	-	8,419,447
General government	149,678	-	149,678
Capital projects	15,784,265	1,169,197	16,953,462
Debt service	1,490,084	-	1,490,084
Recreation and leisure	25,732	-	25,732
Public safety	3,496,240	-	3,496,240
Unrestricted	1,774,887	17,545,138	19,320,025
Total net position	<u>\$ 125,145,485</u>	<u>\$ 81,394,800</u>	<u>\$ 206,540,285</u>

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

**CITY OF KELLER, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities:				
General government	\$ 9,224,860	\$ 367,463	\$ 10,709	\$ -
Public safety	20,941,821	2,191,380	2,761,463	-
Public works	3,138,376	82,024	528,271	74,388
Community development	1,870,887	1,775,456	-	-
Recreation and leisure	5,855,468	544,882	73,229	211,536
Interest and fiscal charges	2,542,830	-	-	-
Total governmental activities	<u>43,574,242</u>	<u>4,961,205</u>	<u>3,373,672</u>	<u>285,924</u>
Business-type activities:				
Water and wastewater utility	20,294,433	21,483,165	-	857,895
Drainage utility	2,172,976	1,610,683	-	385,770
Recreation/Aquatic Center	2,600,639	2,982,350	-	-
Total business-type activities	<u>25,068,048</u>	<u>26,076,198</u>	<u>-</u>	<u>1,243,665</u>
Total primary government	<u>\$ 68,642,290</u>	<u>\$ 31,037,403</u>	<u>\$ 3,373,672</u>	<u>\$ 1,529,589</u>

**General revenues:**

Taxes:
Property taxes
Sales taxes
Franchise taxes
Alcoholic beverage taxes
Investment earnings
Miscellaneous
Gain (loss) on sale of asset
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Prior period adjustment
Net position - beginning, as restated
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$( 8,846,688)	\$ -	\$( 8,846,688)
( 15,988,978)	-	( 15,988,978)
( 2,453,693)	-	( 2,453,693)
( 95,431)	-	( 95,431)
( 5,025,821)	-	( 5,025,821)
( 2,542,830)	-	( 2,542,830)
<u>( 34,953,441)</u>	<u>-</u>	<u>( 34,953,441)</u>
-	2,046,627	2,046,627
-	( 176,523)	( 176,523)
-	381,711	381,711
<u>-</u>	<u>2,251,815</u>	<u>2,251,815</u>
<u>( 34,953,441)</u>	<u>2,251,815</u>	<u>( 32,701,626)</u>
22,777,252	-	22,777,252
10,660,047	-	10,660,047
3,421,518	-	3,421,518
192,912	-	192,912
861,938	80,990	942,928
164,711	54,614	219,325
15,891	-	15,891
<u>3,342,990</u>	<u>( 3,342,990)</u>	<u>-</u>
<u>41,437,259</u>	<u>( 3,207,386)</u>	<u>38,229,873</u>
6,483,818	( 955,571)	5,528,247
<u>126,002,913</u>	<u>83,984,330</u>	<u>209,987,243</u>
( 7,341,246)	( 1,633,959)	( 8,975,205)
<u>118,661,667</u>	<u>82,350,371</u>	<u>201,012,038</u>
<u>\$ 125,145,485</u>	<u>\$ 81,394,800</u>	<u>\$ 206,540,285</u>

**CITY OF KELLER, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2015**

	General Fund	Crime Control Prevention District	G.O. Debt Service
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,645	\$ -	\$ 69,761
Investments	23,053,416	3,265,876	92,702
Receivables, net of allowances for uncollectibles			
Taxes	2,040,031	207,591	119,218
Accounts	857,099	-	-
Interest	10,805	-	180
Other	15,716	-	-
Due from other funds	-	74,730	-
Due from other governments	87,574	-	-
Inventory	101,184	-	-
Prepaid items	26,278	-	-
Total assets	<u>\$ 26,211,748</u>	<u>\$ 3,548,197</u>	<u>\$ 281,861</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,123,610	\$ 48,978	\$ 750
Accrued liabilities	1,183,593	-	-
Due to other funds	2,973,203	-	-
Due to other governments	-	-	-
Unearned revenue	78,886	64,742	-
Customer deposits	48,118	-	-
Total liabilities	<u>5,407,410</u>	<u>113,720</u>	<u>750</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	264,694	-	107,149
Unavailable revenue - court fines	32,550	-	-
Unavailable revenue - ambulance	374,545	-	-
Unavailable revenue - assessments	-	-	-
Total deferred inflows of resources	<u>671,789</u>	<u>-</u>	<u>107,149</u>
<b>FUND BALANCES</b>			
Non-spendable:			
Inventory	101,184	-	-
Prepays	26,278	-	-
Restricted for:			
General government	-	-	-
Debt service	-	-	173,962
Capital acquisition and construction	-	-	-
Recreation and leisure	-	-	-
Public safety	-	3,434,477	-
Assigned for:			
Subsequent year appropriations	8,419,447	-	-
Recreation	348,120	-	-
Public information and broadcasting	508,241	-	-
Information services	649,369	-	-
Community Clean-Up	156,332	-	-
Unassigned	9,923,578	-	-
Total fund balances	<u>20,132,549</u>	<u>3,434,477</u>	<u>173,962</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,211,748</u>	<u>\$ 3,548,197</u>	<u>\$ 281,861</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 182,143	\$ 271,549
18,874,298	45,286,292
737,313	3,104,153
58,296	915,395
15,542	26,527
16	15,732
653,850	728,580
8,091	95,665
-	101,184
-	26,278
<u>\$ 20,529,549</u>	<u>\$ 50,571,355</u>
\$ 374,478	\$ 1,547,816
4,195	1,187,788
207,269	3,180,472
3,083	3,083
32,033	175,661
-	48,118
<u>621,058</u>	<u>6,142,938</u>
-	371,843
768	33,318
-	374,545
<u>16,846</u>	<u>16,846</u>
<u>17,614</u>	<u>796,552</u>
-	101,184
-	26,278
149,678	149,678
1,208,973	1,382,935
15,784,265	15,784,265
25,732	25,732
61,763	3,496,240
-	8,419,447
2,660,466	3,008,586
-	508,241
-	649,369
-	156,332
-	9,923,578
<u>19,890,877</u>	<u>43,631,865</u>
<u>\$ 20,529,549</u>	<u>\$ 50,571,355</u>



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**CITY OF KELLER, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

Total fund balance, governmental funds	\$ 43,631,865
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	153,559,499
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	796,552
Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>( 72,842,431)</u>
Net position of governmental activities in the Statement of Net Position	<u>\$ 125,145,485</u>

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

**CITY OF KELLER, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	General Fund	Crime Control Prevention District	G.O. Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property	\$ 14,872,914	\$ -	\$ 4,801,452	\$ 3,069,216	\$ 22,743,582
Sales	5,340,418	1,254,542	-	4,065,087	10,660,047
Franchise	3,421,518	-	-	-	3,421,518
Mixed beverage	192,912	-	-	-	192,912
Permits, licenses and fees	1,899,434	-	-	179,585	2,079,019
Intergovernmental	2,890,652	20,000	-	190,937	3,101,589
Charges for services	1,561,413	-	-	3,636	1,565,049
Fines and forfeitures	1,017,820	-	-	125,679	1,143,499
Special assessments and impact fees	-	-	-	576,321	576,321
Donations	42,964	-	-	65,492	108,456
Investment earnings	73,069	8,032	6,694	773,967	861,762
Miscellaneous	212,447	-	-	12,355	224,802
Total revenues	<u>31,525,561</u>	<u>1,282,574</u>	<u>4,808,146</u>	<u>9,062,275</u>	<u>46,678,556</u>
<b>EXPENDITURES</b>					
Current:					
General government	6,614,984	-	-	138,710	6,753,694
Public safety	15,042,122	120,705	-	118,261	15,281,088
Public works	2,165,626	-	-	124,224	2,289,850
Community development	1,365,628	-	-	-	1,365,628
Recreation and leisure	4,215,320	-	-	56,707	4,272,027
Capital outlay	1,238,198	259,119	-	3,294,016	4,791,333
Debt service:					
Principal	-	330,000	3,494,833	3,758,327	7,583,160
Interest and other charges	-	198,250	1,161,572	980,511	2,340,333
Total expenditures	<u>30,641,878</u>	<u>908,074</u>	<u>4,656,405</u>	<u>8,470,756</u>	<u>44,677,113</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>883,683</u>	<u>374,500</u>	<u>151,741</u>	<u>591,519</u>	<u>2,001,443</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	17,510	9,945	-	70,048	97,503
Bonds issued	-	-	5,125,000	14,455,000	19,580,000
Premium on bond issue	-	-	275,735	18,478	294,213
Payment to refunded bond escrow agent	-	-	( 5,352,396)	( 11,208,722)	( 16,561,118)
Transfers in	3,238,715	-	143,943	1,164,112	4,546,770
Transfers out	( 346,292)	-	( 687,300)	( 170,188)	( 1,203,780)
Total other financing sources and uses	<u>2,909,933</u>	<u>9,945</u>	<u>( 495,018)</u>	<u>4,328,728</u>	<u>6,753,588</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,793,616	384,445	( 343,277)	4,920,247	8,755,031
<b>FUND BALANCES, BEGINNING</b>	<u>16,338,933</u>	<u>3,050,032</u>	<u>517,239</u>	<u>14,970,630</u>	<u>34,876,834</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 20,132,549</u>	<u>\$ 3,434,477</u>	<u>\$ 173,962</u>	<u>\$ 19,890,877</u>	<u>\$ 43,631,865</u>

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

**CITY OF KELLER, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balances - total governmental funds:	\$ 8,755,031
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	( 6,268,635)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	20,623
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,270,065
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	( 293,266)
Change in net position of governmental activities	<u>\$ 6,483,818</u>

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

**CITY OF KELLER, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2015**

	Water and Wastewater Utilities	Drainage Utility	Non-Major Recreation/ Aquatic Center	Total Enterprise Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 11,982	\$ 2,406	\$ 1,689	\$ 16,077
Investments	8,006,162	2,794,113	1,566,416	12,366,691
Receivables, net of allowances for uncollectibles				
Accounts	5,357,244	72,556	26,946	5,456,746
Interest	13,741	1,506	1,046	16,293
Due from other funds	1,787,864	159,273	504,755	2,451,892
Inventory	295,700	-	-	295,700
Prepaid items	267,920	46	57	268,023
Restricted assets:				
Investments	9,800,650	-	-	9,800,650
Total current assets	<u>25,541,263</u>	<u>3,029,900</u>	<u>2,100,909</u>	<u>30,672,072</u>
Non-current assets:				
Capital assets:				
Land	1,473,998	61,272	-	1,535,270
Water and sewer system	94,458,199	28,888,602	-	123,346,801
Machinery and equipment	1,865,009	482,622	-	2,347,631
Capacity rights	6,281,781	-	-	6,281,781
Construction in progress	5,117,410	911,489	-	6,028,899
Less accumulated depreciation	( 44,653,729)	( 17,626,770)	-	( 62,280,499)
Total non-current assets	<u>64,542,668</u>	<u>12,717,215</u>	<u>-</u>	<u>77,259,883</u>
Total assets	<u>90,083,931</u>	<u>15,747,115</u>	<u>2,100,909</u>	<u>107,931,955</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	205,810	-	-	205,810
Deferred outflows related to pensions	292,585	52,608	68,157	413,350
Total deferred outflows of resources	<u>498,395</u>	<u>52,608</u>	<u>68,157</u>	<u>619,160</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	4,063,099	139,515	123,325	4,325,939
Accrued liabilities	162,667	30,701	58,149	251,517
Accrued interest payable	84,945	-	-	84,945
Unearned revenue	114,327	-	588,705	703,032
Customer deposits	1,068,638	-	5,861	1,074,499
Compensated absences	25,525	5,542	-	31,067
Certificates of obligation	574,000	-	-	574,000
General obligation bonds	1,858,638	-	-	1,858,638
Total current liabilities	<u>7,951,839</u>	<u>175,758</u>	<u>776,040</u>	<u>8,903,637</u>
Non-current liabilities:				
Compensated absences	127,625	27,712	-	155,337
Certificates of obligation	6,191,000	-	-	6,191,000
General obligation bonds	9,862,595	-	-	9,862,595
Net pension liability	1,353,589	243,382	315,319	1,912,290
Total non-current liabilities	<u>17,534,809</u>	<u>271,094</u>	<u>315,319</u>	<u>18,121,222</u>
Total liabilities	<u>25,486,648</u>	<u>446,852</u>	<u>1,091,359</u>	<u>27,024,859</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	93,049	16,731	21,676	131,456
Total deferred inflows of resources	<u>93,049</u>	<u>16,731</u>	<u>21,676</u>	<u>131,456</u>
<b>NET POSITION</b>				
Net investment in capital assets	49,963,250	12,717,215	-	62,680,465
Restricted for capital projects	1,169,197	-	-	1,169,197
Unrestricted	13,870,182	2,618,925	1,056,031	17,545,138
Total net position	<u>\$ 65,002,629</u>	<u>\$ 15,336,140</u>	<u>\$ 1,056,031</u>	<u>\$ 81,394,800</u>

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

**CITY OF KELLER, TEXAS**

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

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Water and Wastewater Utilities	Drainage Utility	Non-Major Recreation/ Aquatic Center	Total Enterprise Funds
<b>OPERATING REVENUES</b>				
Water revenue	\$ 14,942,388	\$ -	\$ -	\$ 14,942,388
Sewer revenue	6,252,768	-	-	6,252,768
Drainage revenue	-	1,610,683	-	1,610,683
Recreation / Aquatic Center revenue	-	-	2,980,624	2,980,624
Tap and connection fees	130,650	-	-	130,650
Intergovernmental	157,359	-	-	157,359
Miscellaneous revenues	38,736	-	15,878	54,614
Total operating revenues	<u>21,521,901</u>	<u>1,610,683</u>	<u>2,996,502</u>	<u>26,129,086</u>
<b>OPERATING EXPENSES</b>				
Personnel services	2,993,369	552,564	1,339,451	4,885,384
Supplies and maintenance	1,269,402	97,973	333,924	1,701,299
Services and other	863,390	207,129	927,264	1,997,783
Wholesale water purchases	8,768,317	-	-	8,768,317
Wastewater services contracted	2,943,239	-	-	2,943,239
Depreciation and amortization	2,951,243	1,315,310	-	4,266,553
Total operating expenses	<u>19,788,960</u>	<u>2,172,976</u>	<u>2,600,639</u>	<u>24,562,575</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,732,941</u>	<u>( 562,293)</u>	<u>395,863</u>	<u>1,566,511</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenues	64,652	9,555	6,783	80,990
Gain (loss) on disposal of assets	66,294	-	1,726	68,020
Interest expense	<u>( 571,767)</u>	<u>-</u>	<u>-</u>	<u>( 571,767)</u>
Total non-operating revenues (expenses)	<u>( 440,821)</u>	<u>9,555</u>	<u>8,509</u>	<u>( 422,757)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	1,292,120	( 552,738)	404,372	1,143,754
Capital contributions	857,895	385,770	-	1,243,665
Transfers in	75,000	-	-	75,000
Transfers out	<u>( 3,188,285)</u>	<u>( 203,705)</u>	<u>( 26,000)</u>	<u>( 3,417,990)</u>
<b>CHANGE IN NET POSITION</b>	( 963,270)	( 370,673)	378,372	( 955,571)
<b>TOTAL NET POSITION, BEGINNING</b>	<u>67,123,873</u>	<u>15,913,048</u>	<u>947,409</u>	<u>83,984,330</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>( 1,157,974)</u>	<u>( 206,235)</u>	<u>( 269,750)</u>	<u>( 1,633,959)</u>
<b>TOTAL NET POSITION, ENDING</b>	<u>\$ 65,002,629</u>	<u>\$ 15,336,140</u>	<u>\$ 1,056,031</u>	<u>\$ 81,394,800</u>

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

**CITY OF KELLER, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Water and Wastewater Utilities</u>	<u>Drainage Utility</u>	<u>Non-Major Recreation / Aquatic Center</u>	<u>Total Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 20,265,269	\$ 1,609,632	\$ 2,953,120	\$ 24,828,021
Cash payments for goods and services	( 12,921,126)	( 418,423)	( 1,335,123)	( 14,674,672)
Cash payments to employees/retirees	( 3,000,881)	( 544,965)	( 1,210,449)	( 4,756,295)
Net cash provided by operating activities	<u>4,343,262</u>	<u>646,244</u>	<u>407,548</u>	<u>5,397,054</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash paid to other funds	192,087	( 159,273)	( 504,755)	( 471,941)
Transfers from other funds	75,000	-	-	75,000
Transfers to other funds	( 3,188,285)	( 203,705)	( 26,000)	( 3,417,990)
Net cash used by noncapital financing activities	<u>( 2,921,198)</u>	<u>( 362,978)</u>	<u>( 530,755)</u>	<u>( 3,814,931)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on debt	( 1,984,248)	-	-	( 1,984,248)
Interest and fiscal charges on debt	( 47,541)	-	-	( 47,541)
Acquisition and construction of capital assets	( 1,944,543)	( 265,219)	-	( 2,209,762)
Proceeds from sale of capital assets	66,294	-	1,726	68,020
Net cash provided (used) by capital and related financing activities	<u>( 3,910,038)</u>	<u>( 265,219)</u>	<u>1,726</u>	<u>( 4,173,531)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment securities	2,437,317	( 87,495)	-	2,349,822
Proceeds from sale and maturities of securities	-	-	( 171,588)	( 171,588)
Interest on investments	62,639	9,860	6,867	79,366
Net cash used by investing activities	<u>2,499,956</u>	<u>( 77,635)</u>	<u>( 164,721)</u>	<u>2,257,600</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	11,982	( 59,588)	( 286,202)	( 333,808)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>-</u>	<u>61,994</u>	<u>287,891</u>	<u>349,885</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 11,982</u>	<u>\$ 2,406</u>	<u>\$ 1,689</u>	<u>\$ 16,077</u>

**CITY OF KELLER, TEXAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**(Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Water and Wastewater Utilities</u>	<u>Drainage Utility</u>	<u>Non-Major Recreation / Aquatic Center</u>	<u>Total Enterprise Funds</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ <u>1,732,941</u>	\$ <u>( 562,293)</u>	\$ <u>395,863</u>	\$ <u>1,566,511</u>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,951,243	1,315,310	-	4,266,553
Change in assets and liabilities:				
Decrease (increase) in assets:				
Customer receivables	( 1,333,651)	( 1,051)	( 3,084)	( 1,337,786)
Prepaid items	( 267,392)	( 6)	1,324	( 266,074)
Inventory	( 27,037)	-	-	( 27,037)
Increase (decrease) in liabilities:				
Accounts payable	1,217,651	( 113,315)	49,415	1,153,751
Accrued liabilities	6,785	4,864	5,240	16,889
Unearned revenue	8,570	-	( 40,380)	( 31,810)
Customer deposits	77,019	-	82	77,101
Compensated absences	( 18,946)	3,440	-	( 15,506)
Net pension liability	( 3,921)	( 705)	( 912)	( 5,538)
Total adjustments	<u>2,610,321</u>	<u>1,208,537</u>	<u>11,685</u>	<u>3,830,543</u>
Net cash provided by operating activities	\$ <u>4,343,262</u>	\$ <u>646,244</u>	\$ <u>407,548</u>	\$ <u>5,397,054</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Contributions of capital assets	\$ <u>857,895</u>	\$ <u>385,770</u>	\$ <u>-</u>	\$ <u>1,243,665</u>

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



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**CITY OF KELLER, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

**Blended Component Units**

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

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

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

Since the TIF Board of Directors acts primarily in an advisory role to the Keller City Council, who exercise the ultimate financial control over the recommendations of the TIF Board and the TIF provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City even though it does not provide services directly to it, the financial information of the TIF is blended as a governmental fund into the primary government.

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

Since the KCCPD Board acts primarily in an advisory role to the Keller City Council, who exercises the ultimate financial control over the recommendations of the KCCPD Board and the KCCPD provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City even though it does not provide services directly to it, the financial information for KCCPD is blended as a governmental fund into the primary government.

Separate financial statements for the component units are not prepared.

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

**3. Inventories and Prepaid Items**

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Restricted Assets**

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

**5. Capital Assets**

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

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

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

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

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

## **6. *Compensated Absences***

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

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

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

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

## **8. *Deferred Outflows/Inflows of Resources***

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

- Deferred charges on refundings – A deferred charge on refunding results 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.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has two types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, court fines, ambulance, and assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other type of item, deferred inflows related to pensions, is only presented in the government-wide financial statement of net position. The deferred inflow is the difference in expected and actual pension experience and is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

## 9. Fund Balance Classification

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

- **Nonspendable**: Includes amounts that are (a) not in a spendable form or (b) are required to be maintained intact. Examples include inventory and prepaid expenses.
- **Restricted**: Includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors, or contributions; or amounts constrained due to regulations of other governments. Examples include unspent grant awards funds and unspent bond proceeds at year-end.
- **Committed**: Includes amounts that are limited to specific purposes that are *self-imposed* by the City through formal action of the City Council, the highest level of decision-making authority. Commitments may be changed or removed only by majority vote of the City Council. An example of a committed fund balance would include designating a specific amount of fund balance to be set aside for future capital improvements.
- **Assigned**: This classification includes amounts that are constrained by the Council's intended use for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign funds for specific purposes. However, assignment of fund balance is not required to be approved by City Council. Per the fund balance policy, intent can be expressed by the City Council, or by an official to which the City Council delegates the authority (e.g., City Manager). In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. Examples of assigned fund balance include fund balances the City Council intends to earmark for future expenditures, such as portions of existing fund balance that will be incorporated into the subsequent year's budget to balance appropriations (appropriated fund balance), public education and government (PEG) programs, recreation programs, and city-wide information services support.
- **Unassigned**: The residual classification of amounts in the General Fund which includes all amounts not classified in other fund balance categories. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

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



**10. 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.

**11. Prior Period Adjustment**

As the result of implementing GASB Statement Nos. 68, the City has restated the beginning net position, effectively decreasing net position as of October 1, 2014 by \$(7,341,246) for the governmental activities and by \$(1,635,934) for the business-type activities for the net pension liability.

Further, the City has increased its business-type activities by \$1,975 for an adjustment to capital assets.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, "Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bond payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position." The details of this \$(72,842,431) difference are as follows:

General obligation bonds	\$( 17,231,728)
Certificates of obligation	( 43,893,112)
Premiums on bonds	( 1,965,055)
Deferred loss on refunding	1,203,061
Accrued interest payable	( 279,996)
Compensated absences	( 1,603,387)
OPEB liability	( 480,694)
TMRS net pension obligation	<u>( 8,591,520)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$( 72,842,431)</u>

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

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(6,268,635) difference are as follows:

Capital outlay	\$ 3,510,655
Depreciation expense	<u>( 9,779,290)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$( 6,268,635)</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$20,623 difference are as follows:

Property taxes	\$ 33,670
Ambulance fees	3,047
Assessments	24,699
Court fines	<u>( 40,793)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 20,623</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(293,266) difference are as follows:

Compensated absences	\$( 36,773)
Interest payable	38,292
Amortization of deferred charge on refunding	( 477,945)
Amortization of bond discounts/premiums	237,156
Other post employment benefits	( 83,180)
TMRS net pension obligation	<u>29,184</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$( 293,266)</u>

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2015, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Ratings (Standard &amp; Poor's)</u>
Certificates of Deposit	\$ 32,045,833	323	
TexPool	6,938,434	41	AAAm
LOGIC	1,394,493	33	AAAm
Money Market Mutual Funds	18,582,094	1	AAAm
Bonds	8,642,016	269	

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

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, excluding mortgage-backed securities [investment policy updated 4/21/15]; (4) obligations of agencies, counties, cities, and other political subdivisions of the State of Texas rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (5) A certificate of deposit (CD) or other form of deposit issued by a depository institution that has its main office or a branch office in the State and is: (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; or (B) secured in compliance with the City's investment policy; or (C) issued in accordance with Section 2256.010 (b) and placed through a selected depository institution or broker with its main office or branch office in Texas; or, (6) eligible local government investment pools which invest in instruments and follow practices allowed by current law as defined in Section 2256.016 of the Texas Public Funds Investment Act; (7) regulated no-load money market mutual funds that are (A) registered with and regulated by the Securities and Exchange Commission; (B) having a dollar-weighted average portfolio of ninety (90) days or less; (C) the investment objectives include the maintenance of a stable net position value of one dollar (\$1.00) per share; and (D) the fund is continuously rated no lower than "AAA" or its equivalent rating by at least one nationally recognized rating service; and (8) repurchase agreements and fully flexible repurchase agreements ("flex repos"), to the extent authorized under the Act (Texas Government Code 2256.001). The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

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

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

**Custodial Credit Risk** – In the case of deposits, this is the risk, that in the event of a bank failure, the City's deposits may not be returned to it. State and City statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2015, \$46,036,791 of the City's \$47,786,791 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$1,750,000, was covered by FDIC insurance.

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

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

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

**B. Receivables**

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

	General	Crime Control Prevention District	G.O. Debt Service	Other Governmental	Water and Wastewater Operations	Drainage Utility	Recreational Aquatic Center	Totals
Receivables:								
Property taxes	\$ 323,796	\$ -	\$ 129,979	\$ 16,789	\$ -	\$ -	\$ -	\$ 470,564
Sales taxes	960,445	207,591	-	720,524	-	-	-	1,888,560
Franchise taxes	784,093	-	-	-	-	-	-	784,093
Ambulance	968,325	-	-	-	-	-	-	968,325
Municipal court fines	325,497	-	-	7,683	-	-	-	333,180
Customer accounts	44,964	-	-	38,628	5,467,595	91,523	26,946	5,669,656
Intergovernmental	87,574	-	-	8,091	-	-	-	95,665
Interest	10,805	-	180	15,542	13,741	1,506	1,046	42,820
Other	412,036	-	-	24,250	-	-	-	436,286
Gross Receivables	3,917,535	207,591	130,159	831,507	5,481,336	93,029	27,992	10,689,149
Less: allowance for uncollectibles	906,310	-	10,761	12,249	110,351	18,967	-	1,058,638
Net total receivables	<u>\$ 3,011,225</u>	<u>\$ 207,591</u>	<u>\$ 119,398</u>	<u>\$ 819,258</u>	<u>\$ 5,370,985</u>	<u>\$ 74,062</u>	<u>\$ 27,992</u>	<u>\$ 9,630,511</u>

### C. Capital Assets

Capital assets activity for the year ended September 30, 2015, are as follows:

#### Primary Government

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 34,016,592	\$ -	\$ ( 61,834)	\$ -	\$ 33,954,758
Construction in progress	<u>9,000,332</u>	<u>574,750</u>	<u>( 4,915)</u>	<u>( 7,591,876)</u>	<u>1,978,291</u>
Total assets not being depreciated	<u>43,016,924</u>	<u>574,750</u>	<u>( 66,749)</u>	<u>( 7,591,876)</u>	<u>35,933,049</u>
Capital assets, being depreciated:					
Buildings	55,585,506	63,970	-	7,903,144	63,552,620
Improvements	184,409,706	1,993,013	-	( 311,268)	186,091,451
Machinery and equipment	<u>18,582,534</u>	<u>960,534</u>	<u>( 587,614)</u>	<u>-</u>	<u>18,955,454</u>
Total capital assets being depreciated	<u>258,577,746</u>	<u>3,017,517</u>	<u>( 587,614)</u>	<u>7,591,876</u>	<u>268,599,525</u>
Less accumulated depreciation:					
Buildings	( 18,884,866)	( 2,174,701)	-	-	( 21,059,567)
Improvements	( 111,327,422)	( 6,129,448)	-	-	( 117,456,870)
Machinery and equipment	<u>( 11,554,248)</u>	<u>( 1,475,141)</u>	<u>572,751</u>	<u>-</u>	<u>( 12,456,638)</u>
Total accumulated depreciation	<u>( 141,766,536)</u>	<u>( 9,779,290)</u>	<u>572,751</u>	<u>-</u>	<u>( 150,973,075)</u>
Total capital assets being depreciated, net	<u>116,811,210</u>	<u>( 6,761,773)</u>	<u>( 14,863)</u>	<u>7,591,876</u>	<u>117,626,450</u>
Governmental activities capital assets, net	<u>\$ 159,828,134</u>	<u>\$( 6,187,023)</u>	<u>\$( 81,612)</u>	<u>\$ -</u>	<u>\$ 153,559,499</u>

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,502,301	\$ 32,969	\$ -	\$ 1,535,270
Construction in progress	<u>3,994,736</u>	<u>2,034,163</u>	<u>-</u>	<u>6,028,899</u>
Total assets not being depreciated	<u>5,497,037</u>	<u>2,067,132</u>	<u>-</u>	<u>7,564,169</u>
Capital assets, being depreciated:				
Improvements other than building:	122,091,488	1,255,313	-	123,346,801
Machinery and equipment	2,306,144	80,358	( 38,871)	2,347,631
Capacity rights	<u>6,281,781</u>	<u>-</u>	<u>-</u>	<u>6,281,781</u>
Total capital assets being depreciated	<u>130,679,413</u>	<u>1,335,671</u>	<u>( 38,871)</u>	<u>131,976,213</u>
Less accumulated depreciation:				
Improvements other than building:	( 52,665,169)	( 3,905,761)	-	( 56,570,930)
Machinery and equipment	( 1,756,455)	( 151,151)	38,871	( 1,868,735)
Capacity rights	<u>( 3,683,792)</u>	<u>( 157,042)</u>	<u>-</u>	<u>( 3,840,834)</u>
Total accumulated depreciation	<u>( 58,105,416)</u>	<u>( 4,213,954)</u>	<u>38,871</u>	<u>( 62,280,499)</u>
Total capital assets being depreciated, net	<u>72,573,997</u>	<u>( 2,878,283)</u>	<u>-</u>	<u>69,695,714</u>
Business-type activities capital assets, net	<u>\$ 78,071,034</u>	<u>\$( 811,151)</u>	<u>\$ -</u>	<u>\$ 77,259,883</u>

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

Governmental activities:	
General government	\$ 2,204,409
Public safety	4,987,339
Public works	747,408
Community development	445,742
Recreation and leisure	<u>1,394,392</u>
Total depreciation expense - governmental activities	<u>\$ 9,779,290</u>
Business-type activities:	
Water and wastewater utilities	\$ 2,898,644
Drainage utilities	<u>1,315,310</u>
Total depreciation expense - business-type activities	<u>\$ 4,213,954</u>

### Construction Commitments

The City has active construction projects as of September 30, 2015. The projects include land acquisition, street construction, park improvements, water system improvements, and sewer system improvements.

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Big Bear East Collector	\$ -	\$ 2,848,673
Marshal Branch East Collector	1,385,622	1,693,947
Police Building Roofing Repair	-	104,359
Keller Smithfield R South Extension	229,290	708,758
Residential Street Reconstruction Project	1,686,316	22,073
Keller Pointe Expansion Project	<u>92,843</u>	<u>1,765,683</u>
Total	<u>\$ 3,394,071</u>	<u>\$ 7,143,493</u>

**D. Interfund Transfers**

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

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
General	Water and wastewater utilities	\$ 3,058,190
	Drainage utility	116,025
	Nonmajor governmental	38,500
	Nonmajor proprietary	26,000
General obligation debt service	Nonmajor governmental	131,688
	Water and wastewater utilities	12,255
Nonmajor governmental	General	346,292
	General obligation debt service	687,300
	Water and wastewater utilities	117,840
	Drainage utility	12,680
Water and wastewater utilities	Drainage utility	<u>75,000</u>
		<u>\$ 4,621,770</u>

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

**E. Long-term Debt**

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



General debt currently outstanding is as follows:

**Governmental Activities Debt:**

Purpose	Original Principal	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/15
General obligation bonds:					
City:					
Improvements	4,000,000	2009	2029	4.00% - 4.65%	\$ 3,235,000
Refunding	2,000,000	2010	2020	2.00% - 3.50%	625,000
Refunding	5,620,000	2010	2022	2.00% - 4.00%	4,000,000
Refunding	625,000	2012	2023	0.55%-2.85%	570,000
Refunding	4,155,000	2012	2024	2.00% - 5.00%	3,755,000
Refunding	5,125,000	2014	2026	2.00% - 4.00%	5,046,728
					<u>17,231,728</u>
Certificates of obligation:					
City:					
Improvements	8,310,000	2009	2029	3.00% - 4.70%	6,540,000
Improvements	6,710,000	2010	2030	2.00% - 4.00%	5,545,000
Improvements	6,000,000	2012	2027	2.00% - 5.00%	5,075,000
Improvements	601,000	2013	2018	0.56%-1.63%	364,000
Keller TIRZ (TIF)					
Refunding	6,299,997	2010	2028	1.00% - 4.125%	6,020,000
Refunding	9,545,000	2014	2018	4.00% - 5.00%	7,175,000
Keller Development Corp.					
Improvements	9,235,000	2004	2024	4.00% - 5.00%	8,475,000
Refunding	1,040,000	2014	2026	2.00% - 4.00%	1,024,112
Improvements	3,870,000	2014	2034	2.00% - 3.125%	3,675,000
					<u>\$ 43,893,112</u>

**Business-type Activities Debt:**

Purpose	Original Principal	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/15
General obligation bonds:					
City:					
Refunding	1,290,000	2010	2020	2.00% - 3.50%	\$ 420,000
Refunding	7,310,000	2012	2024	2.00% - 5.00%	6,095,000
Refunding	4,310,000	2014	2026	2.00% - 4.00%	4,244,160
					<u>10,759,160</u>
Certificates of obligation:					
City:					
Improvements	4,255,000	2006	2026	4.25% - 5.37%	200,000
Improvements	1,600,000	2010	2030	2.00% - 4.25%	1,320,000
Improvements	5,835,000	2012	2032	0.05%-2.20%	5,080,000
Improvements	272,000	2013	2018	0.56%-1.63%	165,000
					<u>6,765,000</u>
Less: bond issue (discount)/premium					<u>962,073</u>
Total business-type activities debt					<u>\$ 18,486,233</u>

Annual debt service requirements to maturity for general debt:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 6,591,362	\$ 2,189,486	\$ 2,432,638	\$ 530,019
2017	7,134,370	1,958,333	1,721,630	483,053
2018	7,295,463	1,713,604	1,713,538	416,494
2019	4,568,015	1,451,155	1,626,985	384,074
2020	4,842,085	1,282,678	1,587,915	306,968
2021-2025	19,584,475	3,921,563	5,430,525	905,758
2026-2030	10,119,070	1,020,573	2,280,929	267,775
2031-2034	<u>990,000</u>	<u>62,841</u>	<u>730,000</u>	<u>20,767</u>
Total	<u>\$ 61,124,840</u>	<u>\$ 13,600,233</u>	<u>\$ 17,524,160</u>	<u>\$ 3,314,908</u>

**Changes in Long-term Liabilities**

During the year ended September 30, 2015, the following changes occurred in general government long-term debt:

Description	Balance 9/30/14	Additions	Reductions	Balance 9/30/15	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 19,970,000	\$ 5,125,000	\$( 7,863,272)	\$ 17,231,728	\$ 2,580,909
Certificates of obligation	45,353,000	14,455,000	( 15,914,888)	43,893,112	4,010,453
Bond premiums/discounts	<u>2,144,397</u>	<u>294,213</u>	<u>( 473,555)</u>	<u>1,965,055</u>	<u>237,613</u>
Total bonds payable	67,467,397	19,874,213	( 24,251,715)	63,089,895	6,828,975
Compensated absences	1,566,614	1,447,638	( 1,410,865)	1,603,387	278,487
OPEB liability	397,514	83,180	-	480,694	-
TMRS net pension obligation	<u>1,279,458</u>	<u>10,240,023</u>	<u>( 1,442,492)</u>	<u>10,076,989</u>	<u>-</u>
	<u>\$ 70,710,983</u>	<u>\$ 31,645,054</u>	<u>\$( 27,105,072)</u>	<u>\$ 75,250,965</u>	<u>\$ 7,107,462</u>
Business-type activities:					
General obligation bonds	\$ 9,145,000	\$ 4,310,000	\$( 2,695,840)	\$ 10,759,160	\$ 1,858,638
Certificates of obligation	9,959,000	-	( 3,194,000)	6,765,000	574,000
Bond premiums/discounts	<u>794,714</u>	<u>267,247</u>	<u>( 99,888)</u>	<u>962,073</u>	<u>-</u>
Total bonds payable	19,898,714	4,577,247	( 5,989,728)	18,486,233	2,432,638
Compensated absences	201,910	128,401	( 143,907)	186,404	31,067
TMRS net pension obligation	<u>1,635,934</u>	<u>307,295</u>	<u>( 30,939)</u>	<u>1,912,290</u>	<u>-</u>
	<u>\$ 21,736,558</u>	<u>\$ 5,012,943</u>	<u>\$( 6,164,574)</u>	<u>\$ 20,584,927</u>	<u>\$ 2,463,705</u>

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

### **Conduit Debt Obligations**

Certain revenue bonds have been issued in the past to provide financial assistance to nonprofit and public entities for the acquisition and construction of educational and student housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the entities served by the bonds. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2015, there was one series of revenue bonds outstanding. The aggregate principal amount payable for the issues was \$27,125,000.

### **Advance Refunding**

On January 15, 2015, the City issued \$10,475,000 General Obligation Refunding Bonds, Series 2015 with interest rates ranging from 3.625% to 4.375%. The proceeds were used to advance refund \$1,100,000 of outstanding 2003 Certificate of Obligation Bonds which had interest rate of 3.625%; \$520,000 of outstanding 2004 General Obligation Bonds which had an interest rate of 4.00%; \$6,360,000 of outstanding 2005 General Obligation Bonds which had interest rates ranging from 4.00% to 4.20%; \$2,630,000 of outstanding 2006 Certificate of Obligation Bonds which had an interest rate of 4.375%. The net proceeds of \$10,475,000 (including a \$585,686 premium and after payment of \$98,799 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2003, 2004, 2005, and 2006 bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. At September 30, 2015 \$2,630,000 of defeased bonds remain outstanding.

The reacquisition price exceeded the net carrying amount of the old debt by \$327,661. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City advance refunded the 2003CO, 2004 GO, 2005 GO, and 2006 CO bonds to reduce its total debt service payments by \$826,445.30 and to obtain an economic gain of \$776,013 (present value). The book gain on this refunding was \$327,661.

On January 15, 2015, the City issued \$9,545,000 Combination Tax & TIRZ Revenue Refunding, Series 2015A with interest rates ranging from 4.25% to 5.0%. The proceeds were used to advance refund \$9,920,000 of outstanding 2005 TIF REF FINAL Bonds. The net proceeds of \$9,545,000 (including a \$713,480 premium and after payment of \$87,220 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2005 bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$239,338. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City advance refunded the 2005 TIF REF FINAL bonds to reduce its total debt service payments by \$756,501 and to obtain an economic gain of \$738,770 (present value). The book gain on this refunding was \$239,337.

### **Debt Issued**

On January 15, 2015, the City and the Keller Development Corporation issued \$3,870,000 Certificates of Obligation, Series 2015. The bonds pay interest on February 15th and August 15th at rates of 2.0%. The Certificates mature in 2034.

## V. OTHER INFORMATION

### A. Risk Management

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

### B. Contingent Liabilities and Commitments

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

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

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

### C. Defined Benefit Pension Policies

**Plan Descriptions.** The City participates as one of 860 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 agency 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 Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.org](http://www.tmr.org).

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

**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 over 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.

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Upated service credit	100% repeating
Annuity increase to retirees	50% of CPI, repeating

#### Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	101
Inactive employees entitled to but not yet receiving benefits	157
Active employees	<u>288</u>
	<u><u>546</u></u>

**Contributions.** The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions 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 15.47% and 15.67% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$2,711,603, and were equal to the required contributions.

**Net Pension Liability.** The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

#### Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, 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, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the 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 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 expenses 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. The target allocation and best estimates of arithmetic real rates return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

#### Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. 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 period of projected benefit payments to determine the Total Pension Liability.

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 74,002,827	\$ 61,819,575	\$ 12,183,252
Changes for the year:			
Service cost	2,983,097	-	2,983,097
Interest	5,216,222	-	5,216,222
Change of benefit terms	-	-	-
Difference between expected and actual experience	( 993,549)	-	( 993,549)
Changes of assumptions	-	-	-
Contributions - employer	-	2,678,823	( 2,678,823)
Contributions - employee	-	1,223,684	( 1,223,684)
Net investment income	-	3,537,194	( 3,537,194)
Benefit payments, including refunds of employee contributions	( 1,953,842)	( 1,953,842)	-
Administrative expense	-	( 36,922)	36,922
Other changes	-	( 3,036)	3,036
Net changes	<u>5,251,928</u>	<u>5,445,901</u>	<u>( 193,973)</u>
Balance at 12/31/2014	<u>\$ 79,254,755</u>	<u>\$ 67,265,476</u>	<u>\$ 11,989,279</u>

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) of 1-percentage-higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$ 24,613,220	\$ 11,989,279	\$ 1,730,377

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at [www.tmr.org](http://www.tmr.org).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** For the year ended September 30, 2015, the City recognized pension expense of \$2,676,881.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred <u>Outflows of Resources</u>	Deferred <u>Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 824,173
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	632,141	-
Contributions subsequent to the measurement date	<u>1,959,395</u>	<u>-</u>
Total	<u>\$ 2,591,536</u>	<u>\$ 824,173</u>

\$1,959,395 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year Ended,</u>		
2015	\$(	11,342)
2016	(	11,342)
2017	(	11,342)
2018	(	11,341)
2019	(	146,664)

#### **Subsequent Event**

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7.0% to 6.75% and changing the inflation assumption from 3.0% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change.



**D. Other Postemployment Benefits**

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual Required Contribution (ARC)	\$ 105,335
Interest on Net Pension Obligation	27,827
Adjustment to the ARC	<u>( 13,250)</u>
Annual Pension Cost	119,912
Contributions Made	<u>( 36,732)</u>
Increase (Decrease) in Net Pension Obligation	83,180
Net Pension Obligation/(Asset), beginning of year	<u>397,514</u>
 Net Pension Obligation/(Asset), ending of year	 <u>\$ 480,694</u>

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

In addition to the employer contribution, the retirees paid \$54,870 in the form of premiums which funded current medical claims.

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/13	\$ 85,652	\$ -	0.0%	\$ 294,294
9/30/14	107,412	4,192	3.9%	397,514
9/30/15	119,912	36,732	30.6%	480,694

**Funding Status and Funding Progress**

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

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

**Actuarial Methods and Assumptions**

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

In the December 1, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of investment expenses) and an annual health care costs trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2015, was 30 years. Inflation rates were assumed to be 3%.

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

**Supplemental Death Benefits Fund**

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

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

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

The City's contributions to the TMRS SDBF for the years ended September 30, 2015, 2014, and 2013, were \$24,038 \$22,676, and \$21,947, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates

Accounting Year Ending	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed	Net Pension Obligation
09/30/13	.13%	.13%	100%	\$ -
09/30/14	.13%	.13%	100%	-
09/30/15	.14%	.14%	100%	-

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Property	\$ 14,867,037	\$ 14,867,037	\$ 14,872,914	\$ 5,877
Sales	5,298,080	5,298,080	5,340,418	42,338
Franchise	3,357,740	3,357,740	3,421,518	63,778
Mixed beverage	179,360	179,360	192,912	13,552
Permits, licenses and fees	1,900,800	1,900,800	1,899,434	( 1,366)
Intergovernmental	2,692,030	2,692,030	2,890,652	198,622
Charges for services	1,449,445	1,449,445	1,561,413	111,968
Fines and forfeitures	918,000	918,000	1,017,820	99,820
Donations	26,800	26,800	42,964	16,164
Investment earnings	85,350	85,350	73,069	( 12,281)
Miscellaneous	145,435	145,435	212,447	67,012
Total revenues	<u>30,920,077</u>	<u>30,920,077</u>	<u>31,525,561</u>	<u>605,484</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,970,681	6,978,681	6,614,984	363,697
Public safety	15,655,572	15,656,572	15,042,122	614,450
Public works	2,465,895	2,507,570	2,165,626	341,944
Community development	1,573,870	1,573,870	1,365,628	208,242
Recreation and leisure	4,658,350	4,658,350	4,215,320	443,030
Capital outlay	1,833,340	1,791,665	1,238,198	553,467
Total expenditures	<u>33,157,708</u>	<u>33,166,708</u>	<u>30,641,878</u>	<u>2,524,830</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 2,237,631)</u>	<u>( 2,246,631)</u>	<u>883,683</u>	<u>3,130,314</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	17,510	17,510
Transfers in	3,238,715	3,238,715	3,238,715	-
Transfers out	( 300,000)	( 300,000)	( 346,292)	( 46,292)
Total other financing sources and uses	<u>2,938,715</u>	<u>2,938,715</u>	<u>2,909,933</u>	<u>( 28,782)</u>
<b>NET CHANGE IN FUND BALANCE</b>	701,084	692,084	3,793,616	3,101,532
<b>FUND BALANCE, BEGINNING</b>	<u>16,338,933</u>	<u>16,338,933</u>	<u>16,338,933</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 17,040,017</u>	<u>\$ 17,031,017</u>	<u>\$ 20,132,549</u>	<u>\$ 3,101,532</u>

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**CRIME CONTROL PREVENTION DISTRICT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Sales	\$ 1,200,645	\$ 1,200,645	\$ 1,254,542	\$ 53,897
Intergovernmental	20,000	20,000	20,000	-
Investment earnings	7,500	7,500	8,032	532
Total revenues	<u>1,228,145</u>	<u>1,228,145</u>	<u>1,282,574</u>	<u>54,429</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	124,100	127,850	120,705	7,145
Capital outlay	313,094	310,594	259,119	51,475
Debt service:				
Principal	330,000	330,000	330,000	-
Interest and other charges	199,500	199,500	198,250	1,250
Total expenditures	<u>966,694</u>	<u>967,944</u>	<u>908,074</u>	<u>59,870</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>261,451</u>	<u>260,201</u>	<u>374,500</u>	<u>114,299</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	10,000	10,000	9,945	( 55)
Total other financing sources and uses	<u>10,000</u>	<u>10,000</u>	<u>9,945</u>	<u>( 55)</u>
<b>NET CHANGE IN FUND BALANCE</b>	271,451	270,201	384,445	114,244
<b>FUND BALANCE, BEGINNING</b>	<u>3,050,032</u>	<u>3,050,032</u>	<u>3,050,032</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 3,321,483</u>	<u>\$ 3,320,233</u>	<u>\$ 3,434,477</u>	<u>\$ 114,244</u>

## **CITY OF KELLER, TEXAS**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2015**

#### **BUDGETARY INFORMATION**

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

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

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

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<b>Plan Year</b>	<u><b>2014</b></u>
<b>A. Total pension liability</b>	
Service Cost	\$ 2,983,097
Interest (on the Total Pension Liability)	5,216,222
Difference between expected and actual experience	( 993,549)
Benefit payments, including refunds of employee contributions	( 1,953,842)
Net change in total pension liability	5,251,928
Total pension liability - beginning	<u>74,002,827</u>
Total pension liability - ending (a)	<u>\$ 79,254,755</u>
<b>B. Plan fiduciary net position</b>	
Contributions - Employer	\$ 2,678,823
Contributions - Employee	1,223,684
Net Investment Income	3,537,194
Benefit payments, including refunds of employee contributions	( 1,953,842)
Administrative Expenses	( 36,922)
Other	<u>( 3,036)</u>
Net change in plan fiduciary net position	5,445,901
Plan fiduciary net position - beginning	<u>61,819,575</u>
Plan fiduciary net position - ending (b)	<u>\$ 67,265,476</u>
<b>C. Net pension liability - ending (a) - (b)</b>	<u>\$ 11,989,279</u>
<b>D. Plan fiduciary net position as a percentage of total pension liability</b>	84.87%
<b>E. Covered employee payroll</b>	\$ 17,462,991
<b>F. Net position liability as a percentage of covered employee payroll</b>	68.66%



**CITY OF KELLER, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<b>Plan Year</b>	<b>2014</b>	<b>2015</b>
Actuarial determined contribution	\$ 2,660,624	\$ 2,711,603
Contributions in relation to the actuarially determined contribution	2,660,624	2,711,603
Contribution deficiency (excess)	-	-
Covered employee payroll	17,443,044	17,520,409
Contributions as a percentage of covered employee payroll	15.25%	15.48%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months 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	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
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 of with BB.

**Other Information:**

Notes There were no benefit changes during the year.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

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

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

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

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

## DEBT SERVICE FUND

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

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

## CAPITAL PROJECTS FUND

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

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

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

**Park Development 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 related engineering.

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

**Parks Capital Improvements 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, 2015**

	Special Revenue Funds				
	Library	Municipal Court	Public Safety	Contributions/ Donations	Keller Development Corporation
<b>ASSETS</b>					
Cash and cash equivalents	\$ 189	\$ 873	\$ 84	\$ 9,906	\$ 1,537
Investments	30,432	57,294	106,580	20,810	2,393,857
Receivables, net of allowances for uncollectibles					
Taxes	-	-	-	-	480,222
Accounts	-	768	-	-	-
Interest	16	256	55	16	1,168
Other	-	-	-	-	-
Due from other funds	-	53,812	-	-	-
Due from other governments	-	8,091	-	-	-
Total assets	<u>30,637</u>	<u>121,094</u>	<u>106,719</u>	<u>30,732</u>	<u>2,876,784</u>
<b>LIABILITIES</b>					
Accounts payable	4,905	1,380	12,857	-	9,320
Accrued liabilities	-	-	-	-	4,195
Due to other funds	-	-	66	-	202,803
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	32,033	-	-
Total liabilities	<u>4,905</u>	<u>1,380</u>	<u>44,956</u>	<u>-</u>	<u>216,318</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - court fines	-	768	-	-	-
Unavailable revenue - assessments	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>768</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted	<u>25,732</u>	<u>118,946</u>	<u>61,763</u>	<u>30,732</u>	<u>2,660,466</u>
Total fund balances	<u>25,732</u>	<u>118,946</u>	<u>61,763</u>	<u>30,732</u>	<u>2,660,466</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 30,637</u>	<u>\$ 121,094</u>	<u>\$ 106,719</u>	<u>\$ 30,732</u>	<u>\$ 2,876,784</u>

Debt Service Fund		Capital Project Funds						Total Nonmajor Governmental Funds
TIF #1 Interest and Sinking	Capital Projects	Roadway Impact Fee	Park Development Fee	Street/Sidewalk Improvements	Equipment Replacement	Parks Capital Improvements		
\$ 82,240	\$ 4,604	\$ 29,206	\$ 45,386	\$ 2,201	\$ 1,208	\$ 4,709	\$ 182,143	
1,129,216	2,327,883	5,299,560	906,492	2,640,583	891,937	3,069,654	18,874,298	
16,789	-	-	-	240,302	-	-	737,313	
-	-	38,628	-	-	18,900	-	58,296	
600	1,202	2,752	491	1,413	765	6,808	15,542	
-	-	-	-	16	-	-	16	
-	-	27,688	-	90,511	327,109	154,730	653,850	
-	-	-	-	-	-	-	8,091	
<u>1,228,845</u>	<u>2,333,689</u>	<u>5,397,834</u>	<u>952,369</u>	<u>2,975,026</u>	<u>1,239,919</u>	<u>3,235,901</u>	<u>20,529,549</u>	
-	-	7,890	-	158,550	-	179,576	374,478	
-	-	-	-	-	-	-	4,195	
-	-	-	4,400	-	-	-	207,269	
3,083	-	-	-	-	-	-	3,083	
-	-	-	-	-	-	-	32,033	
<u>3,083</u>	<u>-</u>	<u>7,890</u>	<u>4,400</u>	<u>158,550</u>	<u>-</u>	<u>179,576</u>	<u>621,058</u>	
-	-	-	-	-	-	-	768	
<u>16,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57</u>	<u>-</u>	<u>-</u>	<u>16,846</u>	
<u>16,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57</u>	<u>-</u>	<u>-</u>	<u>17,614</u>	
<u>1,208,973</u>	<u>2,333,689</u>	<u>5,389,944</u>	<u>947,969</u>	<u>2,816,419</u>	<u>1,239,919</u>	<u>3,056,325</u>	<u>19,890,877</u>	
<u>1,208,973</u>	<u>2,333,689</u>	<u>5,389,944</u>	<u>947,969</u>	<u>2,816,419</u>	<u>1,239,919</u>	<u>3,056,325</u>	<u>19,890,877</u>	
<u>\$ 1,228,845</u>	<u>\$ 2,333,689</u>	<u>\$ 5,397,834</u>	<u>\$ 952,369</u>	<u>\$ 2,975,026</u>	<u>\$ 1,239,919</u>	<u>\$ 3,235,901</u>	<u>\$ 20,529,549</u>	

**CITY OF KELLER, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Special Revenue Funds				
	Library	Municipal Court	Public Safety	Contributions/ Donations	Keller Development Corporation
<b>REVENUES</b>					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-	2,709,926
Permits, licenses and fees	-	-	-	-	-
Intergovernmental	1,884	-	73,872	-	-
Charges for services	2,575	-	-	1,061	-
Fines and forfeitures	-	125,679	-	-	-
Special assessments and impact fees	-	-	-	-	-
Donations	33,443	-	32,049	-	-
Investment earnings	66	2,391	376	157	5,865
Miscellaneous	-	-	355	-	12,000
Total revenues	<u>37,968</u>	<u>128,070</u>	<u>106,652</u>	<u>1,218</u>	<u>2,727,791</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	122,901	-	-	-
Public safety	-	-	118,261	-	-
Public works	-	-	3,686	-	-
Recreation and leisure	16,790	-	-	-	17,051
Capital outlay	-	-	-	-	311,666
Debt service:					
Principal	-	-	-	-	1,238,327
Interest and other charges	-	-	-	-	353,594
Total expenditures	<u>16,790</u>	<u>122,901</u>	<u>121,947</u>	<u>-</u>	<u>1,920,638</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>21,178</u>	<u>5,169</u>	<u>( 15,295)</u>	<u>1,218</u>	<u>807,153</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	-	-	-	-	7,050
Bonds issued	-	-	-	-	1,040,000
Premium on bond issue	-	-	-	-	18,478
Payment to refunded bond escrow agent	-	-	-	-	( 1,049,384)
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	( 170,188)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 154,044)</u>
<b>NET CHANGE IN FUND BALANCES</b>	21,178	5,169	( 15,295)	1,218	653,109
<b>FUND BALANCES, BEGINNING</b>	<u>4,554</u>	<u>113,777</u>	<u>77,058</u>	<u>29,514</u>	<u>2,007,357</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 25,732</u>	<u>\$ 118,946</u>	<u>\$ 61,763</u>	<u>\$ 30,732</u>	<u>\$ 2,660,466</u>

Debt Service Fund	Capital Project Funds						Total Nonmajor Governmental Funds
	TIF #1 Interest and Sinking	Capital Projects	Roadway Impact Fee	Park Development Fee	Street/ Sidewalk Improvements	Equipment Replacement	
\$ 3,069,216	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,069,216
-	-	-	-	1,355,161	-	-	4,065,087
-	-	-	179,585	-	-	-	179,585
-	-	-	-	-	-	115,181	190,937
-	-	-	-	-	-	-	3,636
-	-	-	-	-	-	-	125,679
-	-	527,821	-	48,500	-	-	576,321
-	-	-	-	-	-	-	65,492
708,054	9,044	18,707	3,265	9,809	5,600	10,633	773,967
-	-	-	-	-	-	-	12,355
<u>3,777,270</u>	<u>9,044</u>	<u>546,528</u>	<u>182,850</u>	<u>1,413,470</u>	<u>5,600</u>	<u>125,814</u>	<u>9,062,275</u>
-	500	15,309	-	-	-	-	138,710
-	-	-	-	-	-	-	118,261
-	-	-	-	120,538	-	-	124,224
-	-	-	22,866	-	-	-	56,707
-	566,748	7,890	4,400	1,506,573	158,617	738,122	3,294,016
2,520,000	-	-	-	-	-	-	3,758,327
582,085	-	-	-	-	-	44,832	980,511
<u>3,102,085</u>	<u>567,248</u>	<u>23,199</u>	<u>27,266</u>	<u>1,627,111</u>	<u>158,617</u>	<u>782,954</u>	<u>8,470,756</u>
<u>675,185</u>	<u>( 558,204)</u>	<u>523,329</u>	<u>155,584</u>	<u>( 213,641)</u>	<u>( 153,017)</u>	<u>( 657,140)</u>	<u>591,519</u>
-	-	-	-	-	62,998	-	70,048
9,545,000	-	-	-	-	-	3,870,000	14,455,000
-	-	-	-	-	-	-	18,478
( 10,159,338)	-	-	-	-	-	-	( 11,208,722)
733,592	-	-	-	-	430,520	-	1,164,112
-	-	-	-	-	-	-	( 170,188)
<u>119,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>493,518</u>	<u>3,870,000</u>	<u>4,328,728</u>
794,439	( 558,204)	523,329	155,584	( 213,641)	340,501	3,212,860	4,920,247
414,534	2,891,893	4,866,615	792,385	3,030,060	899,418	( 156,535)	14,970,630
<u>\$ 1,208,973</u>	<u>\$ 2,333,689</u>	<u>\$ 5,389,944</u>	<u>\$ 947,969</u>	<u>\$ 2,816,419</u>	<u>\$ 1,239,919</u>	<u>\$ 3,056,325</u>	<u>\$ 19,890,877</u>



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**BUDGETARY  
COMPARISON SCHEDULES**

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

**GENERAL OBLIGATION DEBT SERVICE FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Property	\$ 4,804,770	\$ 4,804,770	\$ 4,801,452	\$( 3,318)
Investment earnings	6,000	6,000	6,694	694
Total revenues	<u>4,810,770</u>	<u>4,810,770</u>	<u>4,808,146</u>	<u>( 2,624)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	3,482,580	3,482,580	3,494,833	( 12,253)
Interest and other charges	1,166,665	1,166,665	1,161,572	5,093
Total expenditures	<u>4,649,245</u>	<u>4,649,245</u>	<u>4,656,405</u>	<u>( 7,160)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>161,525</u>	<u>161,525</u>	<u>151,741</u>	<u>( 9,784)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds Issued	5,125,000	5,125,000	5,125,000	-
Premium on bond issue	275,735	275,735	275,735	-
Payment to refunded bond escrow agent	( 5,352,400)	( 5,352,400)	( 5,352,396)	4
Transfers in	134,485	134,485	143,943	9,458
Transfers out	( 687,300)	( 687,300)	( 687,300)	-
Total other financing sources and uses	<u>( 504,480)</u>	<u>( 504,480)</u>	<u>( 495,018)</u>	<u>9,462</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 342,955)	( 342,955)	( 343,277)	( 322)
<b>FUND BALANCE, BEGINNING</b>	<u>517,239</u>	<u>517,239</u>	<u>517,239</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 174,284</u>	<u>\$ 174,284</u>	<u>\$ 173,962</u>	<u>\$( 322)</u>

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

**LIBRARY FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 1,884	\$ 1,884
Charges for services	2,200	2,200	2,575	375
Donations	32,500	32,500	33,443	943
Investment earnings	450	450	66	( 384)
Total revenues	<u>35,150</u>	<u>35,150</u>	<u>37,968</u>	<u>2,818</u>
<b>EXPENDITURES</b>				
Current:				
Recreation and leisure	15,000	15,000	16,790	( 1,790)
Total expenditures	<u>15,000</u>	<u>15,000</u>	<u>16,790</u>	<u>( 1,790)</u>
<b>NET CHANGE IN FUND BALANCE</b>	20,150	20,150	21,178	1,028
<b>FUND BALANCE, BEGINNING</b>	<u>4,554</u>	<u>4,554</u>	<u>4,554</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 24,704</u>	<u>\$ 24,704</u>	<u>\$ 25,732</u>	<u>\$ 1,028</u>

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

**MUNICIPAL COURT FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Fines and forfeitures	\$ 111,600	\$ 111,600	\$ 125,679	\$ 14,079
Investment earnings	<u>1,950</u>	<u>1,950</u>	<u>2,391</u>	<u>441</u>
Total revenues	<u>113,550</u>	<u>113,550</u>	<u>128,070</u>	<u>14,520</u>
<b>EXPENDITURES</b>				
Current:				
General government	<u>127,490</u>	<u>127,490</u>	<u>122,901</u>	<u>4,589</u>
Total expenditures	<u>127,490</u>	<u>127,490</u>	<u>122,901</u>	<u>4,589</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 13,940)	( 13,940)	5,169	19,109
<b>FUND BALANCE, BEGINNING</b>	<u>113,777</u>	<u>113,777</u>	<u>113,777</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 99,837</u>	<u>\$ 99,837</u>	<u>\$ 118,946</u>	<u>\$ 19,109</u>

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**KELLER DEVELOPMENT CORPORATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Sales	\$ 2,649,040	\$ 2,649,040	\$ 2,709,926	\$ 60,886
Investment earnings	3,500	3,500	5,865	2,365
Miscellaneous	12,000	12,000	12,000	-
Total revenues	<u>2,664,540</u>	<u>2,664,540</u>	<u>2,727,791</u>	<u>63,251</u>
<b>EXPENDITURES</b>				
Current:				
Recreation and leisure	21,815	21,815	17,051	4,764
Capital outlay	646,800	646,800	311,666	335,134
Debt service:				
Principal	1,238,330	1,238,330	1,238,327	3
Interest and other charges	354,200	354,200	353,594	606
Total expenditures	<u>2,261,145</u>	<u>2,261,145</u>	<u>1,920,638</u>	<u>340,507</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>403,395</u>	<u>403,395</u>	<u>807,153</u>	<u>403,758</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	7,050	7,050
Bonds issued	1,040,000	1,040,000	1,040,000	-
Premium on bond issue	18,480	18,480	18,478	( 2)
Payment to refunding bond escrow agent	( 1,050,100)	( 1,050,100)	( 1,049,384)	716
Transfers out	( 172,985)	( 172,985)	( 170,188)	2,797
Total other financing sources and uses	<u>( 164,605)</u>	<u>( 164,605)</u>	<u>( 154,044)</u>	<u>10,561</u>
<b>NET CHANGE IN FUND BALANCE</b>	238,790	238,790	653,109	414,319
<b>FUND BALANCE, BEGINNING</b>	<u>2,007,357</u>	<u>2,007,357</u>	<u>2,007,357</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 2,246,147</u>	<u>\$ 2,246,147</u>	<u>\$ 2,660,466</u>	<u>\$ 414,319</u>

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

**TIF #1 INTEREST AND SINKING**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Property	\$ 3,069,225	\$ 3,069,225	\$ 3,069,216	\$( 9)
Investment earnings	9,000	9,000	708,054	699,054
Total revenues	<u>3,078,225</u>	<u>3,078,225</u>	<u>3,777,270</u>	<u>699,045</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	2,430,000	2,430,000	2,520,000	( 90,000)
Interest and other charges	643,015	643,015	582,085	60,930
Total expenditures	<u>3,073,015</u>	<u>3,073,015</u>	<u>3,102,085</u>	<u>( 29,070)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>5,210</u>	<u>5,210</u>	<u>675,185</u>	<u>669,975</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued	9,545,000	9,545,000	9,545,000	-
Payment to refunded bond escrow agent	( 10,159,340)	( 10,159,340)	( 10,159,338)	2
Transfers in	687,300	687,300	733,592	46,292
Total other financing sources and uses	<u>72,960</u>	<u>72,960</u>	<u>119,254</u>	<u>46,294</u>
<b>NET CHANGE IN FUND BALANCE</b>	78,170	78,170	794,439	716,269
<b>FUND BALANCE, BEGINNING</b>	<u>414,534</u>	<u>414,534</u>	<u>414,534</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 492,704</u>	<u>\$ 492,704</u>	<u>\$ 1,208,973</u>	<u>\$ 716,269</u>



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

**PARK DEVELOPMENT FEE FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Permits, licenses and fees	\$ 180,000	\$ 180,000	\$ 179,585	\$( 415)
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>3,265</u>	<u>2,265</u>
Total revenues	<u>181,000</u>	<u>181,000</u>	<u>182,850</u>	<u>1,850</u>
<b>EXPENDITURES</b>				
Current:				
Recreation and leisure	22,035	22,035	22,866	( 831)
Capital outlay	<u>-</u>	<u>-</u>	<u>4,400</u>	<u>( 4,400)</u>
Total expenditures	<u>22,035</u>	<u>22,035</u>	<u>27,266</u>	<u>( 5,231)</u>
<b>NET CHANGE IN FUND BALANCE</b>	158,965	158,965	155,584	( 3,381)
<b>FUND BALANCE, BEGINNING</b>	<u>792,385</u>	<u>792,385</u>	<u>792,385</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 951,350</u>	<u>\$ 951,350</u>	<u>\$ 947,969</u>	<u>\$( 3,381)</u>

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**STREET/SIDEWALK IMPROVEMENTS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Sales	\$ 1,350,739	\$ 1,350,739	\$ 1,355,161	\$ 4,422
Special assessments and impact fees	48,000	48,000	48,500	500
Investment earnings	6,170	6,170	9,809	3,639
Total revenues	<u>1,404,909</u>	<u>1,404,909</u>	<u>1,413,470</u>	<u>8,561</u>
<b>EXPENDITURES</b>				
Current:				
Public works	130,000	130,000	120,538	9,462
Capital outlay	1,306,254	1,306,254	1,506,573	( 200,319)
Total expenditures	<u>1,436,254</u>	<u>1,436,254</u>	<u>1,627,111</u>	<u>( 190,857)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 31,345)</u>	<u>( 31,345)</u>	<u>( 213,641)</u>	<u>( 182,296)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 31,345)</u>	<u>( 31,345)</u>	<u>( 213,641)</u>	<u>( 182,296)</u>
<b>FUND BALANCE, BEGINNING</b>	<u>3,030,060</u>	<u>3,030,060</u>	<u>3,030,060</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 2,998,715</u>	<u>\$ 2,998,715</u>	<u>\$ 2,816,419</u>	<u>\$ ( 182,296)</u>

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**EQUIPMENT REPLACEMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Investment earnings	\$ 3,000	\$ 3,000	\$ 5,600	\$ 2,600
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>5,600</u>	<u>2,600</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>171,100</u>	<u>171,100</u>	<u>158,617</u>	<u>12,483</u>
Total expenditures	<u>171,100</u>	<u>171,100</u>	<u>158,617</u>	<u>12,483</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 168,100)</u>	<u>( 168,100)</u>	<u>( 153,017)</u>	<u>15,083</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	45,000	45,000	62,998	17,998
Transfers in	<u>430,520</u>	<u>430,520</u>	<u>430,520</u>	<u>-</u>
Total other financing sources and uses	<u>475,520</u>	<u>475,520</u>	<u>493,518</u>	<u>17,998</u>
<b>NET CHANGE IN FUND BALANCE</b>	307,420	307,420	340,501	33,081
<b>FUND BALANCE, BEGINNING</b>	<u>899,418</u>	<u>899,418</u>	<u>899,418</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 1,206,838</u>	<u>\$ 1,206,838</u>	<u>\$ 1,239,919</u>	<u>\$ 33,081</u>

# STATISTICAL SECTION



**STATISTICAL SECTION  
(Unaudited)**

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

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	98
Revenue Capacity These schedules contain trend information to help the reader assess the City's most significant local revenue sources, the property tax and largest water customers.	108
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	119
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	125
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	127

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

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

	Fiscal Year			
	2006	2007	2008	2009
<b>Governmental activities:</b>				
Net investment in capital assets	\$ 63,207,052	\$ 64,573,383	\$ 74,502,492	\$ 70,395,104
Restricted	9,909,962	11,798,349	10,921,916	10,502,026
Unrestricted	<u>8,009,253</u>	<u>9,624,564</u>	<u>7,002,508</u>	<u>9,709,689</u>
Total governmental activities net position	<u>\$ 81,126,267</u>	<u>\$ 85,996,296</u>	<u>\$ 92,426,916</u>	<u>\$ 90,606,819</u>
<b>Business-type activities:</b>				
Net investment in capital assets	\$ 52,467,582	\$ 53,805,294	\$ 58,364,350	\$ 59,189,455
Restricted	496,892	518,135	9,453,952	9,453,952
Unrestricted	<u>16,596,805</u>	<u>16,403,823</u>	<u>8,190,132</u>	<u>7,658,655</u>
Total business-type activities net position	<u>\$ 69,561,279</u>	<u>\$ 70,727,252</u>	<u>\$ 76,008,434</u>	<u>\$ 76,302,062</u>
<b>Primary government:</b>				
Net investment in capital assets	\$ 115,674,634	\$ 118,378,677	\$ 132,866,842	\$ 129,584,559
Restricted	10,406,854	12,316,484	20,375,868	19,955,978
Unrestricted	<u>24,606,058</u>	<u>26,028,387</u>	<u>15,192,640</u>	<u>17,368,344</u>
Total primary government net position	<u>\$ 150,687,546</u>	<u>\$ 156,723,548</u>	<u>\$ 168,435,350</u>	<u>\$ 166,908,881</u>

TABLE 1

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 71,137,063	\$ 75,942,510	\$ 77,053,091	\$ 81,997,316	\$ 96,268,556	\$ 94,005,152
10,707,393	17,554,282	20,931,028	22,640,243	22,061,750	29,365,446
<u>12,066,456</u>	<u>7,784,575</u>	<u>10,160,534</u>	<u>9,007,099</u>	<u>7,672,607</u>	<u>1,774,887</u>
<u>\$ 93,910,912</u>	<u>\$ 101,281,367</u>	<u>\$ 108,144,653</u>	<u>\$ 113,644,658</u>	<u>\$ 126,002,913</u>	<u>\$ 125,145,485</u>
\$ 58,426,495	\$ 61,139,904	\$ 60,610,385	\$ 60,654,886	\$ 58,172,320	\$ 62,680,465
9,287,306	9,453,952	8,219,575	8,219,575	7,781,518	1,169,197
<u>8,006,813</u>	<u>9,177,880</u>	<u>11,001,160</u>	<u>11,139,589</u>	<u>18,030,492</u>	<u>17,545,138</u>
<u>\$ 75,720,614</u>	<u>\$ 79,771,736</u>	<u>\$ 79,831,120</u>	<u>\$ 80,014,050</u>	<u>\$ 83,984,330</u>	<u>\$ 81,394,800</u>
\$ 129,563,558	\$ 137,082,414	\$ 137,663,476	\$ 142,652,202	\$ 154,440,876	\$ 156,685,617
19,994,699	27,008,234	29,150,603	30,859,818	29,843,268	30,534,643
<u>20,073,269</u>	<u>16,962,455</u>	<u>21,161,694</u>	<u>20,146,688</u>	<u>25,703,099</u>	<u>19,320,025</u>
<u>\$ 169,631,526</u>	<u>\$ 181,053,103</u>	<u>\$ 187,975,773</u>	<u>\$ 193,658,708</u>	<u>\$ 209,987,243</u>	<u>\$ 206,540,285</u>



**CITY OF KELLER, TEXAS**

**CHANGES IN NET POSITION**

**LAST TEN FISCAL YEARS**

*(Accrual Basis)*

	Fiscal Year			
	2006	2007	2008	2009
<b>EXPENSES</b>				
Governmental activities:				
General government	\$ 5,046,206	\$ 5,495,707	\$ 5,630,782	\$ 7,413,655
Public safety	10,627,205	12,162,131	13,969,085	14,740,695
Public works	7,735,718	7,800,979	9,067,983	8,260,487
Community development	1,251,056	1,231,365	1,291,819	1,161,434
Recreation and leisure	8,089,054	8,449,576	8,592,564	9,483,618
Interest and fiscal charges	<u>4,303,912</u>	<u>3,909,308</u>	<u>3,794,400</u>	<u>3,723,887</u>
Total governmental activities expenses	<u>37,053,151</u>	<u>39,049,066</u>	<u>42,346,633</u>	<u>44,783,776</u>
Business-type activities:				
Water and wastewater utilities	14,859,712	14,664,225	15,056,060	15,146,621
Drainage utility	1,641,685	1,819,672	1,839,441	1,869,860
Recreation / Aquatic Center	-	-	-	-
Total business-type activities expenses	<u>16,501,397</u>	<u>16,483,897</u>	<u>16,895,501</u>	<u>17,016,481</u>
 Total primary government program expenses	 <u>\$ 53,554,548</u>	 <u>\$ 55,532,963</u>	 <u>\$ 59,242,134</u>	 <u>\$ 61,800,257</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Charges for services:				
Public works	\$ 1,437,910	\$ 920,400	\$ 42,787	\$ 15,200
Recreation and leisure	2,879,647	3,484,293	3,247,187	3,172,091
Other activities	5,725,963	5,717,426	3,957,986	3,215,505
Operating grants and contributions	241,527	241,636	2,483,052	2,400,191
Capital grants and contributions	<u>2,904,694</u>	<u>2,640,281</u>	<u>6,297,308</u>	<u>497,454</u>
Total governmental activities program revenues	<u>13,189,741</u>	<u>13,004,036</u>	<u>16,028,320</u>	<u>9,300,441</u>
Business-type activities:				
Charges for services:				
Water and wastewater utilities	18,725,239	15,100,194	18,403,123	17,785,742
Drainage utility	819,233	855,817	891,424	929,902
Recreation / Aquatic Center	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	<u>4,555,755</u>	<u>2,579,605</u>	<u>5,351,853</u>	<u>1,332,860</u>
Total business-type activities program revenues	<u>24,100,227</u>	<u>18,535,616</u>	<u>24,646,400</u>	<u>20,048,504</u>
 Total primary government program revenues	 <u>\$ 37,289,968</u>	 <u>\$ 31,539,652</u>	 <u>\$ 40,674,720</u>	 <u>\$ 29,348,945</u>

TABLE 2

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 7,389,603	\$ 7,618,197	7,470,050	\$ 7,973,740	\$ 7,011,362	\$ 9,224,860
14,258,649	17,358,623	18,753,263	19,415,960	16,756,956	20,941,821
7,189,802	2,560,006	2,823,250	2,981,588	2,490,468	3,138,376
1,100,186	1,183,353	1,283,179	1,425,851	1,357,417	1,870,887
7,546,936	4,866,264	5,125,705	5,345,157	4,938,515	5,855,468
3,790,680	3,632,289	3,213,594	3,277,731	2,882,936	2,542,830
<u>41,275,856</u>	<u>37,218,732</u>	<u>38,669,042</u>	<u>40,420,027</u>	<u>35,437,654</u>	<u>43,574,242</u>
15,214,564	17,807,093	16,757,059	17,055,816	18,496,707	20,294,433
1,972,553	1,987,027	2,054,396	2,004,342	2,040,218	2,172,976
-	2,854,913	2,892,151	3,080,094	2,669,471	2,600,639
<u>17,187,117</u>	<u>22,649,033</u>	<u>21,703,606</u>	<u>22,140,252</u>	<u>23,206,396</u>	<u>25,068,048</u>
<u>\$ 58,462,973</u>	<u>\$ 59,867,765</u>	<u>\$ 60,372,648</u>	<u>\$ 62,560,279</u>	<u>\$ 58,644,050</u>	<u>\$ 68,642,290</u>
\$ 11,354	\$ 35,207	\$ 39,828	\$ 56,267	\$ 79,719	\$ 82,024
3,166,420	329,768	283,440	628,121	915,060	544,882
3,622,406	3,442,865	3,501,127	4,004,921	4,891,778	4,334,299
2,358,986	5,300,350	2,301,766	2,751,993	3,590,362	3,373,672
445,168	630,960	3,969,333	1,117,756	251,533	285,924
<u>9,604,334</u>	<u>9,739,150</u>	<u>10,095,494</u>	<u>8,559,058</u>	<u>9,728,452</u>	<u>8,620,801</u>
17,301,977	21,461,471	20,316,352	20,518,382	21,546,501	21,483,165
1,507,699	1,484,183	1,505,930	1,540,590	1,569,419	1,610,683
-	3,002,013	3,026,909	3,087,021	3,029,667	2,982,350
-	-	-	-	-	-
<u>1,517,538</u>	<u>3,902,205</u>	<u>294,957</u>	<u>1,010,366</u>	<u>4,977,753</u>	<u>1,243,665</u>
<u>20,327,214</u>	<u>29,849,872</u>	<u>25,144,148</u>	<u>26,156,359</u>	<u>31,123,340</u>	<u>27,319,863</u>
<u>\$ 29,931,548</u>	<u>\$ 39,589,022</u>	<u>\$ 35,239,642</u>	<u>\$ 34,715,417</u>	<u>\$ 40,851,792</u>	<u>\$ 35,940,664</u>

**CITY OF KELLER, TEXAS**

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

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	\$( 23,863,410)	\$( 26,045,030)	\$( 26,318,313)	\$( 35,483,335)
Business-type activities	<u>7,598,830</u>	<u>2,051,719</u>	<u>7,750,899</u>	<u>3,032,023</u>
Total primary government net expense	<u><u>\$( 16,264,580)</u></u>	<u><u>\$( 23,993,311)</u></u>	<u><u>\$( 18,567,414)</u></u>	<u><u>\$( 32,451,312)</u></u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental activities:				
Taxes				
Property	14,459,067	16,079,035	17,325,312	19,156,565
Sales	7,534,423	8,294,981	8,654,735	8,045,471
Franchise	3,089,399	3,182,681	2,579,383	2,520,961
Mixed beverage	49,460	53,482	52,475	55,350
Investment earnings	930,146	1,253,401	859,258	565,181
Miscellaneous	4,660	16,680	65,260	128,425
Gain (loss) on sale of capital assets	-	( 155,856)	26,973	-
Litigation settlement	-	298,249	-	-
Transfers	<u>2,192,110</u>	<u>1,892,406</u>	<u>3,185,538</u>	<u>3,191,285</u>
Total governmental activities	<u>28,259,265</u>	<u>30,915,059</u>	<u>32,748,934</u>	<u>33,663,238</u>
Business-type activities:				
Investment earnings	715,250	947,920	611,410	395,290
Miscellaneous revenue (expense)	2,599	66,392	37,408	40,255
Gain (loss) on sale of capital assets	-	( 7,652)	67,003	17,345
Transfers	<u>( 2,192,110)</u>	<u>( 1,892,406)</u>	<u>( 3,185,538)</u>	<u>( 3,191,285)</u>
Total business-type activities	<u>( 1,474,261)</u>	<u>( 885,746)</u>	<u>( 2,469,717)</u>	<u>( 2,738,395)</u>
Total primary government	<u>26,785,004</u>	<u>30,029,313</u>	<u>30,279,217</u>	<u>30,924,843</u>
<b>CHANGE IN NET POSITION</b>				
Governmental activities	4,395,855	4,870,029	6,430,621	( 1,820,097)
Business-type activities	<u>6,124,569</u>	<u>1,165,973</u>	<u>5,281,182</u>	<u>293,628</u>
Total primary government	<u><u>\$ 10,520,424</u></u>	<u><u>\$ 6,036,002</u></u>	<u><u>\$ 11,711,803</u></u>	<u><u>\$( 1,526,469)</u></u>

**TABLE 2  
(continued)**

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$( 31,671,522)	\$( 27,479,582)	\$( 28,573,548)	\$( 31,860,969)	\$( 25,709,202)	\$( 34,953,441)
<u>3,140,097</u>	<u>7,200,839</u>	<u>3,440,542</u>	<u>4,016,107</u>	<u>7,916,944</u>	<u>2,251,815</u>
<u>\$( 28,531,425)</u>	<u>\$( 20,278,743)</u>	<u>\$( 25,133,006)</u>	<u>\$( 27,844,862)</u>	<u>\$( 17,792,258)</u>	<u>\$( 32,701,626)</u>
20,250,125	19,794,916	20,036,667	20,691,721	21,526,556	22,777,252
7,939,671	8,087,781	8,615,790	9,184,887	9,817,716	10,660,047
2,788,527	2,988,616	2,830,981	2,850,968	3,157,388	3,421,518
60,935	64,242	61,567	92,029	128,832	192,912
232,082	280,809	192,931	153,767	180,677	861,938
292,685	295,808	270,763	295,807	240,932	164,711
-	-	18,508	104,855	98,274	15,891
-	-	-	-	-	-
<u>3,411,590</u>	<u>3,652,445</u>	<u>3,549,470</u>	<u>3,986,940</u>	<u>3,826,555</u>	<u>3,342,990</u>
<u>34,975,615</u>	<u>35,164,617</u>	<u>35,576,677</u>	<u>37,360,974</u>	<u>38,976,930</u>	<u>41,437,259</u>
92,367	137,567	122,036	102,252	121,260	80,990
30,943	59,619	46,276	51,511	42,688	54,614
( 433,265)	-	-	-	-	-
( 3,411,590)	( 3,661,483)	( 3,549,470)	( 3,986,940)	( 3,826,555)	( 3,342,990)
( 3,721,545)	( 3,464,297)	( 3,381,158)	( 3,833,177)	( 3,662,607)	( 3,207,386)
<u>31,254,070</u>	<u>31,700,320</u>	<u>32,195,519</u>	<u>33,527,797</u>	<u>35,314,323</u>	<u>38,229,873</u>
3,304,093	7,685,035	7,003,129	5,500,005	13,267,728	6,483,818
( 581,448)	3,736,542	59,384	182,930	4,254,337	( 955,571)
<u>\$ 2,722,645</u>	<u>\$ 11,421,577</u>	<u>\$ 7,062,513</u>	<u>\$ 5,682,935</u>	<u>\$ 17,522,065</u>	<u>\$ 5,528,247</u>

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## CITY OF KELLER, TEXAS

FUND BALANCES OF  
GOVERNMENTAL FUNDSLAST TEN FISCAL YEARS  
(Accrual Basis)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund										
Reserved	\$ 366,151	\$ 477,043	\$ 505,169	\$ 713,187	\$ 852,300	\$ -	\$ -	\$ -	\$ -	\$ -
Non-spendable	-	-	-	-	-	437,749	70,120	72,597	108,298	127,462
Assigned	-	-	-	-	-	655,573	941,993	5,646,441	6,849,905	10,081,509
Unreserved	6,710,715	6,620,147	7,779,047	8,356,777	9,951,738	-	-	-	-	-
Unassigned	-	-	-	-	-	11,596,853	11,375,745	9,362,608	9,380,730	9,923,578
Total general fund	<u>\$ 7,076,866</u>	<u>\$ 7,097,190</u>	<u>\$ 8,284,216</u>	<u>\$ 9,069,964</u>	<u>\$ 10,804,038</u>	<u>\$ 12,690,175</u>	<u>\$ 12,387,858</u>	<u>\$ 15,081,646</u>	<u>\$ 16,338,933</u>	<u>\$ 20,132,549</u>
All other governmental funds										
Reserved:										
Debt service	\$ 1,064,520	\$ 869,096	\$ 1,020,122	\$ 752,552	\$ 626,785	\$ -	\$ -	\$ -	\$ -	\$ -
Other	4,003,778	6,278,438	9,350,456	10,279,593	7,004,255	-	-	-	-	-
Unreserved, reported in:										
Special revenue	1,835,923	1,928,273	3,019,066	8,529,094	12,737,304	-	-	-	-	-
Capital projects	4,541,543	4,328,474	( 2,501,535)	( 3,001,569)	584,935	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	1,056,122	2,007,357	2,660,466
Non-spendable	-	-	-	-	-	1,251	1,771	125	-	-
Restricted:										
Debt service	-	-	-	-	-	564,353	545,493	690,229	931,773	1,382,935
Capital projects	-	-	-	-	-	12,410,163	9,985,464	11,114,335	12,480,371	15,784,265
Other	-	-	-	-	-	4,579,766	11,083,156	6,296,968	3,274,935	3,671,650
Unassigned	-	-	-	-	-	-	-	-	( 156,535)	-
Total all other governmental funds	<u>\$ 11,445,764</u>	<u>\$ 13,404,281</u>	<u>\$ 10,888,109</u>	<u>\$ 16,559,670</u>	<u>\$ 20,953,279</u>	<u>\$ 17,555,533</u>	<u>\$ 21,615,884</u>	<u>\$ 19,157,779</u>	<u>\$ 18,537,901</u>	<u>\$ 23,499,316</u>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>REVENUES</b>										
Taxes	\$ 25,280,908	\$ 27,436,311	\$ 28,984,792	\$ 29,764,912	\$ 30,875,274	\$ 30,917,467	\$ 31,604,211	\$ 32,846,813	\$ 34,626,731	\$ 37,018,059
Licenses, fees and permits	2,687,921	1,981,637	1,753,197	1,119,177	1,492,765	1,271,576	1,313,373	2,214,199	2,300,895	2,079,019
Intergovernmental	885,493	1,584,392	2,433,675	2,220,113	2,243,917	5,521,904	5,752,557	2,915,931	3,611,678	3,101,589
Charges for services	3,298,315	3,642,795	4,009,487	4,068,661	4,225,420	1,473,354	1,429,532	1,409,324	1,498,686	1,565,049
Fines	1,174,530	1,177,651	1,059,808	996,203	946,204	883,816	923,809	901,147	1,326,291	1,143,499
Special assessments and impact fees	1,220,663	865,963	794,323	533,903	530,996	406,801	576,455	906,533	885,077	576,321
Donations	151,921	497,102	295,879	179,443	116,425	65,986	75,915	102,617	96,580	108,456
Interest income	930,146	1,253,401	859,258	565,181	232,082	280,479	192,931	153,767	180,496	861,762
Miscellaneous	556,088	902,062	368,711	411,048	345,339	350,563	325,397	350,608	295,074	224,802
Total revenues	<u>36,185,985</u>	<u>39,341,314</u>	<u>40,559,130</u>	<u>39,858,641</u>	<u>41,008,422</u>	<u>41,171,946</u>	<u>42,194,180</u>	<u>41,800,939</u>	<u>44,821,508</u>	<u>46,678,556</u>
<b>EXPENDITURES</b>										
Current:										
General government	4,174,610	5,097,346	4,865,176	5,664,989	5,912,363	6,029,397	5,770,520	6,077,590	6,269,082	6,753,694
Public safety	9,630,205	11,111,382	12,888,788	13,464,699	13,245,554	14,183,759	14,486,660	14,628,765	14,968,628	15,281,088
Public works	1,915,734	1,944,150	2,147,931	2,078,623	2,167,078	2,091,785	2,180,925	2,272,568	2,224,682	2,289,850
Community development	1,216,936	1,208,865	1,265,371	1,148,647	1,082,844	966,920	991,240	1,086,784	1,212,552	1,365,628
Recreation and leisure	6,245,698	6,512,392	6,648,619	6,901,084	6,594,491	3,976,232	3,959,543	4,074,082	4,411,469	4,272,027
Capital outlay	4,041,731	2,866,487	7,809,160	9,769,903	5,649,594	8,784,499	11,072,371	8,219,386	9,000,163	4,791,333
Debt service:										
Principal	4,044,830	6,681,820	3,594,567	3,418,491	6,597,743	6,555,603	6,876,829	6,730,769	7,156,404	7,583,160
Interest	5,938,927	3,832,434	5,677,177	6,481,007	3,648,886	3,486,895	2,925,696	3,200,476	2,871,535	2,340,333
Bond issue costs	30,638	-	-	-	428,737	-	331,775	-	-	-
Advance refunding escrow	-	-	-	-	108,360	-	14,549,637	-	-	-
Total expenditures	<u>37,239,309</u>	<u>39,254,876</u>	<u>44,896,789</u>	<u>48,927,443</u>	<u>45,435,650</u>	<u>46,075,090</u>	<u>63,145,196</u>	<u>46,290,420</u>	<u>48,114,515</u>	<u>44,677,113</u>

TABLE 4  
(continued)

CITY OF KELLER, TEXAS

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ ( 1,053,324)	\$ 86,438	\$ ( 4,337,659)	\$ ( 9,068,802)	\$ ( 4,427,228)	\$ ( 4,903,144)	\$ ( 20,951,016)	\$ ( 4,489,481)	\$ ( 3,293,007)	\$ 2,001,443
<b>OTHER FINANCING SOURCES (USES)</b>										
Sale of capital assets	-	-	26,973	24,826	44,599	53,670	80,100	110,724	103,861	97,503
Transfers in	4,230,611	4,773,096	5,681,956	5,131,231	5,462,515	5,094,970	4,620,375	4,924,073	5,200,474	4,546,770
Transfers out	( 2,038,501)	( 2,880,690)	( 2,510,416)	( 1,939,946)	( 2,054,120)	( 1,442,525)	( 1,070,905)	( 910,633)	( 1,373,919)	( 1,203,780)
Bonds issued	1,160,000	-	-	12,310,000	20,629,997	-	19,450,000	601,000	-	19,580,000
Bond premium	-	-	-	-	842,858	-	1,769,323	-	-	294,213
Payments to refunded bond escrow agent	( 937,743)	-	-	-	( 14,370,938)	-	-	-	-	( 16,561,118)
Total other financing sources (uses)	2,414,367	1,892,406	3,198,513	15,526,111	10,554,911	3,706,115	24,848,893	4,725,164	3,930,416	6,753,588
<b>NET CHANGE IN FUND BALANCES</b>	\$ 1,361,043	\$ 1,978,844	\$ ( 1,139,146)	\$ 6,457,309	\$ 6,127,683	\$ ( 1,197,029)	\$ 3,897,877	\$ 235,683	\$ 637,409	\$ 8,755,031
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	29.9%	35.0%	34.4%	23.7%	25.8%	29.2%	19.1%	26.3%	29.9%	24.1%



TABLE 5

## CITY OF KELLER, TEXAS

## TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

Fiscal Year	Property Tax	Sales and Use Tax	Franchise Tax	Mixed Beverage Tax	Total
2006	\$ 14,607,625	\$ 7,534,422	\$ 2,312,400	\$ 49,461	\$ 24,503,908
2007	16,079,035	8,294,981	2,280,832	53,482	26,708,330
2008	17,698,199	8,654,735	2,579,383	52,475	28,984,792
2009	19,143,130	8,045,471	2,520,961	55,350	29,764,912
2010	20,086,141	7,939,671	2,788,527	60,935	30,875,274
2011	19,543,407	8,087,781	2,988,616	64,242	30,684,046
2012	19,631,878	8,670,174	2,695,881	61,567	31,059,500
2013	19,625,642	9,184,887	2,842,453	92,029	31,745,011
2014	21,522,795	9,817,716	3,157,388	128,832	34,626,731
2015	22,743,582	10,660,047	3,421,518	192,912	37,018,059

TABLE 6

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

Fiscal Year	Residential Property	Commercial and Industrial Property	Undeveloped Vacant Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Total Assessed Value as a Percentage of Actual Value
2006	\$ 2,503,947,102	\$ 472,408,098	\$ 211,613,983	\$ 557,827,224	\$ 2,630,141,959	\$ 0.44413	\$ 2,894,770,545	100%
2007	2,725,521,606	556,935,766	216,651,329	289,881,845	3,209,226,856	0.43219	3,209,226,856	100%
2008	3,064,761,852	622,932,772	173,975,819	315,523,601	3,546,146,842	0.43219	3,546,432,507	100%
2009	3,334,115,025	707,454,500	143,420,000	317,110,873	3,867,878,652	0.43219	3,867,878,652	100%
2010	3,545,294,700	656,087,602	146,651,300	334,742,514	4,013,291,088	0.44219	4,013,291,088	100%
2011	3,530,301,647	647,067,001	137,210,172	349,431,177	3,965,147,643	0.44219	3,965,147,643	100%
2012	3,619,741,614	651,316,929	134,835,788	391,880,182	4,014,014,149	0.44219	4,014,014,149	100%
2013	3,686,628,494	693,422,671	132,152,843	401,546,015	4,110,657,993	0.44219	4,110,657,933	100%
2014	3,828,837,003	715,121,502	129,772,860	409,246,091	4,264,485,274	0.44219	4,264,485,274	100%
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%

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

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

Source: Tarrant Appraisal District

## CITY OF KELLER, TEXAS

## PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

## LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates			Overlapping Rates						Total Direct and Overlapping Rates
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Carroll Independent School District	Keller Independent School District	Northwest Independent School District	Tarrant County	Tarrant County College District	Tarrant County Hospital District	
2006	\$ 0.30570	\$ 0.13843	\$ 0.44413	\$ -	\$ 1.71580	N/A	\$ 0.2725	\$ 0.2725	\$ 0.235397	\$ 2.940327
2007	0.30447	0.12772	0.43219	-	1.60800	N/A	0.2715	0.2715	0.235397	2.818587
2008	0.31247	0.11972	0.43219	-	1.35740	N/A	0.2665	0.2665	0.235397	2.425867
2009	0.31175	0.12044	0.43219	-	1.41690	1.35500	0.2640	0.2640	0.227897	2.451004
2010	0.31009	0.13210	0.44219	1.415	1.48630	1.35500	0.2640	0.2640	0.227897	2.490524
2011	0.29278	0.14941	0.44219	1.415	1.53060	1.37500	0.2640	0.2640	0.227897	2.511927
2012	0.32552	0.12864	0.45416	1.415	1.54000	1.37500	0.2640	0.2640	0.227897	2.526390
2013	0.32552	0.11667	0.44219	1.400	1.54000	1.45250	0.2640	0.2640	0.227897	2.547754
2014	0.32646	0.11573	0.44219	1.400	1.54000	1.45250	0.2640	0.2640	0.227897	2.547754
2015	0.31676	0.12043	0.43719	1.400	1.54000	1.45250	0.2640	0.1495	0.227897	2.542754

Notes: 1 Rates are per \$100 valuation.

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

Source: Tarrant County Appraisal District

TABLE 8

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

Taxpayer	2015			Taxpayer	2006	
	Market Value (000's)	Percentage of Total City Market Value	Rank		Market Value (000's)	Percentage of Total City Market Value
SC Dominion SPE LLC	\$ 34,800	18.69%	1	Pr Town Center LP/ Pr Keller	\$ 21,291	17.76%
Amstar/ Southern Art House LP	25,300	13.59%	2	Regency Centers LP	15,642	13.05%
SC Stone Glen LP	23,000	12.35%	3	Lowe's Home Centers Inc	14,791	12.34%
Grand Peaks Estates at Keller LP	18,150	9.75%	4	Pr Keller Partners LP	13,150	10.97%
Conservatory Senior Living	17,935	9.63%	5	Home Depot USA Inc	11,736	9.79%
Regency Centers LP	16,330	8.77%	6	TXU Electric Delivery Co	10,380	8.66%
T Keller Crossing TX LLC	14,079	7.56%	7	Margaux Keller Dev LTD	10,057	8.39%
Oncor Electric Delivery Company LL	13,298	7.14%	8	GTE Southwest Inc	8,270	6.90%
GTE Southwest Inc	11,942	6.41%	9	Kohl's Texas LP	7,461	6.23%
Lowes Home Centers Inc	<u>11,400</u>	<u>6.12%</u>	10	Wal-Mart Real Estate Business	<u>7,073</u>	<u>5.90%</u>
Total	<u>\$ 186,234</u>	<u>100.00%</u>		Total	<u>\$ 119,851</u>	<u>100.00%</u>

Source: Tarrant County Appraisal District

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TABLE 9

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

Fiscal Year Ended	Taxes Levied for the Fiscal Year <sup>1</sup>	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 12,905,665	\$ 12,744,905	98.75%	\$ 155,600	\$ 12,900,505	99.96%
2007	13,839,577	13,707,407	99.04%	128,091	13,835,498	99.97%
2008	15,271,712	15,142,043	99.15%	122,020	15,264,063	99.95%
2009	16,624,386	16,462,169	99.02%	149,245	16,611,414	99.92%
2010	17,597,422	17,424,740	99.02%	156,512	17,581,252	99.91%
2011	17,370,019	17,212,260	99.09%	132,282	17,344,542	99.85%
2012	17,645,180	17,538,272	99.39%	78,756	17,617,028	99.84%
2013	18,026,485	17,946,631	99.56%	45,316	17,991,947	99.81%
2014	18,671,558	18,595,909	99.57%	35,275	18,631,184	99.57%
2015	19,605,135	19,504,832	99.49%	-	19,504,832	99.49%

Note: <sup>1</sup>Adjusted through September 30, 2015

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

	Fiscal Year			
	2006	2007	2008	2009
Construction	\$ 5,248,032	\$ 7,013,295	\$ 7,549,622	\$ 7,653,377
Transportation, communications	696,935	13,270,529	10,542,719	-
Utilities	20,503,791	26,447,297	30,128,038	-
Manufacturing	7,935,347	8,904,880	295,450	2,940,779
Wholesale trade	12,306,490	7,213,880	7,891,276	5,890,013
Retail trade	87,195,184	95,563,198	108,725,426	159,769,554
Information	29,277,212	17,947,316	38,930,359	1,309,930
Finance and insurance	566,094	1,021,182	4,141,296	1,344,111
Real estate, rental and leasing	1,421,852	1,408,433	11,665,675	6,712,679
Professional, scientific and technical services	5,053,089	17,275,861	4,667,602	4,095,448
Administrative and support services	15,605,492	6,569,325	12,374,811	6,347,933
Educational services	36,003	37,249	307,699	78,540
Arts, entertainment and recreation	3,365,641	3,539,286	3,681,219	8,810,317
Accommodation and food services	26,001,060	21,821,352	41,325,976	47,316,633
Other Services except PA <sup>1</sup>	4,618,231	5,296,379	7,756,203	9,806,464
Other	<u>85,632,350</u>	<u>105,762,350</u>	<u>53,868,594</u>	<u>1,406,225</u>
<b>Total</b>	<b><u>\$ 305,462,803</u></b>	<b><u>\$ 339,091,812</u></b>	<b><u>\$ 343,851,965</u></b>	<b><u>\$ 263,482,003</u></b>
Direct sales tax rate	2.000%	2.000%	2.000%	2.000%

Notes:

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

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

TABLE 10

Fiscal Year						
2010	2011	2012	2013	2014	2015	
\$ 5,644,566	\$ 7,487,590	\$ 5,690,397	\$ 8,628,139	\$ 7,891,854	\$ 8,227,863	
123,993	6,981,819	11,695,882	12,048,822	12,219,719	-	
39,979,714	38,586,553	523,381	34,432,043	32,061,719	34,119,759	
6,419,863	320,998	523,381	337,657	273,857	175,751	
8,956,140	7,824,042	7,861,903	9,018,601	9,763,717	11,905,554	
100,766,160	108,724,134	116,508,313	124,257,630	129,472,431	71,784,004	
53,397,031	40,204,903	41,788,728	44,491,839	42,655,529	56,500,069	
1,361,454	3,418,573	4,544,921	4,732,909	4,114,482	842,937	
4,594,903	9,610,727	12,667,771	13,332,200	12,632,715	15,573,215	
4,017,325	4,585,668	5,642,146	5,334,402	5,987,358	8,375,138	
9,821,471	11,397,517	11,689,606	14,142,641	14,024,258	12,613,163	
466,628	437,575	269,071	351,655	406,363	391,465	
3,915,255	4,379,237	4,522,275	4,207,107	3,086,830	4,623,197	
40,617,242	38,757,393	42,932,278	47,229,686	49,744,779	55,162,234	
10,843,370	6,876,945	8,273,649	8,864,231	9,012,614	8,425,228	
<u>108,891,431</u>	<u>53,445,162</u>	<u>56,115,562</u>	<u>61,564,107</u>	<u>73,637,665</u>	<u>194,592,471</u>	
<u>\$ 399,816,546</u>	<u>\$ 343,038,836</u>	<u>\$ 331,249,264</u>	<u>\$ 392,973,669</u>	<u>\$ 406,985,891</u>	<u>\$ 483,312,048</u>	
2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	



TABLE 11

## CITY OF KELLER, TEXAS

## DIRECT AND OVERLAPPING SALES TAX RATES

LAST TEN FISCAL YEARS  
(UNAUDITED)

Fiscal Year	State of Texas	Keller Direct Rate	Keller Development Corporation (1)	Keller Crime Control District (2)	Keller Street Maintenance (3)	Totals
2006	6.250%	1.000%	0.500%	0.375%	0.125%	8.250%
2007	6.250%	1.000%	0.500%	0.375%	0.125%	8.250%
2008	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2009	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2010	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2011	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2012	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2013	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2014	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2015	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%

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

TABLE 12

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

Taxpayer	2015				2006			
	Number of Payers	Percent of Total	Tax (1)	Percent of Total	Number of Payers	Percent of Total	Tax (2)	Percent of Total
Construction	1,958	6.36%	\$ 143,988	1.73%	305	6.49%	\$ 104,961	1.68%
Transportation, communications and warehousing	-	- %	-	- %	n/a	- %	-	- %
Utilities, mining	583	1.89%	597,096	7.18%	20	0.43%	421,873	6.77%
Manufacturing	271	0.88%	3,076	0.04%	241	5.13%	158,707	2.55%
Wholesale trade	4,450	14.46%	208,347	2.51%	527	11.22%	246,130	3.95%
Retail trade	3,188	10.36%	1,256,220	15.11%	1,430	30.44%	1,743,904	27.98%
Information	3,221	10.46%	988,751	11.89%	394	8.39%	585,544	9.39%
Finance and insurance	403	1.31%	14,751	.18%	45	.96%	11,322	.18%
Real estate, rental and leasing	776	2.52%	272,531	3.28%	73	1.55%	28,437	0.46%
Professional, scientific and technical services	1,744	5.67%	146,565	1.76%	266	5.66%	101,062	1.62%
Administrative and support services	2,301	7.48%	220,730	2.65%	393	8.37%	312,110	5.01%
Educational services	356	1.16%	6,851	0.08%	18	0.38%	720	0.01%
Arts, entertainment and recreation	154	.50%	80,906	0.97%	15	0.32%	67,313	1.08%
Accommodation and food services	896	2.91%	965,339	11.61%	56	1.19%	520,021	8.34%
Other services except PA <sup>(3)</sup>	1,263	4.10%	147,441	1.77%	119	2.53%	92,365	1.48%
Other	9,216	29.94%	3,263,167	39.24%	796	16.94%	1,839,243	29.50%
<b>Total</b>	<b>30,780</b>	<b>100.00%</b>	<b>\$ 8,315,759</b>	<b>100.00%</b>	<b>4,698</b>	<b>100.00%</b>	<b>\$ 6,233,712</b>	<b>100.00%</b>

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

- (1) Direct Sales Tax Rate 1%, Keller Development Corporation .5%, Street Maintenance .25%, Crime Control District .25%  
(2) Direct Sales Tax Rate 1%, Keller Development Corporation .5%  
(3) PA - Public Administration per naics.com.

**CITY OF KELLER, TEXAS**  
**TEN LARGEST WATER CUSTOMERS BY CONSUMPTION (USAGE)**  
**AS OF SEPTEMBER 30, 2015**

2015				2006			
Customer	Total 2015 Consumption (000's)	Sales	Pct of Total Usage	Customer	Total 2006 Consumption (000's)	Sales	Pct of Total Usage
City of Keller	55,424.5	\$ 182,322	2.07%	City of Keller	100,137.5	\$ 236,359	2.86%
Keller Independent School District	38,078.1	235,681	1.42%	Keller Independent School District	87,937.0	439,023	2.51%
Hidden Lakes Home Owner Ass'n	14,693.8	85,152	0.55%	Hidden Lakes Home Owner Ass'n	31,745.8	158,163	0.91%
Keller Senior Community, LP	8,731.2	50,285	0.33%	Capri W. Lakes, LLC	28,126.8	140,784	0.80%
Grand Estates at Keller, LP	8,458.0	50,076	0.32%	XTO Energy	10,307.8	53,110	0.29%
Conservatory Senior Housing	7,861.6	45,387	0.29%	Plant Shed, Inc.	9,062.8	43,964	0.26%
SC Town Center LP	7,478.0	44,469	0.28%	Keller Oaks Healthcare Center	7,254.5	34,778	0.21%
SC Stone Glen, LP	6,839.5	43,618	0.25%	Mimosa Manor	7,141.4	36,387	0.20%
St Elizabeth Ann Seton	6,513.4	37,058	0.24%	Flanigan Hill Home Owner Ass'n	5,826.8	28,762	0.17%
Keller Oaks Healthcare Center	<u>5,992.8</u>	<u>33,862</u>	<u>0.22%</u>	Home Depot	<u>5,759.7</u>	<u>27,441</u>	<u>0.16%</u>
Subtotal	160,070.9	807,910	5.97%	Subtotal	293,300.1	1,198,771	8.37%
Other customers	<u>2,523,292.1</u>	<u>12,740,393</u>	<u>94.03%</u>	Other customers	<u>3,209,014.9</u>	<u>8,532,439</u>	91.63%
TOTAL	<u>2,683,363.0</u>	<u>\$ 13,548,303</u>	<u>100.00%</u>	TOTAL	<u>3,502,315.0</u>	<u>\$ 9,731,210</u>	<u>100.00%</u>

Source: Information provided by City staff

TABLE 14

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

Fiscal Year	Governmental Activities				Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	KDC Revenue Bonds	Premiums / Discounts	General Obligation Bonds	Certificates of Obligation	Revenue Bonds	TRA - Other	Premiums / Discounts			
2006	\$ 21,226,401	\$ 69,425,000	\$ 890,000	\$ -	\$ 9,768,600	\$ 15,515,000	\$ -	\$ 1,621,409	\$ -	\$ 118,446,410	28.13%	\$ 11,252
2007	19,577,414	64,590,000	775,000	-	8,728,625	14,850,000	-	1,216,439	-	109,737,478	6.97%	2,926
2008	17,883,020	61,460,000	660,000	-	7,761,982	14,130,000	-	772,337	-	102,667,339	6.32%	2,687
2009	20,048,603	64,755,000	535,000	-	6,981,398	13,370,000	-	303,537	-	105,993,538	6.52%	2,695
2010	24,105,000	61,179,997	405,000	-	5,995,000	14,385,000	-	501,420	-	106,571,417	6.83%	2,698
2011	21,945,000	56,923,550	275,000	-	5,585,000	21,040,000	-	521,228	-	106,289,778	6.16%	2,669
2012	24,580,000	53,730,020	140,000	-	10,560,000	11,765,000	-	139,037	-	100,914,057	5.32%	2,460
2013	22,415,000	50,002,894	-	2,384,865	9,700,000	11,042,000	-	241,691	885,923	96,672,373	5.29%	2,355
2014	19,970,000	45,353,000	-	2,144,397	9,145,000	9,959,000	-	-	794,714	87,366,111	4.72%	2,037
2015	17,231,728	43,893,112	-	1,965,055	10,759,160	6,765,000	-	-	962,073	81,576,128	4.19%	1,902

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

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

Fiscal Year	General Bonded Debt Outstanding				Total	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Debt Service Fund	Certificates of Obligation	Debt Service			
2006	\$ 30,995,001	\$ 1,085,740	\$ 84,940,000	\$ 724,770	\$ 117,745,511	4.07%	\$ 3,225
2007	28,360,001	1,217,054	80,215,000	560,249	110,352,304	3.44%	2,927
2008	25,645,002	759,971	75,590,000	555,897	102,550,870	2.89%	2,670
2009	27,030,001	753,065	78,125,000	247,354	106,155,420	2.74%	2,691
2010	30,100,000	1,109,121	75,564,997	216,019	106,990,137	2.67%	2,700
2011	27,530,000	841,552	77,963,550	84,735	106,419,837	2.68%	2,666
2012	35,140,000	576,537	65,495,000	76,817	101,288,354	2.52%	2,505
2013	32,115,000	526,302	61,044,894	108,913	93,795,109	2.28%	2,283
2014	29,115,000	525,621	55,312,000	159,461	85,112,082	2.00%	2,025
2015	27,990,888	517,240	50,658,112	414,534	79,580,774	1.75%	1,855

Amounts should be net of related premiums/discounts

TABLE 16

**CITY OF KELLER, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF SEPTEMBER 30, 2015**

Government Unit	Debt Outstanding	Estimated Percentage Applicable <sup>(1)</sup>	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
Carroll Independent School District	\$ 216,607,746	0.18%	\$ 389,894
Keller Independent School District	771,277,959	33.55%	258,746,980
Northwest Independent School District	765,546,815	0.13%	995,211
Tarrant County General Obligation Debt	361,420,000	3.30%	11,926,860
Tarrant County College District	-	3.30%	-
Tarrant County Hospital District	23,440,000	3.30%	<u>773,520</u>
Subtotal, overlapping debt			272,832,465
City of Keller direct debt <sup>(2)</sup>		100.00%	<u>61,124,840</u>
Total direct and overlapping debt			<u>\$ 333,957,305</u>

Source: [www.mactexas.com](http://www.mactexas.com)

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

<sup>(2)</sup> Includes both tax-supported self-supported debt of the Keller Development Corporation, Keller Crime Control and Prevention District and the Tax Increment Reinvestment Zone No. 1

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

	Fiscal Year			
	2006	2007	2008	2009
Debt limit	\$ 2.50000	\$ 2.50000	\$ 2.50000	\$ 2.50000
Adopted tax rate	<u>0.44413</u>	<u>0.43219</u>	<u>0.43219</u>	<u>0.43219</u>
Additional rate available	<u>2.05587</u>	<u>2.06781</u>	<u>2.06781</u>	<u>2.06781</u>
Legal debt margin	<u>\$ 57,579,511</u>	<u>\$ 66,156,570</u>	<u>\$ 72,891,093</u>	<u>\$ 77,696,131</u>
Total net debt applicable to the limit as a percentage of debt limit	17.77%	17.29%	17.29%	17.29%

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

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

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

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

TABLE 17

		Fiscal Year									
		2010	2011	2012	2013	2014	2015				
\$	2.50000	\$	2.50000	\$	2.50000	\$	2.50000	\$	2.50000	\$	2.50000
	<u>0.44219</u>		<u>0.44219</u>		<u>0.44219</u>		<u>0.44219</u>		<u>0.44219</u>		<u>0.43719</u>
	<u>2.05781</u>		<u>2.05781</u>		<u>2.05781</u>		<u>2.05781</u>		<u>2.05781</u>		<u>2.06281</u>
\$	<u>77,320,390</u>	\$	<u>81,114,904</u>	\$	<u>82,600,785</u>	\$	<u>84,589,531</u>	\$	<u>84,589,531</u>	\$	<u>93,614,599</u>
	17.69%		17.69%		17.69%		17.69%		17.69%		17.49%

Legal Debt Margin Calculation for the Current Fiscal Year:

Maximum allowable tax rate	\$	2.50000
Adopted tax rate		<u>0.43719</u>
Additional rate available		<u>2.06281</u>
Total taxable value		4,538,207,540
Additional tax levy available (debt margin)		93,614,599
Less: amount set aside for repayment of general obligation debt		<u>1,374,771</u>
Legal debt margin	\$	<u>92,239,828</u>



TABLE 18

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

Fiscal Year	Water Revenue Bonds					Times Coverage
	Utility Services Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements		
				Principal	Interest	
2006	\$ 18,725,239	\$ 11,509,760	\$ 7,215,479	\$ -	\$ -	N/A
2007	15,071,034	10,878,806	4,192,228	-	-	N/A
2008	18,440,505	11,072,183	7,368,322	-	-	N/A
2009	17,825,997	11,263,357	6,562,640	-	-	N/A
2010	17,332,920	11,393,852	5,939,068	-	-	N/A
2011	21,507,180	13,675,260	7,831,920	-	-	N/A
2012	19,856,182	15,515,102	4,341,080	-	-	N/A
2013	20,017,810	12,010,745	8,007,065	-	-	N/A
2014	21,578,141	17,816,373	3,761,768	-	-	N/A
2015	21,521,901	19,788,960	1,732,941	-	-	N/A

TABLE 19

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

Calendar Year	Population <sup>1</sup>	Personal Income	Per Capita Personal Income	Median Age	School Enrollment (KISD) <sup>2</sup>	National Unemployment Rate <sup>4</sup>
2006	36,508	\$ 1,460,320,000	\$ 40,000 <sup>7</sup>	35.0	25,873	4.4%
2007	37,700	1,583,400,000	42,000 <sup>7</sup>	35.0	27,905	5.0%
2008	38,402	1,632,085,000	42,500 <sup>7</sup>	35.0 <sup>5</sup>	29,424	7.3%
2009	39,450	1,558,827,300	39,514 <sup>7</sup>	35.0 <sup>5</sup>	30,299	9.9%
2010	39,627 <sup>10</sup>	4,565,821,278	39,514 <sup>7</sup>	35.0 <sup>6</sup>	32,808	9.3%
2011	39,920	1,730,172,720	43,341 <sup>8</sup>	32.0 <sup>6</sup>	32,796	8.5%
2012	40,440	1,896,838,200	46,905 <sup>8</sup>	36.9 <sup>6</sup>	33,130	7.8%
2013	41,090	1,828,422,820	44,498 <sup>3</sup>	39.9 <sup>9</sup>	33,367	7.2%
2014	42,040	1,852,618,720	44,068 <sup>3</sup>	41.1 <sup>9</sup>	33,440	5.9%
2015	42,890	1,947,849,350	45,415	41.3	33,616	5.1%

- Sources: <sup>1</sup> North Central Texas Council of Governments (NCTCOG)  
<sup>2</sup> Keller Independent School District (KISD)  
<sup>3</sup> Bureau of Census  
<sup>4</sup> Bureau of Labor Statistics  
<sup>5</sup> www.idcide.com, (©) 2008  
<sup>6</sup> U. S. Census 2007 Data and *American Community Survey*  
<sup>7</sup> Dallas Morning News, Business Section D, November 1, 2010  
<sup>8</sup> BEA.gov  
<sup>9</sup> IndexMundi  
<sup>10</sup> U. S. Census 2010

TABLE 20

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

2015				2006		
Employer	Employees	Percentage of Total City Employment	Rank	Employer	Employees	Percentage of Total City Employment
Keller ISD	1,261	47.67%	1	Sabre Corporation	3,345	22.26%
City of Keller	352	13.31%	2	AMR Corporation	2,381	15.85%
Kroger	210	7.94%	3	Fidelity Investments	2,132	14.19%
Kohl's Department Store	200	7.56%	4	Keller ISD	2,103	14.00%
Lowe's	153	5.78%	5	Nokia	1,500	9.98%
Keller Oaks Healthcare Center	150	5.67%	6	Motorola	1,300	8.65%
Home Depot	139	5.26%	7	Daimler Chrysler	1,000	6.66%
Tom Thumb	90	3.40%	8	Southwestern Bell	750	4.99%
Walmart Neighborhood Market	90	3.40%	9	Advanced PCS Systems	515	3.43%
Total	<u>2,645</u>	<u>100.00%</u>		Total	<u>15,026</u>	<u>100.00%</u>

Source: Texas Workforce Commission  
Demographics provided by The Retail Coach

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

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Administration	7.00	7.00	8.50	10.00	10.00	8.00	8.00	8.00	8.00	9.00
Finance	7.00	7.00	7.50	7.50	6.50	6.50	7.00	7.00	7.00	7.50
Planning	14.25	14.25	14.50	14.50	11.00	11.00	11.00	12.00	11.96	12.41
Town Hall operations	1.00	1.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00
Other	17.73	17.73	22.83	22.83	20.83	25.00	16.14	15.50	15.40	13.78
Police										
Officers	67.00	71.00	78.00	78.00	77.00	79.00	50.50	51.50	50.00	49.00
Civilians	4.00	4.00	4.00	4.00	4.00	4.00	34.00	34.00	35.48	37.48
Fire										
Firefighters and officers	44.50	44.50	60.50	60.50	54.00	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	6.00	5.50	5.50	3.00	3.00	3.00	3.00
Other	11.33	11.33	11.33	11.33	8.83	8.83	11.73	12.10	12.10	12.33
Parks and recreation	87.24	87.24	83.08	84.05	77.65	71.64	74.16	76.22	76.40	74.07
Library	15.97	15.97	15.97	15.97	15.42	15.42	15.42	15.42	15.42	15.48
Water	34.92	35.92	35.92	37.92	33.67	33.67	30.30	30.67	30.67	31.17
Wastewater	7.50		10.50	9.50	9.50	9.50	9.50	9.50	9.50	11.50
Drainage	<u>7.75</u>	<u>8.75</u>	<u>8.75</u>	<u>8.75</u>	<u>8.50</u>	<u>8.50</u>	<u>8.50</u>	<u>8.50</u>	<u>8.50</u>	<u>8.50</u>
Total	<u>335.19</u>	<u>333.69</u>	<u>371.38</u>	<u>374.85</u>	<u>346.40</u>	<u>348.56</u>	<u>341.25</u>	<u>345.41</u>	<u>345.43</u>	<u>345.22</u>

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

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

Function/Program	Fiscal Year <sup>1</sup>									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General government</b>										
Council and work sessions held	32	51	45	48	42	45	32	33	32	52
Cable broadcasts	594	658	3,582	5,109	7,118	7,338	406	7,305	7,305	7,646
Birth/death certificates issued	1,308	1,218	1,495	935	396	833		364	436	195
Building permits issued	473	255	277	183	248	250	250	250	300	275
New construction plan review	480	360	165	256	346	350	350	315	385	325
<b>Police</b>										
Physical arrests	1,754	1,631	1,813	1,800	1,600	1,625	1,550	1,190	1,540	1,324
Total citations issued	15,517	12,755	12,755	11,750	11,438	11,800	10,000	9,300	10,500	11,271
Total emergency 911 calls*	13,160	13,160	30,350	30,029	32,500	36,400	39,000	30,000	39,764	40,738
Calls for service*	76,103	77,329	88,559	174,669	155,124	220,000	232,180	245,484	257,664	292,784
<b>Animal control</b>										
Animals adopted/redeemed	834	619	885	819	552	556	724	811	720	641
Animals impounded	1,504	1,152	1,511	1,334	1,108	1,293	1,114	970	850	886
Animal bite investigations	61	65	74	63	63	70	68	68	82	105
<b>Fire</b>										
Emergency responses	2,500	1,625	1,785	2,706	2,844	2,980	2,180	2,124	3,288	3,369
Calls for service, excludes EMS	928	970	1,175	914	1,018	1,139	1,225	1,217	1,244	1,098
Fire hydrants maintained	1,824	1,875	2,026	2,050	2,065	2,063	2,077	2,077	2,150	2,237
Inspections	420	584	516	697	731	720	300	300	1,316	1,998
<b>Finance</b>										
Accounts payable checks processed	5,819	5,107	5,269	5,476	5,269	5,600	3,500	4,400	4,400	4,100
Payroll checks processed	4,986	10,442	11,320	11,624	11,320	11,800	10,200	11,700	11,650	10,900
Journal entries posted	4,499	5,189	5,813	5,795	5,510	5,500	5,000	5,000	4,450	4,300
Purchase orders processed	316	346	336	323	336	357	300	300	300	285
<b>Human resources</b>										
Applications processed	1,704	2,200	1,899	1,190	730	750	1,550	1,350	1,800	1,650
Vacancies filled	42	44	57	26	25	130	147	153	200	230
Turnover rate	13.18%	12.50%	10.75%	7.49%	9.30%	10.00%	15.00%	14.00%	18.00%	18.00%
Safety classes conducted	9	9	6	6	5	5	5	5	4	4
Worker compensation claims	53	60	43	49	55	40	40	40	34	45

TABLE 22  
(continued)

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

Function/Program	Fiscal Year <sup>1</sup>									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Municipal court										
Citations processed	15,613	12,755	10,500	10,524	11,438	11,800	11,000	10,800	10,400	10,526
Warrants processed	2,370	2,938	2,400	1,967	2,000	2,000	2,000	2,275	2,000	2,000
Court sessions <sup>4</sup>	204	212	212	212	189	189	208	100	47	47
Defendant requests for court date	7,809	4,915	3,981	6,915	6,950	6,950	6,300	4,350	4,200	4,200
Public works										
Review CIP designed by others	14	14	20	14	10	12	12	12	12	10
Street resurfacing (miles)	6.87	12.00	16.00	12.00	12.00	14.00	14.00	14.00	16.00	10.00
Sidewalks repaired (linear feet)	620	300	56	725	750	750	1,000	1,700	1,500	1,500
Parks and recreation										
Park acreage	442	442	456	456	456	456	456	491	491	491
Facility reservations	495	492	646	814	825	840	975	1,000	975	978
Program attendance										
(incl. Sr. programs)	27,308	27,901	34,091	27,359	21,200	22,000	18,307	15,007	34,226	41,985
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Recreation programs provided										
(incl. Sr. programs)	367	900	960	975	975	1,050	1,012	410	1,658	1,828
Library										
Library customer visits	249,455	251,327	253,000	191,739	280,000	300,000	232,000	231,500	238,000	227,000
Total volumes borrowed	412,000	380,258	398,633	317,834	411,930	450,000	579,500	563,000	562,000	495,396
Volumes in collection	110,000	119,232	129,154	128,979	139,954	84,358	100,363	114,363	127,663	138,663
Water										
New customers (net)	( 265)	308	322	127	242	201	179	254	326	255
Water main breaks	101	44	45	31	29	42	29	22	27	14
Average daily consumption (gallons) <sup>3</sup>	9,697	6,353	8,216	7,804	7,482	9,784	8,838	8,297	8,400	7,692
Peak daily consumption (million gallons) <sup>3</sup>	19.300	15.371	18.785	18.973	18.204	22.565	20.551	23.465	22.000	21.591
Water purchased (million gallons)	3,539.3	2,318.9	3,007.0	2,848.3	2,731.0	3,571.3	3,225.9	3,028.5	3,029.4	2,807.7
Wastewater										
Average daily sewage treatment										
(million gallons) <sup>5</sup>	2.877	3.150	2.542	2.800	2.975	2.865	2.866	2.876	2.972	2.950

Sources:

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

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

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

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

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

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

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	28	25	25	23	21	21	23	23	23	29
<b>Fire</b>										
Stations	3	3	3	4	4	3	3	3	3	3
Engines/trucks	3	3	6	5	5	4	5	5	5	5
<b>Public works</b>										
Streets (miles)	182	393	410	414	418	418	477	477	475	485
Street lights	2,055	2,075	2,369	2,405	2,408	2,500	2,505	2,585	2,487	2,605
Traffic signals	4	4	5	6	6	6	10	10	-	10
<b>Parks and recreation</b>										
Acreage	442	442	456	456	456	456	456	491	491	491
Playgrounds	8	9	9	9	9	9	9	9	9	9
Baseball/softball fields	8	11	11	11	11	11	11	11	11	11
Soccer/football fields	8	9	9	9	9	9	9	9	9	9
Community centers <sup>1</sup>	1	1	1	1	1	1	1	1	1	1
<b>Water</b>										
Water mains (miles) <sup>2</sup>	256	256	256	256	258	260	190	290	288	286
Storage capacity (million gallons)	9	9	10	10	10	10	10	10	10	10
<b>Wastewater</b>										
Sanitary sewers (miles) <sup>2</sup>	183	183	183	183	183	193	193	192	192	196
Storm sewers (miles) <sup>2</sup>	45.00	46.85	50.08	50.15	50.15	50.15	50.15	50.15	50.15	50.15
Treatment capacity (million gallons)	10	10	10	10	10	10	10	10	10	10

## Notes:

- <sup>1</sup> Increase includes purchases as well as three leased motorcycle units.
- <sup>2</sup> City staff correction to prior year estimates due to upgrades to GIS technology and new federal tracking requirements; numbers are estimates.
- <sup>3</sup> Water System transfer from City of Keller to City of Fort Worth.
- <sup>4</sup> TXU and TCEC erect City street lights, therefore provider supplies count. The City of Keller remits the cost of electricity to the provider.

# COMPLIANCE SECTION





**COMPLIANCE SECTION**

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Keller, Texas' basic financial statements, and have issued our report thereon dated April 21, 2016.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. During our audit we did identify deficiencies in internal control that we consider to be material weaknesses, and which are described in the accompanying Schedule of Findings and Responses as items 2015-001 and 2015-002. Additional material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **City of Keller, Texas' Response to Finding**

The City of Keller, Texas' response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. City of Keller, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

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

Waco, Texas  
April 21, 2016

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Item 2015-001**

<u>Criteria:</u>	Beginning of the year equity accounts should agree to the ending equity amounts for the prior year. This information should be maintained by the City's management to ensure accurate information is available for financial reporting in accordance with generally accepted accounting standards.
<u>Condition:</u>	Several of the City's equity accounts did not agree to final amounts contained in the prior year's audited financial statements.
<u>Effect:</u>	Significant time and effort was necessary to reconcile the City's equity accounts.
<u>Recommendation:</u>	We recommend that the City evaluate procedures and policies to address internal controls with regard to the equity accounts. Additionally, we recommend the City to reconcile its fund balance and net position on a quarterly basis. This will provide the City with an accurate fund balance and net position amount on the general ledger during the year and significantly reduce the time and effort necessary to reconcile these accounts at year end.
<u>Management's Response:</u>	The City will begin reconciling the equity accounts on a quarterly basis.
<u>Contact Person Responsible for Corrective Action:</u>	Finance Director
<u>Anticipated Completion Date:</u>	June, 2016

**CITY OF KELLER, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Item 2015-002**

<u>Criteria:</u>	All journal entries posted to the general ledger should be reviewed and posted on a timely basis.
<u>Condition:</u>	Many of the City's year end adjusting entries had not been made prior to the start of the financial statement audit. As a result, a significant number of entries were required after a trial balance was provided to the auditors.
<u>Effect:</u>	Adjusting entries not posted in a timely manner could result in material misstatements of the City's financial statements and provide significant delays in the City's management receiving relevant financial information.
<u>Recommendation:</u>	We recommend that the City evaluate procedures and policies to address the closing process currently in place as well as the journal entry posting process during the year. Additionally, we recommend the City prepare an end of the year checklist. This will provide the City with a smoother close of the general ledger and help eliminate the risk of material misstatement.
<u>Management's Response:</u>	The City will evaluate the procedures associated with the posting of journal entries, specifically entries posted at year-end. Additionally, the City will maintain an end of the year checklist to ensure that all entries are posted.
<u>Contact Person Responsible for Corrective Action:</u>	Finance Director.
<u>Anticipated Completion Date:</u>	December, 2016

InterimFinancialInformation N/A



# Outstanding Debt

Yes, General obligation debt: Y

Yes, Revenue debt: N

Yes, Authorized but unissued debt: N

No: Y

Schedule of General Obligation Debt

9/30/2015

ISSUE  
OLDER:

FYE	2006 CO Publicly Held		2009 CO Publicly Held		2009 GO Publicly Held		2010 CO Publicly Held		2010 GO Refunding Publicly Held		2010A GO Refunding Publicly Held	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 200,000	\$ 4,375	\$ 380,000	\$ 271,065	\$ 165,000	\$ 136,258	\$ 340,000	\$ 271,663	\$ 145,000	\$ 237,629	\$ 195,000	\$ 31,638
2017			395,000	257,009	175,000	129,458	355,000	257,763	145,000	233,279	205,000	25,381
2018			370,000	242,203	185,000	122,258	370,000	243,263	150,000	228,566	210,000	18,638
2019			385,000	227,103	190,000	114,758	385,000	228,163	-	223,691	215,000	11,463
2020			400,000	211,403	200,000	106,958	395,000	212,563	240,000	223,691	220,000	3,850
2021			420,000	195,003	210,000	98,653	415,000	196,363	580,000	215,291		
2022			440,000	177,583	220,000	89,728	435,000	179,363	600,000	192,091		
2023			460,000	158,903	235,000	80,055	450,000	161,663	625,000	168,091		
2024			485,000	138,815	245,000	69,613	470,000	143,263	650,000	143,091		
2025			510,000	117,168	255,000	58,549	490,000	124,063	680,000	117,091		
2026			530,000	94,023	270,000	46,800	510,000	104,063	705,000	89,891		
2027			565,000	69,103	280,000	34,355	525,000	83,100	735,000	61,691		
2028			585,000	42,506	295,000	21,200	550,000	60,994	765,000	31,556		
2029			615,000	14,453	310,000	7,208	575,000	37,575				
2030							600,000	12,750				
2031												
2032												
2033												
2034												
	\$ 200,000	\$ 4,375	\$ 6,540,000	\$ 2,216,335	\$ 3,235,000	\$ 1,115,846	\$ 6,865,000	\$ 2,316,607	\$ 6,020,000	\$ 2,165,651	\$ 1,045,000	\$ 90,969

9/30/2015

ISSUE  
OLDER:

FYE	2010B GO Refunding Publicly Held		2011 GO Refunding Publicly Held		2012 CO TWDB		2012A CO Publicly Held		2012 GO Refunding Publicly Held		2013 PPFCO Zions Bank	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 515,000	\$ 115,838	\$ 40,000	\$ 270,450	\$ 255,000	\$ 93,601	\$ 335,000	\$ 191,100	\$ 925,000	\$ 420,875	\$ 174,000	\$ 6,058
2017	535,000	105,338	1,165,000	252,675	255,000	93,091	340,000	184,350	955,000	392,675	176,000	4,062
2018	545,000	93,856	1,210,000	217,050	260,000	91,800	355,000	172,075	990,000	358,550	179,000	1,459
2019	565,000	80,663	1,250,000	180,150	260,000	89,785	370,000	153,950	1,025,000	318,250		
2020	590,000	61,800	1,285,000	142,125	265,000	87,091	390,000	134,950	1,075,000	270,875		
2021	610,000	37,800	1,325,000	102,975	270,000	83,745	410,000	114,950	1,125,000	215,875		
2022	640,000	12,800	1,365,000	62,625	280,000	79,753	435,000	93,825	1,190,000	158,000		
2023			1,405,000	21,075	285,000	75,018	455,000	71,575	1,250,000	97,000		
2024					290,000	69,625	475,000	53,075	1,315,000	32,875		
2025					300,000	63,648	490,000	38,600				
2026					310,000	57,088	500,000	23,750				
2027					315,000	50,055	520,000	8,125				
2028					325,000	42,451						
2029					335,000	34,115						
2030					345,000	25,103						
2031					360,000	15,495						
2032					370,000	5,273						
2033												
2034												
	\$ 4,000,000	\$ 508,094	\$ 9,045,000	\$ 1,249,125	\$ 5,080,000	\$ 1,056,735	\$ 5,075,000	\$ 1,240,325	\$ 9,850,000	\$ 2,264,975	\$ 529,000	\$ 11,579

9/30/2015

ISSUE  
OLDER:

FYE	2015 CO Publicly Held		2015A Refunding Publicly Held		2015 GO Refunding Publicly Held		Grand Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$ 145,000	\$ 98,194	\$ 2,285,000	\$ 315,813	\$ 2,925,000	\$ 254,950	\$ 11,743,505
2017	150,000	95,244	2,385,000	201,563	1,620,000	209,500	11,297,385
2018	155,000	91,419	2,505,000	100,200	1,525,000	170,425	11,160,760
2019	160,000	87,494			1,390,000	119,750	8,030,218
2020	160,000	84,294			1,210,000	67,750	8,037,349
2021	165,000	81,044			250,000	41,050	7,162,748
2022	170,000	77,694			260,000	35,625	7,194,085
2023	175,000	74,244			270,000	29,325	6,546,948
2024	180,000	69,794			280,000	21,750	5,131,900
2025	185,000	64,319			290,000	13,200	3,796,636
2026	195,000	58,619			295,000	4,425	3,793,658
2027	200,000	52,694					3,499,123
2028	205,000	46,619					2,970,326
2029	215,000	40,319					2,183,669
2030	225,000	33,719					1,241,571
2031	235,000	26,819					637,314
2032	240,000	19,694					634,966
2033	250,000	12,188					262,188
2034	265,000	4,141					269,141
	\$ 3,675,000	\$ 1,118,547	\$ 7,175,000	\$ 617,575	\$ 10,315,000	\$ 967,750	\$ 95,593,488

# Applicant's Ten Largest Employers

Keller ISD: 1,261

City of Keller: 352

Kroger: 210

Kohl's Department Store: 200

Lowe's : 153

Keller Oaks Healthcare Center: 150

Home Depot: 139

Tom Thumb: 90

Walmart Neighborhood Market: 90

Super Surface, Inc.: 85

Ten Largest Employers Comments: Not Applicable

## Bond Ratings

Bond Ratings

Type	Standard & Poors	Date Received	Fitch	Date Received	Moody's	Date Received
G.O.	AAA	08-14-2014	AAA	05-07-2016	AA	
Revenue						

Bond Rating N/A: Y

## Receive Water or Sewer

Is the project intended to allow the applicant to provide or receive water or sewer services to or from another entity?: N

## Project Description

Description of Project Need (for example, is the project needed to address a current compliance issue, avoid potential compliance issues, extend service, expand capacity, etc.): The project is needed to alleviate a serious leakage problem causing unnecessary lost water. The City of Keller has identified almost 12 miles of deficient water system pipe and approximately 1,600 deficient water services. By replacing these deficient elements of the water distribution system, the City of Keller will be activating a strategy that has been included in the State Water Plan, the so called "Water Loss Control and Conservation Program". Total Project Cost is estimated to be approximately \$13 Million.

Provide a detailed description of the proposed project. The description should include a discussion of the current service area, existing system facilities; and an adequate description of all proposed project elements (include a bulleted list of new project elements/components).: Operational Problems of the Existing Water Distribution System

The City of Keller records show that in the 1986 Water Distribution Master Plan for the City of Keller (1986 Plan) the average daily demand was 145 gpcd. The 1986 Plan projected the average daily demand to be 200 gpcd in 2005.

In the 2006 Water Distribution Master Plan Update for the City of Keller (2006 Plan) the average daily demand was shown to be 220 gpcd. The 2006 Plan did not anticipate an increase in the average demand at system buildout. Since the 2006 Plan, the City of Keller has been diligent with the implementation of conservation measures in accordance with the Water Conservation Plan.

The City of Keller is interested in improving their operation of the distribution system with the replacement of old deteriorating water mains. The proposed main replacements will be considered a portion of the Enhanced water loss control program for the City. This proposed main program conforms to the Region C Water Plan definition for Enhanced Water Loss Control Program in that the “replacement of water mains that are a significant source of water loss” will be accomplished upon completion. The proposed mains are generally along old rural sections of the City. The galvanized pipe is from the water system prior to purchase by the City of Keller.

The City of Keller is interested in the replacement of the leaky polybutylene water service connections. The proposed polybutylene service replacement will be considered a portion of the Enhanced water loss control program for the City. The replacement of deteriorated polybutylene services in their system will remove a significant source of water loss in the City of Keller water distribution system.

#### Proposed Project

The project is needed to alleviate a serious leakage problem causing unnecessary lost water. The City of Keller has identified almost 12 miles of deficient water system pipe and approximately 1,600 deficient water services. By replacing these deficient elements of the water distribution system, the City of Keller will be activating a strategy that has been included in the State Water Plan, the so called Water Loss Control and Conservation Program. Total Project Cost is estimated to be approximately \$13 Million.

## Water Made Available

New Supply: 0 (acre-feet/year)/\$0 (capital cost)

New Conservation Savings: 514 (acre-feet/year)/\$13,000,000 (capital cost)

New Reuse Supply: 0 (acre-feet/year)/\$0 (capital cost)

Maintenance of Current Supply: 0 (acre-feet/year)/\$0 (capital cost)

## SWIFT

SWIFT Funding Type

Low Interest Loan: \$12180000.00

Is this request for multi-year funding or phased commitments?: Y

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with any applicable legal obligations in federal law related to contracting with disadvantaged business enterprises.: Y

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with applicable legal obligations in state law (Texas Government Code Chapter 2161 and Texas Administrative Code Chapter 20, Subchapter B) related to contracting with historically underutilized businesses.: Y



**Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016  
Projected Schedule of Events**

Aug-16							Sep-16							Oct-16							Nov-16						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
	1	2	3	4	5	6					1	2	3							1			1	2	3	4	5
7	8	9	10	11	12	13	4	5	6	7	8	9	10	2	3	4	5	6	7	8	6	7	8	9	10	11	12
14	15	16	17	18	19	20	11	12	13	14	15	16	17	9	10	11	12	13	14	15	13	14	15	16	17	18	19
21	22	23	24	25	26	27	18	19	20	21	22	23	24	16	17	18	19	20	21	22	20	21	22	23	24	25	26
28	29	30	31				25	26	27	28	29	30		23	24	25	26	27	28	29	27	28	29	30			
													30	31													

Complete By	Day	Event
6-Sep-16	Tuesday	<b>City Council passes resolution authorizing Notice of Intent Certificates of Obligation and approves TWDB Financing Agreement</b>
TBD	TBD	Executed Financing Agreement due to TWDB
1-Oct-16	Saturday	First Publication of Notice of Intent to Issue Certificates (no later than October 2, 2016)
TBD	TBD	Receive Final Rates from TWDB
8-Oct-16	Saturday	Second Publication of Notice of Intent to Issue Certificates (same day of the week following 1st publication)
1-Nov-16	Tuesday	<b>City Council adopts Ordinance and approves Rates</b>
30-Nov-16	Wednesday	Closings and Delivery of Funds to the City





**Combination Tax and Surplus Revenue Certificates of Obligation, Series 2019  
Projected Schedule of Events**

Aug-19							Sep-19							Oct-19							Nov-19						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
				1	2	3	1	2	3	4	5	6	7			1	2	3	4	5						1	2
4	5	6	7	8	9	10	8	9	10	11	12	13	14	6	7	8	9	10	11	12	3	4	5	6	7	8	9
11	12	13	14	15	16	17	15	16	17	18	19	20	21	13	14	15	16	17	18	19	10	11	12	13	14	15	16
18	19	20	21	22	23	24	22	23	24	25	26	27	28	20	21	22	23	24	25	26	17	18	19	20	21	22	23
25	26	27	28	29	30	31	29	30						27	28	29	30	31			24	25	26	27	28	29	30

Complete By	Day	Event
3-Sep-19	Tuesday	<b>City Council passes resolution authorizing Notice of Intent Certificates of Obligation and approves TWDB Financing Agreement</b>
TBD	TBD	Executed Financing Agreement due to TWDB
21-Sep-19	Saturday	First Publication of Notice of Intent to Issue Certificates (no later than October 21, 2016)
TBD	TBD	Receive Final Rates from TWDB
5-Oct-19	Saturday	Second Publication of Notice of Intent to Issue Certificates (same day of the week following 1st publication)
22-Oct-19	Tuesday	<b>City Council adopts Ordinance and approves Rates</b>
20-Nov-19	Wednesday	Closings and Delivery of Funds to the City



**Combination Tax and Surplus Revenue Certificates of Obligation, Series 2022  
Projected Schedule of Events**

Aug-16							Sep-16							Oct-16							Nov-16						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
	1	2	3	4	5	6					1	2	3							1			1	2	3	4	5
7	8	9	10	11	12	13	4	5	6	7	8	9	10	2	3	4	5	6	7	8	6	7	8	9	10	11	12
14	15	16	17	18	19	20	11	12	13	14	15	16	17	9	10	11	12	13	14	15	13	14	15	16	17	18	19
21	22	23	24	25	26	27	18	19	20	21	22	23	24	16	17	18	19	20	21	22	20	21	22	23	24	25	26
28	29	30	31				25	26	27	28	29	30		23	24	25	26	27	28	29	27	28	29	30			
													30	31													

Complete By	Day	Event
6-Sep-22	Tuesday	<b>City Council passes resolution authorizing Notice of Intent Certificates of Obligation and approves TWDB Financing Agreement</b>
TBD	TBD	Executed Financing Agreement due to TWDB
1-Oct-22	Saturday	First Publication of Notice of Intent to Issue Certificates (no later than October 1, 2022)
TBD	TBD	Receive Final Rates from TWDB
8-Oct-22	Saturday	Second Publication of Notice of Intent to Issue Certificates (same day of the week following 1st publication)
1-Nov-22	Tuesday	<b>City Council adopts Ordinance and approves Rates</b>
30-Nov-22	Wednesday	Closings and Delivery of Funds to the City

ORDINANCE NO. \_\_\_\_\_

ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF CITY OF KELLER, TEXAS COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2016; LEVYING AN ANNUAL AD VALOREM TAX AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SUCH CERTIFICATES; PROVIDING AN EFFECTIVE DATE; AND ENACTING OTHER MATTERS AND PROVISIONS RELATING TO THE SUBJECT

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THE STATE OF TEXAS §  
COUNTY OF TARRANT §  
CITY OF KELLER §

WHEREAS, the City Council of the City of Keller, Texas, deems it advisable to issue Certificates of Obligation in the amount and for the purposes hereinafter set forth;

WHEREAS, the Certificates of Obligation hereinafter authorized and designated are to be issued and delivered for cash pursuant to Subchapter C of Chapter 271, Local Government Code and Subchapter B, Chapter 1502, Government Code;

WHEREAS, the City Council has heretofore passed a resolution authorizing and directing the City Secretary to give notice of intention to issue Certificates of Obligation, and said notice has been duly published in a newspaper of general circulation in said City, said newspaper being a "newspaper" as defined in §2051.044, Texas Government Code;

WHEREAS, the City received no petition from the qualified electors of the City protesting the issuance of such Certificates of Obligation;

WHEREAS, it is considered to be to the best interest of the City that said interest-bearing Certificates of Obligation be issued; and

WHEREAS, it is officially found, determined, and declared that the meeting at which this Ordinance has been adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered and acted upon at said meeting, including this Ordinance, was given, all as required by the applicable provisions of Tex. Gov't Code Ann. Chapter 551; Now, Therefore

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KELLER, TEXAS:

Section 1. RECITALS, AMOUNT AND PURPOSE OF THE CERTIFICATES. The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this Section. The certificates of the City of Keller, Texas (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount of \$4,060,000, for paying all or a portion of the Issuer's contractual obligations incurred for use in connection with (i) acquiring, constructing, installing, and equipping improvements to the Issuer's water system, including water distribution lines, and (ii) paying legal, fiscal and engineering fees in connection with such projects (collectively, the "Project").

Section 2. DESIGNATION, DATE, DENOMINATIONS, NUMBERS, AND MATURITIES AND INTEREST RATES OF CERTIFICATES. Each certificate issued pursuant to this Ordinance shall be designated: "CITY OF KELLER, TEXAS, COMBINATION TAX AND SURPLUS REVENUE CERTIFICATE OF OBLIGATION, SERIES 2016," and initially there shall be issued, sold, and delivered hereunder one fully registered certificate, without interest coupons, dated October 1, 2016, in the principal

amount stated above and in the denominations hereinafter stated, numbered T-1, with certificates issued in replacement thereof being in the denominations and principal amounts hereinafter stated and numbered consecutively from R-1 upward, payable to the respective Registered Owners thereof (with the initial certificate being made payable to the initial purchaser as described in Section 10 hereof), or to the registered assignee or assignees of said certificates or any portion or portions thereof (in each case, the "Registered Owner"), and said certificates shall mature and be payable serially on February 15 in each of the years and in the principal amounts, respectively, and shall bear interest from the dates set forth in the FORM OF CERTIFICATE set forth in Section 4 of this Ordinance to their respective dates of maturity or redemption prior to maturity at the rates per annum, as set forth in the following schedule:

<u>Years</u>	<u>Principal Amount</u>	<u>Interest Rates</u>	<u>Years</u>	<u>Principal Amount</u>	<u>Interest Rates</u>
2017	\$ 195,000		2027	\$ 200,000	
2018	175,000		2028	205,000	
2019	180,000		2029	205,000	
2020	180,000		2030	210,000	
2021	180,000		2031	215,000	
2022	185,000		2032	220,000	
2023	185,000		2033	230,000	
2024	190,000		2034	235,000	
2025	190,000		2035	240,000	
2026	195,000		2036	245,000	

The term "Certificates" as used in this Ordinance shall mean and include collectively the certificates initially issued and delivered pursuant to this Ordinance and all substitute certificates exchanged therefor, as well as all other substitute certificates and replacement certificates issued pursuant hereto, and the term "Certificate" shall mean any of the Certificates.

Section 3. CHARACTERISTICS OF THE CERTIFICATES.

(a) Appointment of Paying Agent/Registrar. The Issuer hereby appoints The Bank of New York Mellon Trust Company, N.A., Dallas Texas, to serve as paying agent and registrar for the Certificates (the "Paying Agent/Registrar"). The Mayor or City Manager is authorized and directed to execute and deliver in the name and on behalf of the Issuer a Paying Agent/Registrar Agreement with the Paying Agent/Registrar in substantially the form presented at this meeting.

(b) Registration, Transfer, Conversion and Exchange. The Issuer shall keep or cause to be kept at the corporate trust office of the Paying Agent/Registrar books or records for the registration of the transfer, conversion and exchange of the Certificates (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided within three days of presentation in due and proper form. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Certificate to which payments with respect to the Certificates shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and,

unless otherwise required by law, shall not permit their inspection by any other entity. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Certificate or Certificates. Registration of assignments, transfers, conversions and exchanges of Certificates shall be made in the manner provided and with the effect stated in the FORM OF CERTIFICATE set forth in this Ordinance. Each substitute Certificate shall bear a letter and/or number to distinguish it from each other Certificate.

(c) Authentication. Except as provided in subsection (i) of this section, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Certificate, date and manually sign said Certificate, and no such Certificate shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Certificates and Certificates surrendered for conversion and exchange. No additional ordinances, orders or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange of any Certificate or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Certificates in the manner prescribed herein. Pursuant to Subchapter D, Chapter 1201, Texas Government Code, the duty of conversion and exchange of Certificates as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the converted and exchanged Certificate shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Certificates which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(d) Payment of Principal and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Certificates, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Certificates, and of all conversions and exchanges of Certificates, and all replacements of Certificates, as provided in this Ordinance. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(e) Payment to Registered Owner. Notwithstanding any other provision of this Ordinance to the contrary, the Issuer and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Certificate is registered in the Registration Books as the absolute owner of such Certificate for the purpose of payment of principal and interest with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Certificates only to or upon the order of the registered owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of and interest on the Certificates to the extent of the sum or sums so paid. No person other than a registered owner, as shown in the Registration Books, shall receive a Certificate evidencing the obligation of the Issuer to make payments of principal and interest pursuant to this Ordinance.

(f) Paying Agent/Registrar. The Issuer covenants with the registered owners of the Certificates that at all times while the Certificates are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution or other agency to act as and perform the services of Paying Agent/Registrar for the Certificates under this Ordinance, and that the Paying Agent/Registrar will be one entity. By accepting the

position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(g) Substitute Paying Agent/Registrar. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Certificates, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Certificates, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar.

(g) Book-Entry Only System. The Certificates issued in exchange for the Certificates initially issued to the purchaser or purchasers specified herein shall be initially issued in the form of a separate single fully registered Certificate for each of the maturities thereof and the ownership of each such Certificate shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC"), and except as provided in subsections (i) and (j) of this Section, all of the outstanding Certificates shall be registered in the name of Cede & Co., as nominee of DTC.

(h) Blanket Letter of Representations. The execution and delivery by the Mayor of a Blanket Letter of Representations with respect to obligations of the Issuer is hereby authorized and approved; and the provisions thereof shall be fully applicable to the Certificates. Notwithstanding anything to the contrary contained herein, while the Certificates are subject to DTC's Book-Entry Only System and to the extent permitted by law, the Letter of Representations is hereby incorporated herein and its provisions shall prevail over any other provisions of this Ordinance in the event of conflict.

(i) Certificates Registered in the Name of Cede & Co. With respect to Certificates registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Certificates. Without limiting the immediately preceding sentence, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of Certificates, as shown on the Registration Books, of any notice with respect to the Certificates, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of Certificates, as shown in the Registration Books of any amount with respect to principal of or interest on the Certificates. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the registered owner at the close of business on the Record date, the words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(j) Successor Securities Depository; Transfers Outside Book-Entry Only System. In the event that the Issuer determines that DTC is incapable of discharging its responsibilities described herein and in the

representation letter of the Issuer to DTC or that it is in the best interest of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the Issuer shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Certificates to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Certificates and transfer one or more separate Certificates to DTC Participants having Certificates credited to their DTC accounts. In such event, the Certificates shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names registered owners transferring or exchanging Certificates shall designate, in accordance with the provisions of this Ordinance.

(k) Payments to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Certificate is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and interest on such Certificate and all notices with respect to such Certificate shall be made and given, respectively, in the manner provided in the representation letter of the Issuer to DTC.

(l) General Characteristics of the Certificates. The Certificates (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Certificates to be payable only to the Registered Owners thereof, (ii) may and shall be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Certificates, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Certificates shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Certificates, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF CERTIFICATE set forth in this Ordinance. The Certificates initially issued and delivered pursuant to this Ordinance is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Certificate issued in conversion of and exchange for any Certificate or Certificates issued under this Ordinance the Paying Agent/Registrar shall execute the Paying Agent/Registrar's Authentication Certificate, in the FORM OF CERTIFICATE set forth in this Ordinance.

(m) Cancellation of Initial Certificate. On the closing date, one initial Certificate representing the entire principal amount of the Certificates, payable in stated installments to the order of the initial purchaser of the Certificates or its designee, executed by manual or facsimile signature of the Mayor and City Secretary of the Issuer, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to such purchaser or its designee. Upon payment for the initial Certificate, the Paying Agent/Registrar shall insert the Issuance Date on Certificate No. T-1, cancel each of the initial Certificates and deliver to The Depository Trust Company ("DTC") on behalf of such purchaser one registered definitive Certificate for each year of maturity of the Certificates, in the aggregate principal amount of all of the Certificates for such maturity, registered in the name of Cede & Co., as nominee of DTC. To the extent that the Paying Agent/Registrar is eligible to participate in DTC's FAST System, pursuant to an agreement between the Paying Agent/Registrar and DTC, the Paying Agent/Registrar shall hold the definitive Certificates in safekeeping for DTC.

Section 4. FORM OF CERTIFICATES. The form of the Certificates, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Certificates initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as follows, with such appropriate variations, omissions or insertions as are permitted or required by this Ordinance.

(a) Form of Certificate.

NO. R- UNITED STATES OF AMERICA PRINCIPAL  
STATE OF TEXAS AMOUNT  
\$ \_\_\_\_\_  
CITY OF KELLER, TEXAS  
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATE OF OBLIGATION  
SERIES 2016

Interest Rate                      Delivery Date                      Maturity Date                      CUSIP No.

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

ON THE MATURITY DATE specified above, the City of Keller, in Tarrant County, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above. The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Delivery Date specified above at the Interest Rate per annum specified above. Interest is payable on February 15, 2017, and semiannually on each August 15 and February 15 hereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except, if this Certificate is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Certificate or Certificates, if any, for which this Certificate is being exchanged is due but has not been paid, then this Certificate shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Certificate are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Certificate shall be paid to the registered owner hereof upon presentation and surrender of this Certificate at maturity, or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, which is the "Paying Agent/Registrar" for this Certificate. The payment of interest on this Certificate shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this Certificate (the "Certificate Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at its address as it appeared at the close of business on the last business day of the month preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described.

NOTWITHSTANDING ANY PROVISION, term, condition or requirement of this Certificate or the Certificate Ordinance to the contrary, payments to the initial purchaser of the Certificates of principal of and



interest on the Certificates shall be made by wire transfer of immediately available funds at no cost to such purchaser.

IN ADDITION, INTEREST MAY BE PAID by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner.

IN THE EVENT OF A NON-PAYMENT OF INTEREST on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each owner of a Certificate appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

ANY ACCRUED INTEREST due at maturity or upon the redemption of this Certificate prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Certificate for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Certificate that on or before each principal payment date, interest payment date, and accrued interest payment date for this Certificate it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Certificate Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Certificates, when due.

IF THE DATE for the payment of the principal of or interest on this Certificate shall be a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day that is not such a Saturday, Sunday, legal holiday or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS CERTIFICATE is one of a series of Certificates dated October 1, 2016, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$4,060,000, for paying all or a portion of the City's contractual obligations incurred for use in connection with: (i) acquiring constructing, installing, and equipping improvements to the Issuer's water system, including water distribution lines, and (ii) paying legal, fiscal and engineering fees in connection with such projects.

ON FEBRUARY 15, 2027, or on any date thereafter, the Certificates of this series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Certificates, or portions thereof, to be redeemed shall be redeemed in inverse order of maturity and the Issuer shall direct the Paying Agent/Registrar to call by lot or other customary method, portions thereof within such maturities and in such principal amounts, for redemption (provided that a portion of a Certificate may be redeemed only in an integral multiple of \$5,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

AT LEAST 30 days prior to the date fixed for any redemption of Certificates or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the registered owner of each Certificate to be redeemed at its address as it appeared on the Registration Books at the close of business on the business day next preceding the date of mailing of such notice; provided, however, that the failure of the registered owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the

redemption of any Certificate. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof that are to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Certificates or portions thereof that are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Certificate shall be redeemed, a substitute Certificate or Certificates having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Certificate Ordinance.

IF AT THE TIME OF MAILING of notice of optional redemption there shall not have either been deposited with the Paying Agent/Registrar or legally authorized escrow agent immediately available funds sufficient to redeem all the Certificates called for redemption, such notice may state that it is conditional, and is subject to the deposit of the redemption moneys with the Paying Agent/Registrar or legally authorized escrow agent at or prior to the redemption date. If such redemption is not effectuated, the Paying Agent/Registrar shall, within five days thereafter, give notice in the manner in which the notice of redemption was given that such moneys were not so received and shall rescind the redemption.

ALL CERTIFICATES OF THIS SERIES are issuable solely as fully registered certificates, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Certificate Ordinance, this Certificate may, at the request of the registered owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate principal amount of fully registered certificates, without interest coupons, payable to the appropriate registered owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee or assignees, as the case may be, upon surrender of this Certificate to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Certificate Ordinance. Among other requirements for such assignment and transfer, this Certificate must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Certificate or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Certificate may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Certificate or any portion or portions hereof from time to time by the registered owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Certificate or portion thereof will be paid by the Issuer. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, conversion, or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Certificates is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Certificate Ordinance that it promptly will

appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the registered owners of the Certificates.

IT IS HEREBY certified, recited and covenanted that this Certificate has been duly and validly authorized, issued and delivered; that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the authorization, issuance and delivery of this Certificate have been performed, existed and been done in accordance with law; that this Certificate is a general obligation of said Issuer, issued on the full faith and credit thereof; and that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in said Issuer, and have been pledged for such payment, within the limit prescribed by law, and that this Certificate is additionally secured by and payable from a pledge of the Surplus Revenues of the Issuer's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are payable from all or part of said revenues, all as provided in the Certificate Ordinance.

THE ISSUER HAS RESERVED THE RIGHT to amend the Certificate Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the registered owners of a majority in aggregate principal amount of the outstanding Certificates.

BY BECOMING the registered owner of this Certificate, the registered owner thereby acknowledges all of the terms and provisions of the Certificate Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Certificate Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Certificate and the Certificate Ordinance constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Certificate to be signed with the manual or facsimile signature of the Mayor of the Issuer (or in the absence of the Mayor, by the Mayor Pro-Tem) and countersigned with the manual or facsimile signature of the City Secretary of said Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Certificate.

\_\_\_\_\_  
(signature)  
City Secretary

\_\_\_\_\_  
(signature)  
Mayor

(SEAL)

(b) Form of Paying Agent/Registrar's Authentication Certificate.

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE  
(To be executed if this Certificate is not accompanied by an executed Registration Certificate  
of the Comptroller of Public Accounts of the State of Texas)

It is hereby certified that this Certificate has been issued under the provisions of the Certificate Ordinance described in the text of this Certificate; and that this Certificate has been issued in conversion or replacement of, or in exchange for, a certificate, certificates, or a portion of a certificate or certificates of a series that originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated: \_\_\_\_\_.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.  
Austin, Texas  
Paying Agent/Registrar

By: \_\_\_\_\_  
Authorized Representative

(c) Form of Assignment.

ASSIGNMENT  
(Please type or print clearly)

For value received, the undersigned hereby sells, assigns and transfers unto: \_\_\_\_\_

Transferee's Social Security or Taxpayer Identification Number: \_\_\_\_\_

Transferee's name and address, including zip code: \_\_\_\_\_

the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to register the transfer of the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Certificate in every particular, without alteration or enlargement or any change whatsoever.

(d) Form of Registration Certificate of the Comptroller of Public Accounts.

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. \_\_\_\_\_

I hereby certify that this Certificate has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and that this Certificate has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this \_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

(e) Initial Certificate Insertions.

(i) The initial Certificate shall be in the form set forth in paragraph (a) of this Section, except that:

A. immediately under the name of the Certificate, the headings "Interest Rate" and "Maturity Date" shall both be completed with the words "As shown below" and "CUSIP No. \_\_\_\_\_" shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

"THE CITY OF KELLER, TEXAS, in Tarrant County, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on February 15 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Years</u>	<u>Principal Installments</u>	<u>Interest Rates</u>
(Information from Section 2 to be inserted)		

The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Delivery Date specified above at the respective Interest Rate per annum specified above. Interest is payable on February 15, 2017, and semiannually on each August 15 and February 15 thereafter to the date of payment of the principal installment specified above, or the date of redemption prior to maturity; except, that if this Certificate is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Certificate or Certificates, if any, for which this Certificate is being exchanged is due but has not been paid, then this Certificate shall bear interest from the date to which such interest has been paid in full."

C. The Initial Certificate shall be numbered "T-1."

Section 5. INTEREST AND SINKING FUND; SURPLUS REVENUES.

(a) A special "Interest and Sinking Fund" is hereby created and shall be established and maintained by the Issuer as a separate fund or account and the funds therein shall be deposited into and held in an account at an official depository bank of said Issuer. Said Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of said Issuer, and shall be used only for paying the interest on and principal of said Certificates. All amounts received from the sale of the Certificates as accrued interest, shall be deposited upon receipt to the Interest and Sinking Fund, and all ad valorem taxes levied and collected for and on account of said Certificates shall be deposited, as collected, to the credit of said Interest and Sinking Fund. During each year while any of said Certificates are outstanding and unpaid, the governing body of said Issuer shall compute and ascertain a rate and amount of ad valorem tax that will be sufficient to raise and produce the money required to pay the interest on said Certificates as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of said Certificates as such principal matures (but never less than 2% of the original amount of said Certificates as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of said Issuer, with full allowances being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in

said Issuer, for each year while any of said Certificates are outstanding and unpaid, and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limit prescribed by law.

(b) The Certificates are additionally secured by revenues of the Issuer's waterworks and sewer system (the "System") that remain after the payment of all maintenance and operation expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the System, such revenues constituting "Surplus Revenues." The Issuer shall deposit such Surplus Revenues to the credit of the Interest and Sinking Fund created pursuant to subsection (a) of this section, to the extent necessary to pay the principal and interest on the Certificates. Notwithstanding the requirements of subsection (a) of this section, if Surplus Revenues or other lawfully available moneys of the Issuer are actually on deposit, or budgeted for deposit as hereinafter provided, in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes that otherwise would have been required to be levied pursuant to Section 5(a) may be reduced to the extent and by the amount of the revenues then on deposit, or budgeted for deposit as hereinafter provided, in the Sinking Fund. However, if the Surplus Revenues are budgeted for deposit into the Interest and Sinking Fund, the Issuer:

(i) shall transfer and deposit in the Interest Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Certificates until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Certificates; further, that the Issuer shall not transfer any Surplus Revenues to any fund other than the Interest and Sinking Fund until such time as an amount equal to the annual debt service on the Certificates for the then current fiscal year has been deposited in the Interest and Sinking Fund;

(ii) shall establish, adopt and maintain an annual budget that provides for either the monthly deposit of sufficient Surplus Revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Certificates; and

(iii) shall at all times maintain and collect sufficient System rates and charges in conjunction with any other legally available funds that, after payment of the costs of operating and maintaining the System, produce revenues in an amount not less than 1.10 times debt service requirements of all outstanding System revenue bonds of the Issuer and other obligations of the Issuer which are secured in whole or in part by a pledge of revenues of the System, for which the Issuer is budgeting the repayment of such obligations from the revenues of the System, or the Issuer shall provide documentation which evidences the levy of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of System debt service requirements.

(c) Article 1208, Government Code, applies to the issuance of the Certificates of Obligation and the pledge of the taxes and Surplus Revenues granted by the Issuer under this Section, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Certificates of Obligation are outstanding and unpaid, the result of such amendment being that the pledge of the taxes and Surplus Revenues granted by the Issuer under this Section, is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, in order to preserve to the registered owners of the Certificates of Obligation a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

## Section 6. DEFEASANCE OF CERTIFICATES.

(a) Any Certificate and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Certificate") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Certificate, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates shall have become due and payable. At such time as a Certificate shall be deemed to be a Defeased Certificate hereunder, as aforesaid, such Certificate and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged or the limited pledge of Surplus Revenues as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Certificates that is made in conjunction with the payment arrangements specified in subsection 6(a)(i) or (ii) shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Certificates for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Certificates immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Certificates and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Certificates may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection 6(a)(i) or (ii). All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Certificates, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) The term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates, which under current law is limited to the following types of securities: (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

(d) Until all Defeased Certificates shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Certificates the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Ordinance.

(e) In the event that the Issuer elects to defease less than all of the principal amount of Certificates of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Certificates by such random method as it deems fair and appropriate.

(f) So long as the Texas Water Development Board is the registered owner of any of the Certificates, the Issuer shall provide written notice to the Texas Water Development Board of a defeasance of the Certificates pursuant to subsection (a)(ii) of this Section.

#### Section 7. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATES.

(a) Replacement Certificates. In the event any outstanding Certificate is damaged, mutilated, lost, stolen or destroyed, the Paying Agent/Registrar shall cause to be printed, executed and delivered, a new certificate of the same principal amount, maturity and interest rate, as the damaged, mutilated, lost, stolen or destroyed Certificate, in replacement for such Certificate in the manner hereinafter provided.

(b) Application for Replacement Certificates. Application for replacement of damaged, mutilated, lost, stolen or destroyed Certificates shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft or destruction of a Certificate, the registered owner applying for a replacement certificate shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft or destruction of a Certificate, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft or destruction of such Certificate, as the case may be. In every case of damage or mutilation of a Certificate, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Certificate so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Certificate shall have matured, and no default has occurred that is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Certificate, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Certificate) instead of issuing a replacement Certificate, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Certificates. Prior to the issuance of any replacement certificate, the Paying Agent/Registrar shall charge the registered owner of such Certificate with all legal, printing, and other expenses in connection therewith. Every replacement certificate issued pursuant to the provisions of this Section by virtue of the fact that any Certificate is lost, stolen or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen or destroyed Certificate shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Certificates duly issued under this Ordinance.

(e) Authority for Issuing Replacement Certificates. In accordance with Sec. 1206.022, Government Code, this Section 7 of this Ordinance shall constitute authority for the issuance of any such replacement certificate without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such certificates is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificates in the form and manner and with the effect, as provided in Section 3(a) of this Ordinance for Certificates issued in conversion and exchange for other Certificates.



Section 8. CUSTODY, APPROVAL, AND REGISTRATION OF CERTIFICATES; BOND COUNSEL'S OPINION; CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED; ENGAGEMENT OF BOND COUNSEL.

(a) The Mayor of the Issuer is hereby authorized to have control of the Certificates initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Certificates pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Certificates said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Certificates, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Certificates issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Certificates. In addition, if bond insurance is obtained, the Certificates may bear an appropriate legend as provided by the insurer.

(b) The obligation of the initial purchaser to accept delivery of the Certificates is subject to the initial purchaser being furnished with the final, approving opinion of McCall, Parkhurst & Horton L.L.P., bond counsel to the Issuer, which opinion shall be dated as of and delivered on the date of initial delivery of the Certificates to the initial purchaser. The engagement of such firm as bond counsel to the Issuer in connection with issuance, sale and delivery of the Certificates is hereby approved and confirmed. The execution and delivery of an engagement letter between the Issuer and such firm, with respect to such services as bond counsel, is hereby authorized in such form as may be approved by the Mayor, and the Mayor is hereby authorized to execute such engagement letter.

Section 9. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE CERTIFICATES.

(a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action that would adversely affect, the treatment of the Certificates as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Certificates or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Certificates, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Certificates or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Certificates (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Certificates being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Certificates being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Certificates, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Certificates, other than investment property acquired with –

(A) proceeds of the Certificates invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the Certificates are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Certificates;

(7) to otherwise restrict the use of the proceeds of the Certificates or amounts treated as proceeds of the Certificates, as may be necessary, so that the Certificates do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings);

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Certificates) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Certificates have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code;

(9) to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Certificates are issued, an information statement concerning the Certificates, all under and in accordance with section 149(e) of the Code and the applicable Treasury Regulations promulgated thereunder;

(10) the Issuer will not acquire any of the Texas Water Development Board's source series bonds in an amount related to the amount of Certificates acquired by the Texas Water Development Board; and

(11) to assure that the proceeds of the Certificates will be used solely for new money purposes.

(b) Rebate Fund. If necessary to facilitate compliance with the above covenant (a)(8), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the holders of the Certificates. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Use of Proceeds. The Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department

of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated that modify or expand provisions of the Code, as applicable to the Certificates, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Certificates under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements applicable to the Certificates, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Certificates under section 103 of the Code.

(d) The Issuer hereby authorizes and directs the Mayor, City Manager and Finance Director to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(e) Allocation Of, and Limitation On, Expenditures for the Project. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 1 of this Ordinance (the "Project") on its books and records in accordance with the requirements of the Code. The Issuer recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the Issuer recognizes that in order for proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Certificates, or (2) the date the Certificates are retired. The Issuer agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Certificates. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(f) Disposition of Project. The Issuer covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Certificates. For purpose of the foregoing, the Issuer may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Certificates. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

#### Section 10. SALE OF CERTIFICATES; FURTHER PROCEDURES.

(a) The Certificates are hereby officially sold and awarded to the initial purchaser, the Texas Water Development Board, at a price equal to the par amount thereof. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable. The Certificates shall initially be registered in the name of the Texas Water Development Board or its designee.

(b) The Mayor, City Manager, City Secretary and Finance Director of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and on behalf of the Issuer all such documents, certificates and other instruments, whether or not herein mentioned, as may be necessary or

desirable in order to carry out the terms and provisions of this Ordinance, the Certificates and the sale of the Certificates. In case any officer whose signature shall appear on any Certificate shall cease to be such officer before the delivery of such Certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 11. INTEREST EARNINGS ON CERTIFICATE PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Certificates shall be used along with other certificate proceeds for the Project; provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall be used as described in Section 16(d). It is provided, however, that any interest earnings on Certificate proceeds that are required to be rebated to the United States of America pursuant to Section 9 hereof in order to prevent the Certificates from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

Section 12. CONSTRUCTION FUND; SECURITY FOR DEPOSITS.

(a) The Issuer hereby creates and establishes and shall maintain on the books of the Issuer a separate fund to be entitled the "Series 2016 Combination Tax and Surplus Revenue Certificate of Obligation Construction Fund" for use by the Issuer for payment of all lawful costs associated with the acquisition and construction of the Project as hereinbefore provided, and to pay the costs of issuance of the Certificates. Upon payment of all such costs, any moneys remaining on deposit in said Fund shall be disbursed as provided in Section 16(c).

(b) The Issuer may place proceeds of the Certificates (including investment earnings thereon) and amounts deposited into the Interest and Sinking Fund in investments authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended; provided, however, that the Issuer hereby covenants that the proceeds of the sale of the Certificates will be used as soon as practicable for the purposes for which the Certificates are issued.

(c) All deposits authorized or required by this Ordinance shall be secured to the fullest extent required by law for the security of public funds as provided in Chapters 2256 and 2257, Texas Government Code, as amended.

Section 13. COMPLIANCE WITH RULE 15c2-12.

(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

(b) Annual Reports.

(i) The Issuer shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six months after the end of each fiscal year, financial information and operating data with respect to the Issuer of the general type included described in Exhibit B hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit A hereto, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Issuer commissions an audit of such statements

and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Issuer shall provide unaudited financial information by the required time, and shall provide audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available.

(ii) If the Issuer changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet website or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(c) Event Notices.

(i) The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Certificates, if such event is material within the meaning of the federal securities laws:

1. Non-payment related defaults;
2. Modifications to rights of Certificateholders;
3. Certificate calls;
4. Release, substitution, or sale of property securing repayment of the Certificates;
5. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
6. Appointment of a successor or additional trustee or the change of name of a trustee.

(ii) The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Certificates, without regard to whether such event is considered material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other

material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;

6. Tender offers;
7. Defeasances;
8. Rating changes; and
9. Bankruptcy, insolvency, receivership or similar event of an obligated person.

(iii) The Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such subsection.

(d) Limitations, Disclaimers, and Amendments.

(i) The Issuer shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Issuer remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the Issuer in any event will give notice of any deposit made in accordance with this Order or applicable law that causes Certificates no longer to be outstanding.

(ii) The provisions of this Section are for the sole benefit of the Registered Owners and beneficial owners of the Certificates, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Issuer's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

(iii) UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY CERTIFICATE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(iv) No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under this Order for purposes of any other provision of this Order. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

(v) Should the Rule be amended to obligate the Issuer to make filings with or provide notices to entities other than the MSRB, the Issuer hereby agrees to undertake such obligation with respect to the Certificates in accordance with the Rule as amended. The provisions of this Section may be amended by

the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Registered Owners and beneficial owners of the Certificates. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

Section 14. METHOD OF AMENDMENT. The Issuer hereby reserves the right to amend this Ordinance subject to the following terms and conditions, to wit:

(a) The Issuer may from time to time, without the consent of any holder, except as otherwise required by paragraph (b) below, amend or supplement this Ordinance in order to (i) cure any ambiguity, defect or omission in this Ordinance that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of this Ordinance and that shall not materially adversely affect the interests of the holders, (iv) qualify this Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under this Ordinance as shall not be inconsistent with the provisions of this Ordinance and that shall not in the opinion of the Issuer's Bond Counsel materially adversely affect the interests of the holders.

(b) Except as provided in paragraph (a) above, the holders of Certificates aggregating in principal amount 51% of the aggregate principal amount of then outstanding Certificates that are the subject of a proposed amendment shall have the right from time to time to approve any amendment hereto that may be deemed necessary or desirable by the Issuer; provided, however, that without the consent of 100% of the holders in aggregate principal amount of the then outstanding Certificates, nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Ordinance or in any of the Certificates so as to:

- (1) Make any change in the maturity of any of the outstanding Certificates;
- (2) Reduce the rate of interest borne by any of the outstanding Certificates;
- (3) Reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates;
- (4) Modify the terms of payment of principal or of interest or redemption premium on outstanding Certificates or any of them or impose any condition with respect to such payment; or

(5) Change the minimum percentage of the principal amount of any series of Certificates necessary for consent to such amendment.

(c) If at any time the Issuer shall desire to amend this Ordinance under this Section, the Issuer shall send by U.S. mail to each registered owner of the affected Certificates a copy of the proposed amendment. Such notice shall briefly set forth the nature of the proposed amendment.

(d) Whenever at any time within one year from the date of the mailing of such such notice the Issuer shall receive an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of all of the Certificates then outstanding that are required for the amendment, which instrument or instruments shall refer to the proposed amendment and that shall specifically consent to and approve such amendment, the Issuer may adopt the amendment in substantially the same form.

(e) Upon the adoption of any amendatory Ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be modified and amended in accordance with such amendatory Ordinance, and the respective rights, duties, and obligations of the Issuer and all holders of such affected Certificates shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the holder of a Certificate pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the mailing of notice as provided for in this Section, and shall be conclusive and binding upon all future holders of the same Certificate during such period. Such consent may be revoked at any time after six months from the date of mailing of said notice by the holder who gave such consent, or by a successor in title, by filing notice with the Issuer, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the affected Certificates then outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

For the purposes of establishing ownership of the Certificates, the Issuer shall rely solely upon the registration of the ownership of such Certificates on the registration books kept by the Paying Agent/Registrar.

#### Section 15. DEFAULT AND REMEDIES.

(a) Events of Default. Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any of the Certificates when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the Issuer, the failure to perform which materially, adversely affects the rights of the Registered Owners of the Certificates, including, but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Registered Owner to the Issuer.

(b) Remedies for Default.

(i) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the Issuer, or any official, officer or employee of the Issuer in their official capacity, for the purpose of protecting and enforcing the rights of the Registered Owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or



agreement contained herein, or thereby to enjoy any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies.

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Certificates then outstanding.

(c) Remedies Not Exclusive.

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Certificates or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Certificates shall not be available as a remedy under this Ordinance.

(ii) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(iii) By accepting the delivery of a Certificate authorized under this Ordinance, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Ordinance do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or trustees of the Issuer or the City Council.

(iv) None of the members of the City Council, nor any other official or officer, agent, or employee of the Issuer, shall be charged personally by the Registered Owners with any liability, or be held personally liable to the Registered Owners under any term or provision of this Ordinance, or because of any Event of Default or alleged Event of Default under this Ordinance.

Section 16. TEXAS WATER DEVELOPMENT BOARD. The provisions of this Section shall apply so long as the Certificates, or any of them, are owned by the Texas Water Development Board.

(a) Covenant to Abide with Rules and Regulations. The Issuer will abide with all applicable federal laws, rules and regulations, laws of the State of Texas and rules and regulations of the Texas Water Development Board relating to the loan of funds evidenced by the Certificates and the project for which the Certificates are issued, sold and delivered.

(b) Annual Audit Reporting. The Issuer shall have an annual audit prepared in accordance with generally accepted accounting practices and shall provide to the Executive Administrator of the Texas Water Development Board, without the necessity of a written request therefor and without charge, a copy of the annual audit report within 180 days of the close of each Issuer fiscal year. In addition, monthly operating statements for the System shall be maintained by the Issuer and made available, on request, to the Texas Water Development Board as long as the State of Texas owns any of the Certificates, and the monthly operating statement shall be in such detail as requested by the Development Fund Manager of the Texas Water Development Board until this requirement is waived thereby. The Issuer covenants that proceeds of the Certificates shall remain separate and distinct from other sources of funding from the date of the Texas Water Development Board commitment through costing and final disbursement.

(c) Final Accounting. Upon completion of the project to be financed with the proceeds of the Certificates, the Issuer shall render a final accounting of the cost of such project to the Texas Water Development Board, together with a copy of "as built" plans of such improvements and extensions upon completion. If the total cost of such project, as finally completed, is less than originally estimated, so that the proper share of the participation by the Texas Water Development Board in such project is reduced, any surplus proceeds from the

Certificates remaining after completion of the project shall be used for the following purposes as approved by the Executive Administrator: (1) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Certificates owned by the Texas Water Development Board; or (2) eligible project costs as authorized by the Executive Administrator.

(d) Defeasance. Should the Issuer exercise its right hereunder to effect the defeasance of the Certificates, the Issuer agrees that it will provide the Texas Water Development Board with written notice of any such defeasance.

(e) Prohibition on Use of Proceeds. The Issuer covenants and agrees that none of the proceeds of the Certificates will be expended on costs incurred or to be incurred relating to the sampling, testing, removing or disposing of potentially contaminated soils and/or media at the project site.

(f) Indemnification. The Issuer further agrees, to the extent permitted by law, to indemnify, hold harmless and protect the Texas Water Development Board from any and all claims or causes of action arising from the sampling, analysis, transport, storage, treatment, removal and off-site disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Issuer, its contractors, consultants, agents, officials and employees as a result of activities relating to the Project.

(g) Environmental Determination. In connection with the project financed with the Certificates, the Issuer agrees to implement any environmental determination issued by the Executive Administrator of the Texas Water Development Board to satisfy the environmental review requirements set forth in 31 Texas Administrative Code 371.

(h) Insurance. The Issuer agrees to maintain casualty and other insurance on the Issuer's water system of a kind and in an amount customarily carried by municipal corporations owning and operating similar properties and in an amount sufficient to protect the interests of the Texas Water Development Board in the Project.

(i) Water Conservation Program. The Issuer has adopted and implemented or will adopt and implement an approved water conservation program in accordance with 31 TAC 363.42.

(j) No Purchase of Texas Water Development Board Bonds. The Issuer agrees that it, nor any related party to the Issuer, will not purchase, as an investment or otherwise, bonds issued by the Texas Water Development Board including, without limitation, bonds issued by the Texas Water Development Board, the proceeds of which were used by the Texas Water Development Board to purchase the Certificates.

(k) Compliance with Federal Contracting Law. The Issuer acknowledges that it has a legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises.

(l) Compliance with State Contracting Law. The Issuer acknowledges that it has a legal obligation to comply with any applicable requirements of State law relating to contracting with historically underutilized businesses, and will report to TWDB the amount of Project Funds, if any, used to compensate historically underutilized businesses, in accordance with 31 TAC Sec. 363.1312.

#### Section 17. ESCROW AGREEMENT AND ESCROW FUND.

(a) The Escrow Agreement between the Issuer and the escrow agent named therein (the "Escrow Agent") substantially in the form and content presented at this meeting, specifying the duties and responsibilities of the Issuer and the Escrow Agent, and creating the escrow fund ("the "Escrow Fund"), is hereby approved and the Mayor is hereby authorized and directed to execute the Escrow Agreement on behalf of the Issuer. The Escrow

Agent named in the Escrow Agreement is hereby appointed as the Escrow Agent pursuant to such Escrow Agreement.

(b) On the closing date, the Issuer shall cause the proceeds from the sale of the Certificates to be deposited into the Escrow Fund or, if agreed to by the Texas Water Development Board, all or a portion of the proceeds of the Certificates may be deposited into the Construction Fund or as otherwise directed by the Issuer and the Texas Water Development Board.

(c) Funds shall not be released from the Escrow Fund without written approval by the Executive Administrator of the Texas Water Development Board. Except as provided in Section 16(d), moneys disbursed from the Escrow Fund shall be credit to the Construction Fund created by Section 12 hereof and shall be applied only for the payment of costs of the Project.

(d) The security for, and the investment of, funds on deposit in the Escrow Fund shall be governed by the provisions of the Escrow Agreement.

Section 18 APPROPRIATION. To pay the debt service coming due on the Certificates, if any, prior to receipt of the taxes levied to pay such debt service, there is hereby appropriated from current funds on hand, which are hereby certified to be on hand and available for such purpose, an amount sufficient to pay such debt service, and such amount shall be used for no other purpose.

Section 19. SEVERABILITY. If any section, article, paragraph, sentence, clause, phrase or word in this Ordinance, or application thereof to any persons or circumstances is held invalid or unconstitutional by a court of competent jurisdiction, such holding shall not affect the validity of the remaining portion of this Ordinance, despite such invalidity, which remaining portions shall remain in full force and effect.

Section 20. NO PERSONAL LIABILITY. No recourse shall be had for payment of the principal of or interest on any Certificates or for any claim based thereon, or on this Ordinance, against any official or employee of the Issuer or any person executing any Certificate.

Section 21. IMMEDIATE EFFECTIVE DATE. This Ordinance shall take effect and be in force immediately upon and after its adoption by the City Council in accordance with the provisions of Section 1201.028, Texas Government Code and the provisions of the City Charter of the Issuer, and it is accordingly so ordained.

[Execution page follows]

DULY PASSED AND APPROVED by the City Council of the City of Keller, Texas, on the \_\_\_\_\_ 3<sup>rd</sup> day of May, 2016.

\_\_\_\_\_  
Mayor, City of Keller, Texas

\_\_\_\_\_  
City Secretary, City of Keller, Texas

[CITY SEAL]

EXHIBIT A

**Annual Financial Statements and Operating Data**

The following information is referred to in Section 13(b) of this Ordinance:

1. Annual Financial Statements and Operating Data. The financial information and operating data with respect to the Issuer to be provided in accordance with such Section the following: the annual audit.

2. Accounting Principles. The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph 1 above.

PRIVATE PLACEMENT MEMORANDUM DATED \_\_\_\_\_, 2016

NEW ISSUE BOOK-ENTRY-ONLY

On the date of initial delivery of the Obligations (defined below), Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.

**\$4,060,000**

**CITY OF KELLER, TEXAS**

**COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2016**

**(the "Obligations")**

**Dated: December 1, 2016**

**Due: February 15**

Interest Date: Interest on the Obligations will be payable on February 15 and August each year, commencing February 15, 2017 (each an "Interest Payment Date"). The Obligations will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

Record Date: The close of business on the last business day of the preceding month immediately preceding the applicable Interest Payment Date, commencing February 15, 2017.

Date Interest Accrues: Each Obligation shall bear interest from the Delivery Date thereof or the most recent Interest Payment Date to which interest has been paid or provided for at the rate set forth, such interest payable semiannually on February 15 and August 15 of each year until the earliest of maturity or prior redemption, commencing on February 15, 2017.

Redemption: The Obligations are subject to redemption prior to maturity as provided herein. See "THE OBLIGATIONS - Redemption Provisions" herein.

Authorized Denominations: The Obligations are being issued as fully registered obligations in denominations of \$5,000, or any integral multiple thereof.

Paying Agent/Registrar/Registrar: The paying agent ("Paying Agent/Registrar/Registrar") for the Obligations is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

Book-Entry-Only System: Upon initial issuance, the ownership of the Obligations will be registered in the registration books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") to which principal, redemption premium, if any, and interest payments on the Obligations will be made. The purchasers of the Obligations will not receive physical delivery of security certificates. Principal of, interest, and premium if any, on the Obligations will be payable at the designated office of the Paying Agent/Registrar in Dallas, Texas as the same become due and payable.

Issuer: CITY OF KELLER, TEXAS

Official Action: ORDINANCE dated \_\_\_\_\_, 2016.

Purpose: See "APPENDIX B - OFFICIAL ACTION."

Security for the Obligations: See "APPENDIX B - OFFICIAL ACTION."

Ratings: See "OTHER INFORMATION - Ratings"

Delivery Date: \_\_\_\_\_, 2016.

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See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts, Maturities, Interest Rates, Prices or Yields, and CUSIP Numbers

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**CITY OF KELLER, TEXAS**

**ELECTED OFFICIALS**

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Mark Mathews Mayor	2 Years	May, 2017	Business Owner - Specialized Packing and Crating
Debbie Bryan Councilmember, Place 1	3 Years	May, 2018	Homemaker
Armin Mizani Councilmember, Place 2	1 1/2 Years	May, 2018	Attorney
Tom Cawthra Councilmember, Place 3	8 Years	May, 2016	Marketing/Teaching
Bill Dodge Councilmember, Place 4	4 Years	May, 2016	Builder/Developer
Bill Hodnett Councilmember, Place 5	2 Years	May, 2017	Retired Business Executive
Rick Barnes Councilmember, Place 6	2 Years	May, 2017	Higher Education-Focused Speaker/ Consultant/Business Coach

**SELECTED ADMINISTRATIVE STAFF**

<u>Name</u>	<u>Position</u>	<u>Length of Service With City</u>
Mark Hafner	City Manager	15 Years
Aaron Rector	Director of Finance	2 Months
Pamela McGee	Assistant Finance Director	23 Years
Sheila Stephens	City Secretary	41 Years

**INDEPENDENT AUDITORS, CONSULTANTS AND ADVISORS**

Certified Public Accountants .....	Pattillo, Brown & Hill, L.L.P. Waco, Texas
Bond Counsel.....	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor.....	FirstSouthwest, a Division of Hilltop Securities Inc. Fort Worth, Texas
City Attorney .....	Boyle & Lowry, L.L.P. Irving, Texas

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**Private Placement Memorandum  
relating to**

**\$4,060,000**

**CITY OF KELLER, TEXAS  
COMBINATION TAX AND SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2016  
(the "Obligations")**

**INTRODUCTION**

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Issuer, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the "Obligations" pursuant to the Official Action. Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Official Action. See "APPENDIX B – "FORM OF OFFICIAL ACTION" attached hereto.

APPENDIX A contains the maturity schedule for the Obligations. APPENDIX B contains the Official Action and a description of the purpose for the proceeds of the Obligations. APPENDIX C contains a copy of the proposed opinion of Bond Counsel with respect to the Obligations. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

**THE OBLIGATIONS**

**General Description**

The Obligations are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature and be subject to redemption prior to maturity as described therein. The Obligations are being issued as fully registered certificates in denominations of \$5,000, or any integral multiple thereof. The Obligations will be dated December 1, 2016 and will mature on the dates referenced thereon, and will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

Interest on the Obligations is payable semiannually on each Interest Payment Date, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and the redemption price with respect to the Obligations will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Obligations, all payments will be made as described under "THE OBLIGATIONS - Book-Entry-Only System" herein.

**Purpose**

See "APPENDIX B - FORM OF OFFICIAL ACTION."

**Authority for Issuance**

The Obligations are issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, and the Official Action adopted by the Issuer.

**Security for the Obligations**

See "APPENDIX B - FORM OF OFFICIAL ACTION."

## **Redemption Provisions**

The Obligations maturing on and after February 15, 2027, are subject to redemption prior to maturity, at the option of the Issuer, in whole or in part (in inverse order of maturity if less than all) in principal amounts of \$5,000 or any integral multiple thereof (and if within a stated maturity by lot by the Paying Agent/Registrar) on February 15, 2026, or on any date thereafter, at par plus accrued interest to the date fixed for redemption.

## **Notice of Redemption; Selection of Obligations to Be Redeemed**

See "APPENDIX B - FORM OF OFFICIAL ACTION."

The Paying Agent/Registrar, so long as a Book-Entry-Only System is used for the Obligations, will send any notice of redemption of the Obligations, notice of proposed amendment to the ordinance authorizing the issuance of the Obligations or other notices with respect to the Obligations only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Obligations called for redemption or any other action premised on any such notice. Redemption of portions of the Obligations by the Issuer will reduce the outstanding principal amount of such Obligations held by DTC.

## **Book-Entry-Only System**

*The information in this caption concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book entry system has been obtained from DTC and the Issuer makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.*

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Obligations and deposited with DTC. See APPENDIX B - "FORM OF OFFICIAL ACTION."

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearance Corporation, and Fixed Income Clearance Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's a rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Obligations representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Obligations held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Obligations are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Obligations will be printed and delivered to DTC.

## TAX MATTERS

### Opinion

Bond Counsel will deliver its opinion on the date of delivery of the Obligations substantially in the form as attached in "APPENDIX C - FORM OF OPINION OF BOND COUNSEL."

## OTHER INFORMATION

### Settlement of Purchase of Obligations

The Issuer intends for the delivery of the Obligations to be facilitated through the book-entry-only system of DTC. See "THE OBLIGATIONS - Book-Entry-Only System". In connection with the delivery of the Obligations, a settlement agent may be used to effect the delivery of the Obligations. If such a settlement agent is used, such settlement agent (i) is being used solely to facilitate book-entry delivery of the Obligations, (ii) will be acting solely as a "Clearing DTC Participant" and not as an "underwriter" (each as defined in Section 2(a)(1) of the U.S. Securities Act of 1933, as amended, (iii) is not acting as a fiduciary or municipal advisor to the Issuer with regard to the Obligations and, accordingly, has no fiduciary duty to the Issuer under Federal or state securities laws, and therefore is not required by federal or state law to act in the best interests of the Issuer, (iv) in providing information to the Issuer, is not providing "advice" with the meaning of Section 15B of the Securities Exchange Act of 1934, as amended, and that the information provided has not been relied on by either the Issuer in the issuance of the Obligations and (v) has not provided any legal, accounting, regulatory or tax advice to the Issuer.

### Forward Looking Statements

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Obligations have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

### Ratings

The existing outstanding general obligation debt of the Issuer is rated "Aa1" by Moody's Investors Service Inc. and "AAA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organization and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Obligations. **No application has been made to any ratings agency or municipal bond insurance company for qualification of the Obligations for ratings or municipal bond insurance, respectively.**

## LITIGATION

### General

On the date of delivery of the Obligations to the initial purchasers thereof, the Issuer will execute and deliver a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Obligations or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Obligations.

**The Issuer**

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Issuer, threatened) that adversely affects the power, authority or obligation of the Issuer to deliver the Obligations, the security for, or the validity of, the Obligations or the financial condition of the Issuer.

**CONTINUING DISCLOSURE OF INFORMATION**

In the Official Action, the Issuer has made a continuing disclosure agreement for the benefit of the holders and beneficial owners of the Obligations. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board as further described in the Official Action attached hereto as Appendix B.

**Compliance with Prior Undertakings**

During the last five years, the Issuer has complied in all material respects with its continuing disclosure agreements entered into in accordance with the Rule.

**MISCELLANEOUS**

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Obligations.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the Obligations referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose.

**ADDITIONAL INFORMATION**

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Obligations and the Official Action and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete.

**APPENDIX A**

**MATURITY SCHEDULE**

CUSIP Prefix<sup>(1)</sup>: 487684

<u>Principal Amount</u>	<u>Maturity 15-Feb</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix<sup>(1)</sup></u>	<u>Principal Amount</u>	<u>Maturity 15-Feb</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix<sup>(1)</sup></u>
\$ 195,000	2017				\$ 200,000	2027			
175,000	2018				205,000	2028			
180,000	2019				205,000	2029			
180,000	2020				210,000	2030			
180,000	2021				215,000	2031			
185,000	2022				220,000	2032			
185,000	2023				230,000	2033			
190,000	2024				235,000	2034			
190,000	2025				240,000	2035			
195,000	2026				245,000	2036			

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the Issuer nor the Financial Advisor take any responsibility for the accuracy of CUSIP numbers.

**APPENDIX B**  
**FORM OF OFFICIAL ACTION**

**APPENDIX C**  
**FORM OF OPINION OF BOND COUNSEL**

Project Location



County: Tarrant

Primary: Y

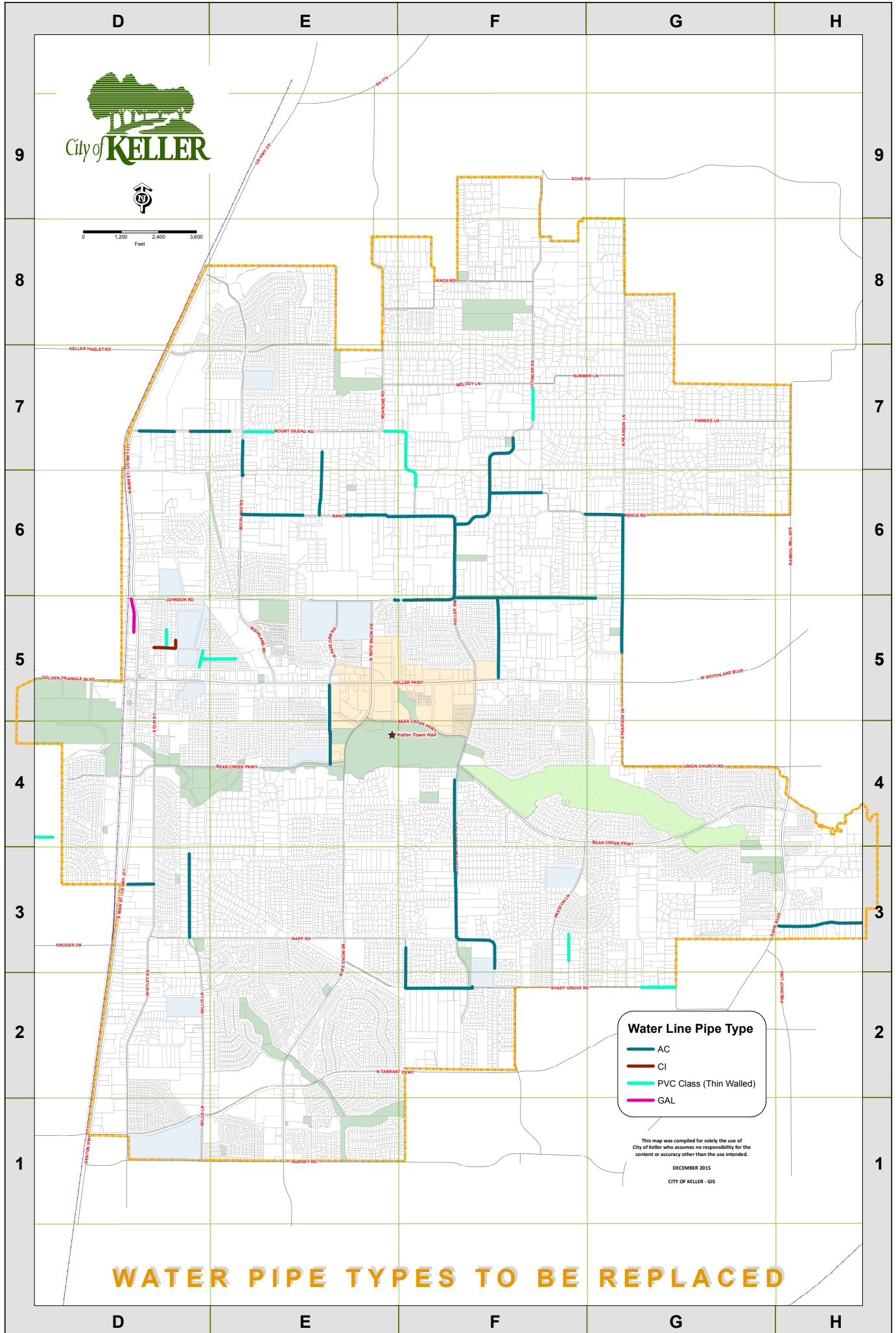
Can you locate your project to a specific address?: N

Project Address:

Project City:

Project State: TX

Project ZIP:



**Water Line Pipe Type**

- AC
- CI
- PVC Class (Thin Walled)
- GAL

This map was compiled for solely the use of City of Keller who assumes no responsibility for the content or accuracy other than the use intended.  
 DECEMBER 2015  
 CITY OF KELLER - GIS

# WATER PIPE TYPES TO BE REPLACED

# Project Schedule

- a) Requested loan closing date: 11-30-2016
- b) Estimated date to submit environmental planning documents.: 05-31-2016
- c) Estimated date to submit engineering planning documents.: 01-31-2017
- d) Estimated date for completion of design.: 06-30-2019
- e) Estimated Construction start date for first contract.: 01-31-2018
- f) Estimated Construction end date for last contract: 12-31-2022

**Table 5D.333, 2016 State Water Plan  
 Projected Population and Demand, Current Supplies,  
 And Water Management Strategies for the City of Keller**

	Projected Population and Demand					
Values in Ac-Ft/Yr	2020	2030	2040	2050	2060	2070
Projected Population	47,663	51,310	51,310	51,310	51,310	51,310
Projected Water Demand						
Municipal Demand	12,182	12,981	12,906	12,682	12,847	12,846

PROJECT BUDGET - Entity Name: City of Keller						
Uses	TWDB Funds Series 1	TWDB Funds Series 2	TWDB Funds Series 3	Total TWDB Cost	Other Funds	Total Cost
<b>Construction</b>						
Construction	\$3,600,000	\$3,600,000	\$3,600,000	\$10,800,000	\$0	\$10,800,000
<b>Subtotal Construction</b>	<b>\$3,600,000</b>	<b>\$3,600,000</b>	<b>\$3,600,000</b>	<b>\$10,800,000</b>	<b>\$0</b>	<b>\$10,800,000</b>
<b>Basic Engineering Fees</b>						
Planning +	\$0	\$0	\$0	\$0	\$0	\$0
Design	\$400,000	\$400,000	\$400,000	\$1,200,000	\$0	\$1,200,000
Construction Engineering	\$0	\$0	\$0	\$0	\$0	\$0
<b>Basic Engineering Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Basic Engineering Fees</b>	<b>\$400,000</b>	<b>\$400,000</b>	<b>\$400,000</b>	<b>\$1,200,000</b>	<b>\$0</b>	<b>\$1,200,000</b>
<b>Special Services</b>						
Application	\$0	\$0	\$0	\$0	\$0	\$0
Environmental	\$0	\$0	\$0	\$0	\$0	\$0
Water Conservation Plan	\$0	\$0	\$0	\$0	\$0	\$0
I/I Studies/Sewer	\$0	\$0	\$0	\$0	\$0	\$0
Surveying	\$0	\$0	\$0	\$0	\$0	\$0
Geotechnical	\$0	\$0	\$0	\$0	\$0	\$0
Testing	\$0	\$0	\$0	\$0	\$0	\$0
Permits	\$0	\$0	\$0	\$0	\$0	\$0
Inspection	\$0	\$0	\$0	\$0	\$0	\$0
O&M Manual	\$0	\$0	\$0	\$0	\$0	\$0
Project Management (by engineer)	\$0	\$0	\$0	\$0	\$0	\$0
Pilot Testing	\$0	\$0	\$0	\$0	\$0	\$0
Water Distribution	\$0	\$0	\$0	\$0	\$0	\$0
<b>Special Services Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Special Services</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Other</b>						
Administration	\$0	\$0	\$0	\$0	\$1,000,000	\$1,000,000
Land/Easements	\$0	\$0	\$0	\$0	\$0	\$0
Water Rights Purchase (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Capacity Buy-In (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Project Legal Expenses	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Other Services</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>
<b>Fiscal Services</b>						
Financial Advisor	\$60,000	\$60,000	\$60,000	\$180,000	\$0	\$180,000
Bond Counsel	\$0	\$0	\$0	\$0	\$0	\$0
Issuance Cost	\$0	\$0	\$0	\$0	\$0	\$0
Bond Insurance/Surety	\$0	\$0	\$0	\$0	\$0	\$0
Fiscal/Legal	\$0	\$0	\$0	\$0	\$0	\$0
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Bond Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0
Loan Origination Fee	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Fiscal Services</b>	<b>\$60,000</b>	<b>\$60,000</b>	<b>\$60,000</b>	<b>\$180,000</b>	<b>\$0</b>	<b>\$180,000</b>
<b>Contingency</b>						
Contingency	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Contingency</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL COSTS</b>	<b>\$4,060,000</b>	<b>\$4,060,000</b>	<b>\$4,060,000</b>	<b>\$12,180,000</b>	<b>\$1,000,000</b>	<b>\$13,180,000</b>

**Other \*\* description must be entered**

+ For Planning applications under the EDAP Program, please break down Planning costs as follows:

Category A			0
Category B			0
Category C			0
Category D			0
<b>Total Planning Costs</b>		0	0

Texas Water Development Board Water Project Information							
A. Project Name Keller-Water Loss Control		B. Project No.		C. County Tarrant		D. Regional Planning Group (A-P)	
E. Program(s) SWIFT		F. Loan x : \$ 12,180,000 Loan Forgiveness <input type="checkbox"/> : \$ _____ Grant <input type="checkbox"/> : \$ _____		G. Loan Term: 20 Year		C	
H. Water Project Description: (Multiphase project, new or expansion; plant, well, storage, pump station, distribution system, etc.)  The City of Keller would like to undertake the Enhanced Water Loss Control and Conservation Program to reduce water loss through leaks, pipe breaks and service lines. The City's water distribution system consists of 200 miles of 2" to 12" water distribution piping. Approximately 5 percent of the distribution system is composed of asbestos cement pipe more than 40 years old. These older pipes prove problematic in that the City is experiencing more and more leaks and pipe breakages. Current water loss audits show the City's unaccounted for water loss is at an unacceptable level and will likely increase unless this project is undertaken. It is the City's intent to replace approximately 12 miles of deficient system pipe and approximately 1,600 deficient water services. Estimated total cost of improvements is \$13,160,000.							
I. Is an Inter Basin Transfer potentially involved? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				J. Is project located in a Groundwater District (If yes, identify District by name)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>			
K. Service Area Projected Population for at least a 20 year period: (if different from Planning Area, discuss in separate attachment)	Current Population		Projected Population				
	Year:	2016	2020	2025	2030	2035	2040
	Population:	42,000	47,663	51,310	51,310	51,310	51,310
Project Design Year: (Year for which project will be sized)		2016		Design Population: (Population served by project on the design year)		42,000	
L. Is the proposed project included in a current Regional Water Plan? Yes <input type="checkbox"/> No <input type="checkbox"/> Don't Know <input type="checkbox"/> (If Yes, please specify on what page in the Regional Water Plan - Regional Water Plan Page Number: _____)							
M. What type of water source is associated directly with the proposed project? Surface Water <input checked="" type="checkbox"/> Groundwater <input type="checkbox"/> Reuse <input type="checkbox"/>							
N. Will the project increase the volume of water supply? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>							
O. What volume of water is the project anticipated to deliver/treat per year? 514 _____ Acre-Feet/Year							
P. Current Water Supply Information							
Surface Water Supply Source / Provider Names City of Fort Worth		Certificate No. 12311		Source County Tarrant, Wise, Navarro, Freestone		Annual Volume and Unit 2,778,921,561 gal	
Groundwater Source Aquifer N/A		Well Field location N/A		Source County N/A		Annual Volume and Unit N/A	
Q. Proposed Water Supply Associated Directly with the Proposed Project							
Surface Water Supply Source / Provider Names		Certificate No.		Source County		Annual Volume and Unit	
Groundwater Source Aquifer N/A		Well Field location: N/A		Source County N/A		Annual Volume and Unit N/A	
R. Consulting Engineer Name William Moriarty				Telephone No. 512-422-3731		E-mail address wmoriarty@kingengineering.com	
S. Applicant Contact Name, Title Keith Fisher, Public Works Director				Telephone No. (817) 743-4082		E-mail address kfisher@cityofkeller.com	

# Property Rights

a) Does the applicant currently own all the property rights, groundwater permits and surface water rights needed for this project?:

b) If all property rights, groundwater permits, and surface water rights, needed for this project have not yet been acquired, identify the rights and/or permits that will need to be acquired and provide the anticipated date by which the applicant expects to have acquired such rights and/or permits.

Type of Permit Water Right	Entity from which the right must be acquired	Acquired by lease or full ownership	Expected acquisition date	Permit / Water Right ID No.
-------------------------------	--	--	------------------------------	--------------------------------

# Permits & Easements

Are any major permits necessary for completion of the project?: N

Has the applicant obtained all necessary land and easements for the project?: Y

STATE OF TEXAS  
COUNTY OF Tarrant

**SITE CERTIFICATE**

Before me, the undersigned notary, on this day personally appeared Keith Fisher, a person whose identity is known to me or who has presented to me a satisfactory proof of identity. After I administered an oath, this person swore to the following:

- (1) My name is Keith Fisher, P.E. I am over 18 years of age and I am of sound mind, and capable of swearing to the facts contained in this Site Certificate. The facts stated in this certificate are within my personal knowledge and are true and correct.
- (2) I am an authorized representative of the City of Keller; an entity that has filed an application for financial assistance with the Texas Water Development Board for a (water) (wastewater) project.

**LEGAL CERTIFICATION – OWNERSHIP INTEREST**

This is to certify that City of Keller  
*(Legal Name of Applicant, i.e., City, District, etc)*

The Keller project involves replacement of old and leaking water mains and water services that exist within the public right of way. The plan is to replace them with new, like sized mains or services within the current right of way, with the following exception. Where the existing mains are less than 8" in diameter, (the City's current minimum size), those mains will be replaced with new 8" diameter water mains, within the existing right of way. Therefore there would be no need for land acquisition.

The City of Keller, Texas

Any deeds or other instruments required to be recorded to protect the title(s) held by

The City of Keller, Texas

have recorded or filed for the record in the County deed records or other required location.



**LEGAL CERTIFICATION – LEASE/CONTRACT**

In the alternative, I certify that \_\_\_\_\_  
(Legal Name of Applicant, i.e., City, District, etc.)  
has executed a written lease or other contractual agreement to use the property needed for this  
(water) (wastewater) project that extends through \_\_\_\_\_, the life of the Texas Water  
Development Board loan or grant that will be used to finance this project, either in whole or in  
part. A copy of this lease or agreement is attached hereto.

**LEGAL CERTIFICATION – PROPERTY EASEMENT**

In the alternative, I certify that \_\_\_\_\_  
(Legal Name of Applicant, i.e., City, District, etc.)  
has executed an express easement to use the property needed for this (water) (wastewater)  
project that extends through \_\_\_\_\_, the life of the Texas Water Development Board loan or grant  
that will be used to finance this project, either in whole or in part. A copy of the express  
easement agreement is attached hereto.

EXECUTED this 6 day of MAY, 2016.

Keith Fisher  
(Signature)  
Keith Fisher, P.E.  
(Print Name)  
Director of Public Works  
(Title)

Sworn to and subscribed before me by Keith Fisher on 6, 2016.



[Signature]  
Notary Public in and for the State of Texas  
My Commission expires: 4/9/17

[SEAL]

# Environmental Determination

Has a Categorical Exclusion (CE), Determination of No Effect, Finding of No Significant Impact (FONSI), Record of Decision (ROD), or any other environmental determination been issued for this project?: N

## CE/DNE

Is the project potentially eligible for a CE/ Determination of No Effect (DNE) because it involves only minor rehabilitation or the functional replacement of existing equipment?: Y

## Adverse Environmental/Social Impacts

Are there potentially adverse environmental or social impacts that may require mitigation or extensive regulatory agency or public coordination (e.g. known impacts to properties eligible for listing on the National Register of Historic Places; potentially significant public controversy; need for an individual permit from the U.S. Army Corps of Engineers)?: N

# Associated PIF(s)

PIF number(s):

There are no associated PIFs.

# Additional Attachments

The following documents are attached after this page:

PW-Water Map 24x36.pdf

PW-FloodMap\_36x48.pdf

PW-CensusTracts2016.pdf

topo.pdf

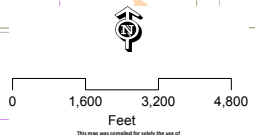
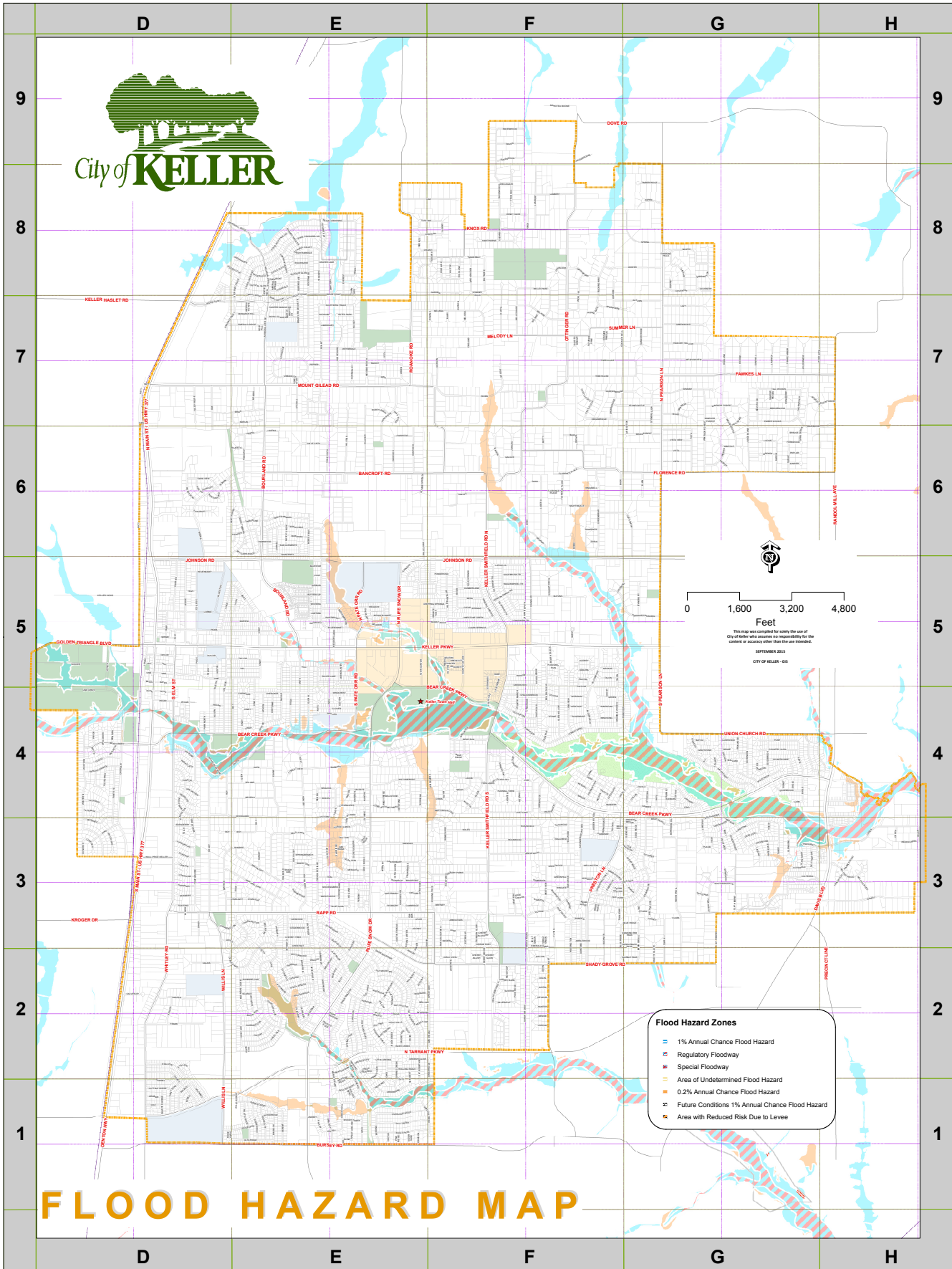
Keller Engineering Feasibility Report 1.2.pdf

Census Tracts 2016.pdf

Request for CE 5\_7\_16 Final.pdf

Attachment Explanation The City of Keller is not rated by Fitch.pdf





This map was compiled for public use of the City of Keller and assumes no responsibility for the content or accuracy other than the date shown.

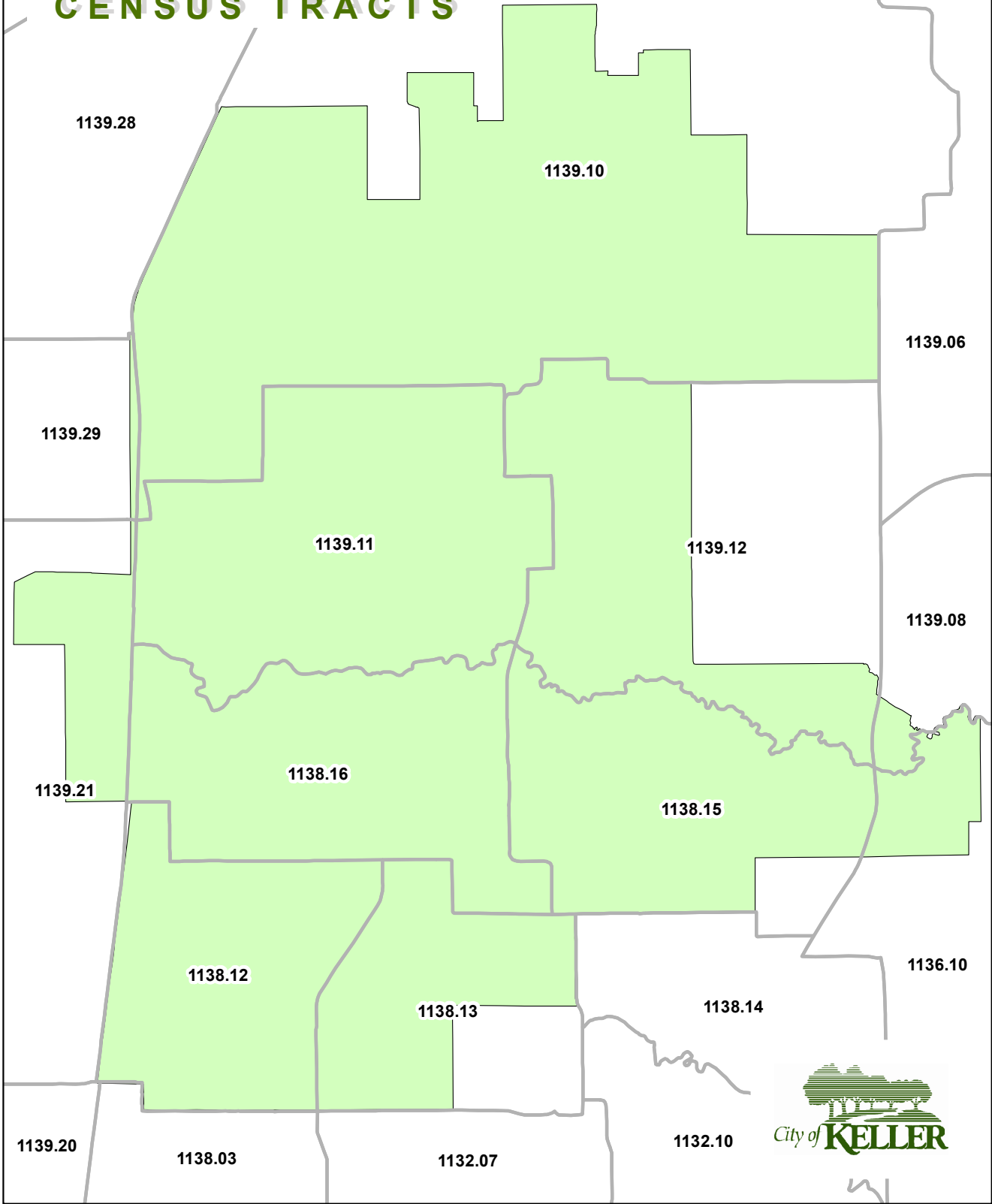
SEPTEMBER 2015

CITY OF KELLER - GIS

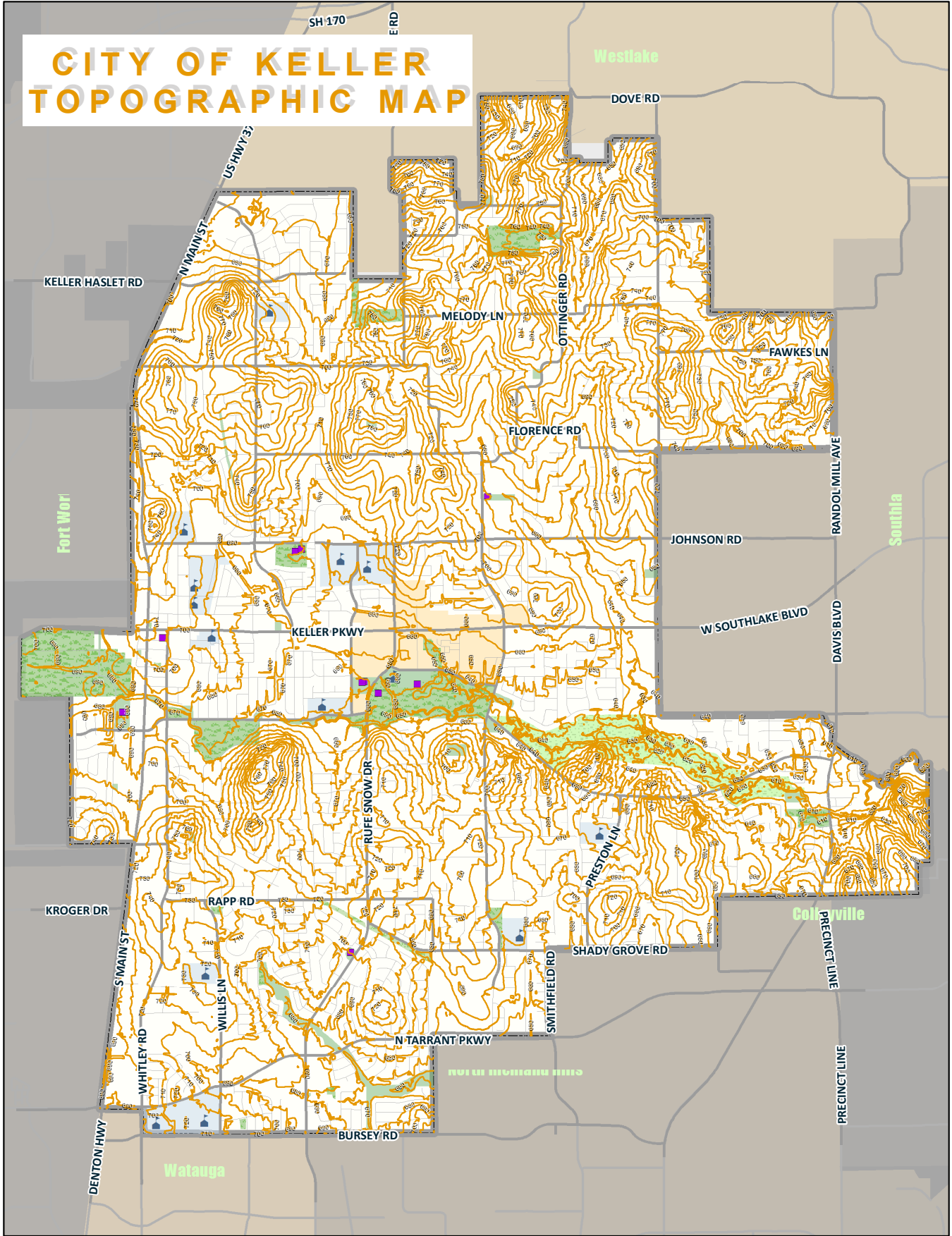
- Flood Hazard Zones**
- 1% Annual Chance Flood Hazard
  - Regulatory Floodway
  - Special Floodway
  - Area of Undetermined Flood Hazard
  - 0.2% Annual Chance Flood Hazard
  - Future Conditions 1% Annual Chance Flood Hazard
  - Area with Reduced Risk Due to Levee

# FLOOD HAZARD MAP

# CITY OF KELLER CENSUS TRACTS



# CITY OF KELLER TOPOGRAPHIC MAP





ENGINEERING FEASIBILITY REPORT  
CITY OF KELLER  
APPLICATION FOR SWIFT FUNDING  
MAY 2016



TOM HOOVER, PE, PO BOX 1808, KELLER TX 76244  
OFFICE: 817-913-1350



**King**  
ENGINEERING ASSOCIATES, INC.

WILLIAM MORIARTY, PE, KING ENGINEERING ASSOCIATES, INC.  
1250 CAPITAL OF TEXAS HWY SOUTH,  
BLDG 3, SUITE 400, AUSTIN TX 78746 OFFICE: 512-462-4921

## Background

The City of Keller can proudly trace its beginning to the early pioneer settlement of related families who migrated to the area from Missouri in 1847 (the Peters Colony). The settlement was eventually platted as Athol. The oldest cemetery in the community is the Mt. Gilead Cemetery which was conveyed from early settlers to the Mt. Gilead Baptist Church in 1851. The earliest marked gravesite is for Mr. Joyce 1836-1854.

When the railroad decided to make a stop at the Town of Athol, the new name of Keller was selected by the residents. This name change was to honor the decision of John C. Keller of the Texas Pacific Railroad. This change occurred in 1882. With the railroad service readily available, the City began to expand and prosper.

The original water supply serving the area was limited to private wells and cisterns. The water well used by most visitors to the business district was located on Vine Street. Local folklore has it that the local business men joined together to extend a water main to other businesses to facilitate commerce.

In 1906, the decision was made to drill a new and larger well to serve the growing community. This well site was located at Main Street (U.S. 377) and Price Street (FM 1709/Keller Parkway). This location also served as the first elevated water tank site. The tank still stands but is no longer in service due to elevation/size/maintenance costs.

From 1906 until 1978, the water system for Keller was operated as a private enterprise. Water distribution system infrastructure was installed to serve the area from Interstate-35W on the west, Davis Boulevard on the east, Bursley Road on the south, and Knox Road on the north. Most of the infrastructure improvements were associated with the water mains along the existing streets and to serve residential subdivisions. The population of the City of Keller was about 4,100 in 1980.

The assets of the water purveyor were purchased by the City of Keller in late 1978. Soon after, the City issued debt and constructed the first pump station at the Alta Vista Site in conjunction with water system improvements by the City of Ft. Worth at the same location. The City of Keller also installed a 500,000 gallon elevated storage tank at Bourland Road.

In 1984, the City of Keller entered into a contract with the City of Southlake to build and operate another pump station at the City of Ft. Worth facility. This pump station conveys water purchased from Ft. Worth to separate ground water tanks for Keller and Southlake near the intersection of Pearson Lane and FM 1709.



## Description of the Existing Water Distribution System

Since 1906, the population has expanded to almost 47,000. The system has transformed from private wells and cisterns to modern elevated and ground storage tanks with the necessary high service pumping facilities required by the State. Keller's water system has been designated as Superior since 1991. A synopsis of the system components follows.

### Water Mains

There are almost 286 miles of water mains in the current distribution system owned and operated by the City of Keller. Pipe sizes range from less than 2" to 42" in diameter. A majority of the pipe materials (make up about 96%) are PVC DR18 and RCCP with AC, Thin Wall PVC (Class Pipe), Cast Iron, and Galvanized Steel making up about 4% of the system.

The growth of the area caused for the replacement of much of the infrastructure installed prior to the transfer of the system assets to Keller in 1978. However, there is a considerable amount of the old and deteriorated pipe along the rural roads that have not been improved/upgraded. These older pipes are becoming problematic and need to be replaced to enhance the water conservation measures endorsed by the City of Keller.

A map of the mains requested to be replaced is attached to this document. The lengths of the pipe is shown below:

Type of Main	Length of Main (ft.)
Asbestos Cement (AC)	47,095
Cast Iron	944
Thin Wall PVC (Class Pipe)	13,139
Galvanized Steel	1,068
<b>TOTAL</b>	<b>62,246</b>

The City of Keller has adopted ordinances and design standards that do not allow for mains to be installed in the City less than 8" in diameter. Also, the City does not allow for the pipe materials for new mains to be anything but PVC DR18 or RCCP. Therefore, this request will be to replace the pipes shown above with 8" PVC DR18 if they are less than 8" currently. Otherwise, the pipe will be replaced with like size.

### Water Services

There are almost 15,600 water services in the current City of Keller distribution system. The City allowed for the services to be installed with polybutylene in lieu of soft copper in the late 1980's when copper prices soared. Over the last several years, the polybutylene has been deteriorating

at an alarming rate. The City of Keller has adopted ordinances and design standards that do not allow for new services installed in the City to be polybutylene.

These older services are becoming problematic and need to be replaced to enhance the water conservation measures endorsed by the City of Keller. The City of Keller has been replacing about 15-20 of the polybutylene services a year. The Utility Manager for the City of Keller estimates that 1,560 of the existing water services are polybutylene and will need to be replaced. This proposed program will allow for the removal of the remaining substandard services to be replaced in a single project versus the annual replacement over the next ten years.

## Pump Stations

The City of Keller operates three high service pump stations. The oldest pump station is the Alta Vista Station. It has a rated capacity of 9,250 Gallons/Minute (GPM) and discharges into the distribution system at an operating head of 160 feet. The Alta Vista station has a Firm Capacity of 6,250 GPM. The next pump station is at the Pearson Lane Station. It has a rated capacity of 9,800 GPM and discharges into the distribution system at an operating head of 270 feet. The Pearson Lane station has a Firm Capacity of 5,000 GPM. The newest pump station is at the Katy Road Pump Station. It has a rated capacity of 5,400 GPM and discharges into the distribution system at an operating head of 75 feet. The Katy Road station has a Firm Capacity of 3,600 GPM.

## Elevated Storage Tanks

The City of Keller owns and operates three elevated storage tanks (EST). The Bourland EST built in 1978 has been removed from service. Its location and elevation were not consistent with the requirements to serve the northern portion of the Keller service area. The ESTs in operation are as follows:

- 1) Whitley EST                      Capacity of 1.5 Million Gallons
- 2) Knox EST                        Capacity of 1.5 Million Gallons
- 3) Keller Smithfield EST       Capacity of 1.0 Million Gallons

## Ground Storage Tanks

The City of Keller owns two ground storage tanks; however, Keller does not operate that GST at the Alta Vista site. Keller owns 500,000 gallons of the 5.5-Million Gallon GST. Keller owns and operates the GSTs at the Pearson Lane station. There are two GSTs at the Pearson site with a total capacity of 6 Million Gallons.

## Water Sources

The City of Keller water source has transformed from private wells and cisterns to deep water wells to water purchased from the City of Ft. Worth. The City of Keller no longer uses deep water wells for its supply. The City of Ft. Worth provides water to the City of Keller at three Points of Delivery (POD). The first POD is at the Alta Vista station. The second is at the Joint Keller/Southlake pumping facility at the Alta Vista station. The third POD is at the Katy Road station.

The City of Ft. Worth supplies Keller with water that is treated at their Eagle Mountain Water Treatment Plant and from their Rolling Hills Water Treatment Plant. The City of Keller and Ft. Worth have existing contracts for the conveyance of treated water.

## **Operational Problems of the Existing Water Distribution System**

The City of Keller records show that in the 1986 Water Distribution Master Plan for the City of Keller (1986 Plan) the average daily demand was 145 gpcd. The 1986 Plan projected the average daily demand to be 200 gpcd in 2005.

In the 2006 Water Distribution Master Plan Update for the City of Keller (2006 Plan) the average daily demand was shown to be 220 gpcd. The 2006 Plan did not anticipate an increase in the average demand at system buildout. Since the 2006 Plan, the City of Keller has been diligent with the implementation of conservation measures in accordance with the Water Conservation Plan.

The City of Keller is interested in improving their operation of the distribution system with the replacement of old deteriorating water mains. The proposed main replacements will be considered a portion of the Enhanced water loss control program for the City. This proposed main program conforms to the Region C Water Plan definition for Enhanced Water Loss Control Program in that the “replacement of water mains that are a significant source of water loss” will be accomplished upon completion. The proposed mains are generally along old rural sections of the City. The galvanized pipe is from the water system prior to purchase by the City of Keller.

The City of Keller is interested in the replacement of the leaky polybutylene water service connections. The proposed polybutylene service replacement will be considered a portion of the Enhanced water loss control program for the City. The replacement of deteriorated polybutylene services in their system will remove a significant source of water loss in the City of Keller water distribution system.

## **Proposed Project**

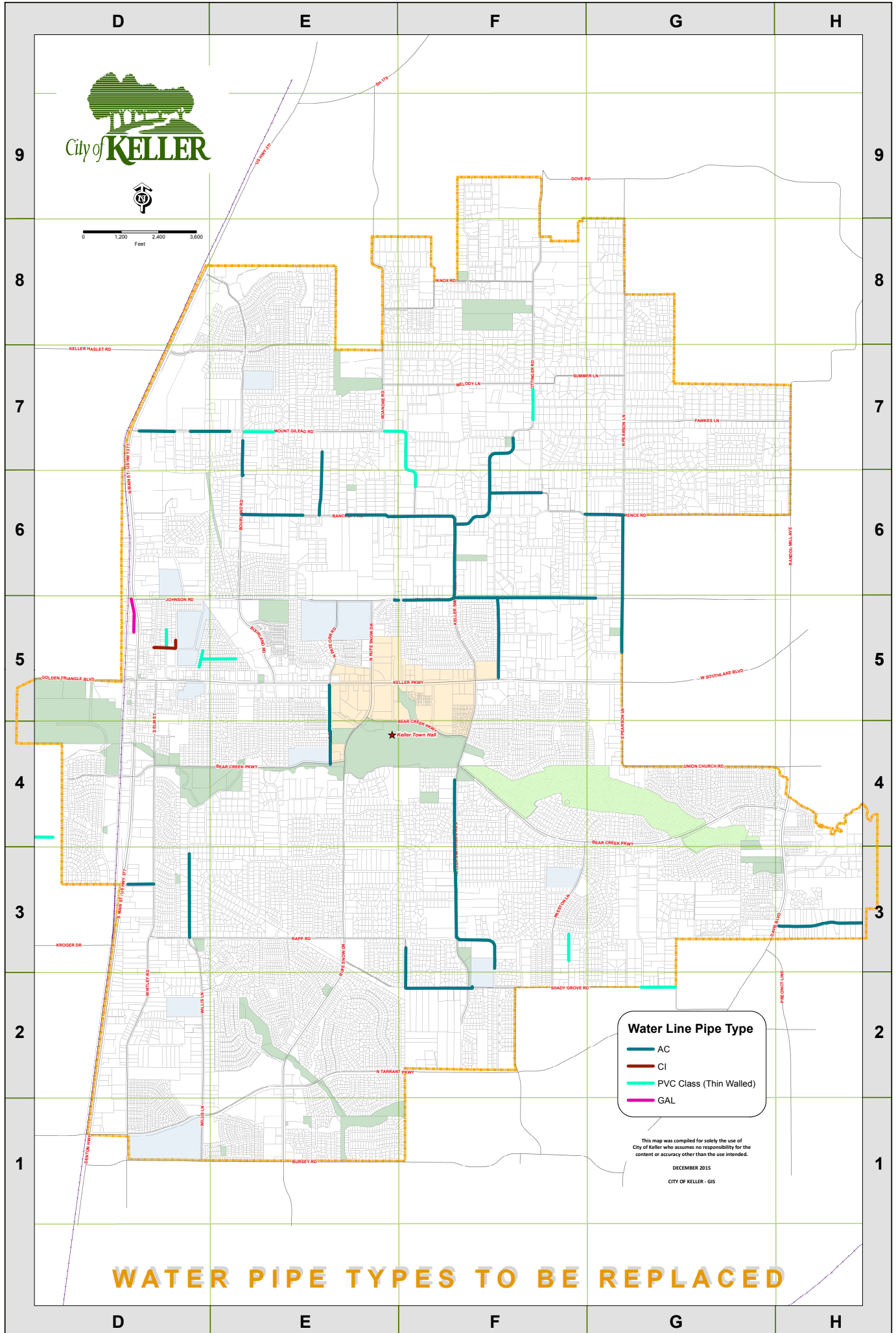
The project is needed to alleviate a serious leakage problem causing unnecessary lost water. The City of Keller has identified almost 12 miles of deficient water system pipe and approximately 1,600 deficient water services. (See attached map.) By replacing these deficient elements of the water distribution system, the City of Keller will be activating a strategy that has been included in the State Water Plan, the so called Water Loss Control and Conservation Program. Total Project Cost is estimated to be \$13,180,000 Million.

PROJECT BUDGET - Entity Name: City of Keller						
Uses	TWDB Funds Series 1	TWDB Funds Series 2	TWDB Funds Series 3	Total TWDB Cost	Other Funds	Total Cost
<b>Construction</b>						
Construction	\$3,600,000	\$3,600,000	\$3,600,000	\$10,800,000	\$0	\$10,800,000
<b>Subtotal Construction</b>	<b>\$3,600,000</b>	<b>\$3,600,000</b>	<b>\$3,600,000</b>	<b>\$10,800,000</b>	<b>\$0</b>	<b>\$10,800,000</b>
<b>Basic Engineering Fees</b>						
Planning +	\$0	\$0	\$0	\$0	\$0	\$0
Design	\$400,000	\$400,000	\$400,000	\$1,200,000	\$0	\$1,200,000
Construction Engineering	\$0	\$0	\$0	\$0	\$0	\$0
<b>Basic Engineering Other **</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Subtotal Basic Engineering Fees</b>	<b>\$400,000</b>	<b>\$400,000</b>	<b>\$400,000</b>	<b>\$1,200,000</b>	<b>\$0</b>	<b>\$1,200,000</b>
<b>Special Services</b>						
Application	\$0	\$0	\$0	\$0	\$0	\$0
Environmental	\$0	\$0	\$0	\$0	\$0	\$0
Water Conservation Plan	\$0	\$0	\$0	\$0	\$0	\$0
I/I Studies/Sewer	\$0	\$0	\$0	\$0	\$0	\$0
Surveying	\$0	\$0	\$0	\$0	\$0	\$0
Geotechnical	\$0	\$0	\$0	\$0	\$0	\$0
Testing	\$0	\$0	\$0	\$0	\$0	\$0
Permits	\$0	\$0	\$0	\$0	\$0	\$0
Inspection	\$0	\$0	\$0	\$0	\$0	\$0
O&M Manual	\$0	\$0	\$0	\$0	\$0	\$0
Project Management (by engineer)	\$0	\$0	\$0	\$0	\$0	\$0
Pilot Testing	\$0	\$0	\$0	\$0	\$0	\$0
Water Distribution	\$0	\$0	\$0	\$0	\$0	\$0
<b>Special Services Other **</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Subtotal Special Services</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Other</b>						
Administration	\$0	\$0	\$0	\$0	\$1,000,000	\$1,000,000
Land/Easements	\$0	\$0	\$0	\$0	\$0	\$0
Water Rights Purchase (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Capacity Buy-In (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Project Legal Expenses	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Subtotal Other Services</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>
<b>Fiscal Services</b>						
Financial Advisor	\$60,000	\$60,000	\$60,000	\$180,000	\$0	\$180,000
Bond Counsel	\$0	\$0	\$0	\$0	\$0	\$0
Issuance Cost	\$0	\$0	\$0	\$0	\$0	\$0
Bond Insurance/Surety	\$0	\$0	\$0	\$0	\$0	\$0
Fiscal/Legal	\$0	\$0	\$0	\$0	\$0	\$0
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Bond Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0
Loan Origination Fee	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Subtotal Fiscal Services</b>	<b>\$60,000</b>	<b>\$60,000</b>	<b>\$60,000</b>	<b>\$180,000</b>	<b>\$0</b>	<b>\$180,000</b>
<b>Contingency</b>						
Contingency	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Contingency</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL COSTS</b>	<b>\$4,060,000</b>	<b>\$4,060,000</b>	<b>\$4,060,000</b>	<b>\$12,180,000</b>	<b>\$1,000,000</b>	<b>\$13,180,000</b>

**Other \*\* description must be entered**

+ For Planning applications under the EDAP Program, please break down Planning costs as follows:

Category A				0
Category B				0
Category C				0
Category D				0
<b>Total Planning Costs</b>			0	0



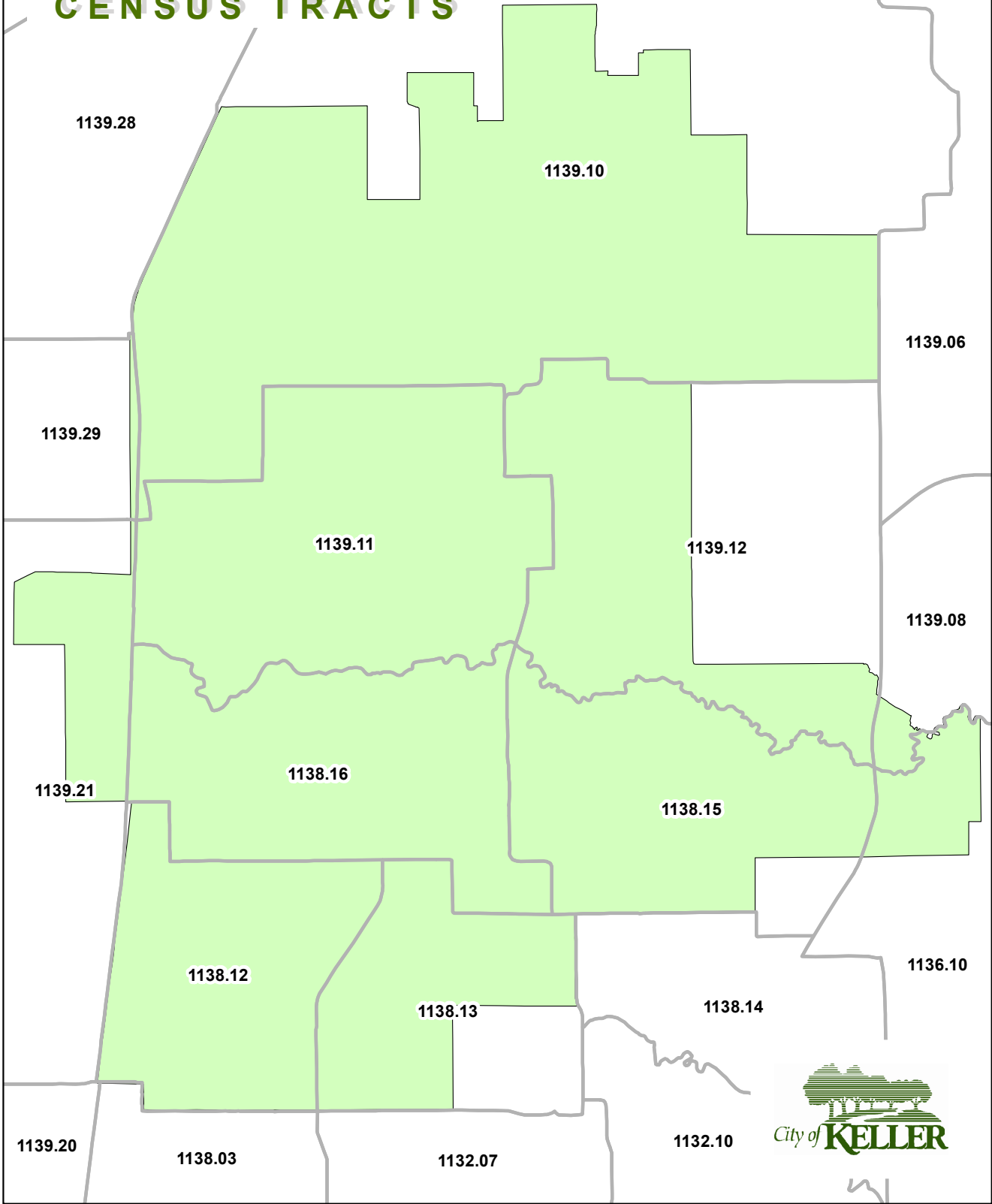
**Water Line Pipe Type**

- AC
- CI
- PVC Class (Thin Walled)
- GAL

This map was compiled for solely the use of City of Keller who assumes no responsibility for the content or accuracy other than the use intended.  
 DECEMBER 2015  
 CITY OF KELLER - GIS

# WATER PIPE TYPES TO BE REPLACED

# CITY OF KELLER CENSUS TRACTS



## **REQUEST FORM FOR CATEGORICAL EXCLUSION / DETERMINATION OF NO EFFECT**

**Applicant: City of Keller, Funding Program: SWIFT**

**Project Number: NA (will be assigned after application deemed administratively complete)**

### **What is a Categorical Exclusion?**

Categories of actions which do not individually, cumulatively over time, or in conjunction with other Federal, State, local or private actions have a significant adverse effect on the quality of the human environment may qualify for a Categorical Exclusion (CE) from a full environmental review. For a project to be eligible for a CE, it generally relates to existing infrastructure which is either (1) a sewer collection network and treatment system; (2) a system to collect, treat, store and distribute drinking water; or (3) a stormwater system (including combined sewer overflow system). A Determination of No Effect (DNE) is the state equivalent of a CE. A Determination of No Effect is issued by the Texas Water Development Board (TWDB) when a project funded through a state funding program (e.g. DFund, SWIFT, EDAP, etc.) qualifies for a Categorical Exclusion.

### **What is the purpose of this form?**

The information in this form will be used by TWDB Environmental Reviewers to determine: (1) if a project fits into one of the categories of actions that are exempt from a full environmental review, and (2) if an extraordinary circumstance associated with an individual project would disqualify the project for this type of exemption because of a significant adverse effect on the quality of the human environment.

### **Timing: When should this form be submitted?**

This form may be submitted during technical review of the application or prepared during the planning phase of the project after a loan commitment has been secured. The timing will depend on how clearly defined the project is at the application phase and how quickly the project proponent would like to progress to engineering design and construction. Please note that the issuance of an environmental determination is required prior to approval of the Engineering Feasibility Report and release of design and/or construction funds.

### **General Notes**

Please be aware, once issued, the CE will cover specific work at a specific location. Deviations in the proposed construction area will not be covered (there are limited exceptions to this rule for trivial deviations). It is not uncommon for pipeline replacement projects to have a surplus of unused funds left over at the end of the project. The TWDB encourages clients to identify contingent pipeline replacements in the enclosed form in case this situation arises. The CE Request Form, as well as any questions regarding the preparation of the document or review process, may be submitted via email or addressed to:

*Environmental Reviewer – Kathy Calnan  
Regional Water Planning & Development, Water Supply & Infrastructure  
Texas Water Development Board  
P.O. Box 13231, Austin, Texas 78711-3231  
Email: [katherine.calnan@twdb.texas.gov](mailto:katherine.calnan@twdb.texas.gov)  
Telephone: (512) 936-0938*

**Table 1. General Categories of Projects That Qualify for a CE/DNE**

Minor actions relating to an existing infrastructure system (a sewer collection network and treatment system; a system to collect, treat, store and distribute drinking water; or a stormwater or combined sewer system) may qualify for a CE/DNE. Answer 1 to 3.

<p><b>1. Is the project for minor upgrade or minor expansion of system capacity?</b>          This may include, but is not limited to: <u>minor</u> extensions of sanitary sewers, force mains and drinking water extensions of the existing system to primarily serve existing development; stormwater detention pond and retention pond cleaning and dredging or minor storage increase or culvert upgrades.</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<p><b>2. Is the project for rehabilitation of existing facilities?</b>          This includes, but is not limited to: infiltration and inflow corrections in the existing wastewater collection system or equipment rehabilitation at the existing wastewater plant, pumping, or storage facilities; drinking water system equipment replacement or modifications at an existing water plant, or pumping and storage facilities; stormwater culvert rehabilitation and repair, rip-rap renewal or other flow dissipation structure rehabilitation, or storm sewer to grass swale conversions.</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p><b>3. Is the project for new minor ancillary facilities adjacent to or on the same property as existing facilities?</b>          This includes, but is not limited to: new wastewater facilities and equipment for sludge handling, odor control, screening, flow equalization, disinfection, or laboratory facilities; new drinking water facilities such as alum sludge handling, filtration, flow equalization, chemical storage, chlorination, or laboratory facilities; innovative facilities at stormwater control locations, such as sedimentation basins, infiltration trenches, detention pond to retention pond retrofits, or oil and grit separators.</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

If the answer to all of the above is No, then the project does not qualify for a CE/DNE.  
 If any answer is Yes, proceed to Table 2.

**Table 2. Excluding Factors**

<p>1. Project will involve new or relocated discharges to surface or ground water</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>2. Project will result in substantial increases in the volume of discharge or the loadings of pollutant to the receiving water</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>3. Project will provide capacity to serve a population 30 percent greater than the existing population</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>4. Project will be in conflict with state or other regional growth plan or strategy</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>5. Project will directly or indirectly relate to upgrading or extending infrastructure systems primarily for the purposes of future development</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

If any answer (1-5) is Yes, then project does not qualify for a CE/DNE.  
 If all answers (1-5) are No, proceed to Table 3.



<b>Table 3. Extraordinary Circumstances That Disallow a CE</b>	
1. The action is known or expected to have a significant effect on the quality of the human environment, either individually or cumulatively over time.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
2. The action is known or expected to have disproportionately high and adverse human health or environmental effects on any community, including minority communities, low-income communities, or federally-recognized Indian tribal communities.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
3. The action is known or expected to significantly affect federally listed threatened or endangered species or their critical habitat.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4. The action is known or expected to significantly affect national natural landmarks or any property with nationally significant historic, architectural, prehistoric, archeological, or cultural value, including but not limited to, property listed on or eligible for the National Register of Historic Places.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
5. The action is known or expected to significantly affect environmentally important natural resource areas such as wetlands, floodplains, significant agricultural lands, aquifer recharge zones, coastal zones, barrier islands, wild and scenic rivers, and significant fish or wildlife habitat.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. The action is known or expected to cause significant adverse air quality effects.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
7. The action is known or expected to have a significant effect on the pattern and type of land use or growth and distribution of population including altering the character of existing residential area, or be inconsistent with state of local government, or federally-recognized Indian tribe approved land use plans or federal land management plans.	<input type="checkbox"/> Yes <input type="checkbox"/> No
8. The proposed action is known or expected to cause significant public controversy about a potential environmental impact of the proposed action.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
9. The proposed action is known or expected to conflict with federal, state, or local government, or federally-recognized Indian tribe environmental resource-protection, or land-use laws or regulations.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If all of the answers (1-9) are No, then the project <b>may</b> be eligible for a CE/DNE. If any of the answers to the questions in Table 3 is Yes, then project does not qualify for a CE/DNE.	

***In addition to the above, please respond to the following:***

1. Please provide a map with USGS topographic map background and all pipeline replacements overlain. Please make sure that street names can be read so that it is easy to determine the exact route of the replacement. Example project maps are provided online at:

<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1800.pdf>

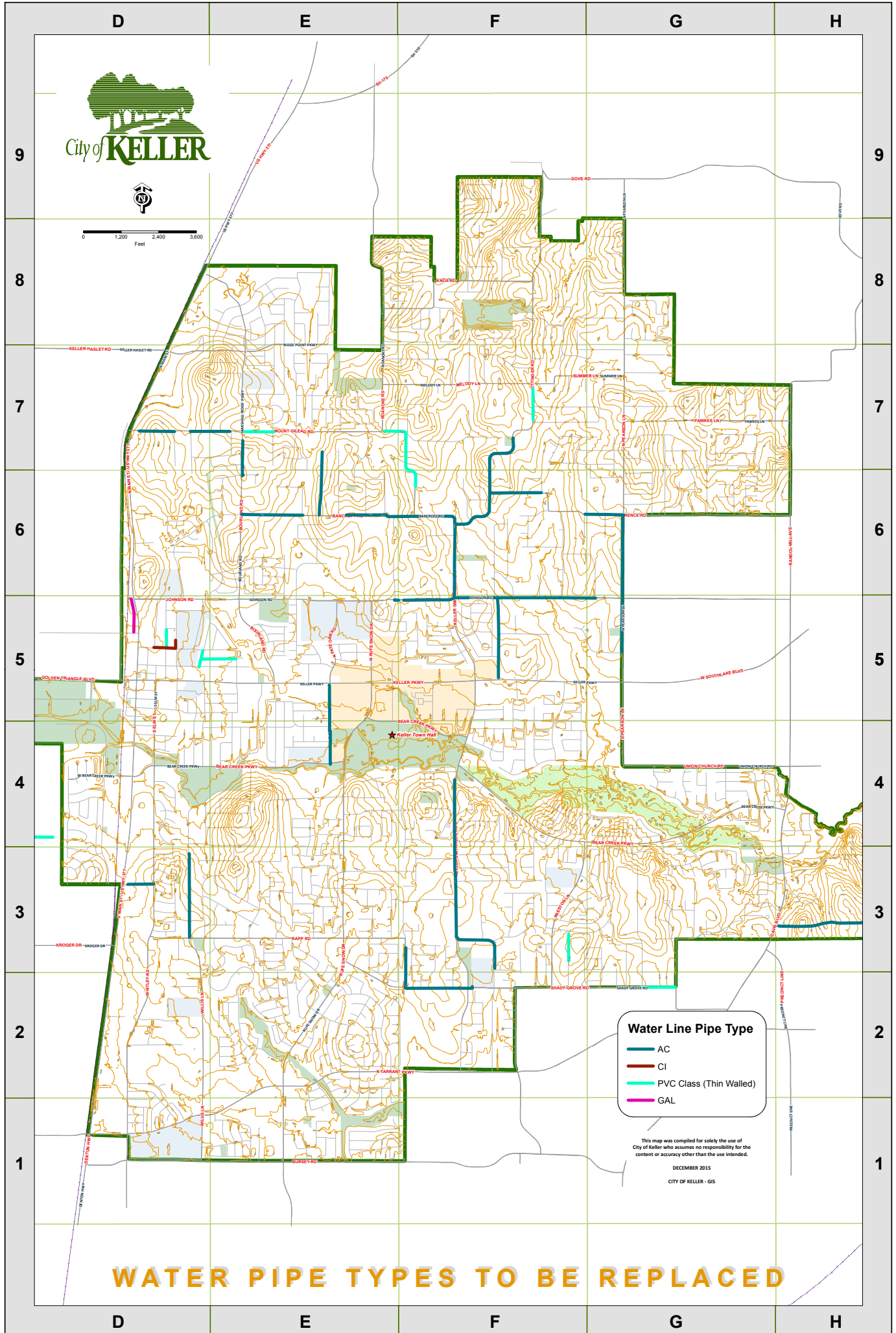
In addition to the map, a google earth kmz file that identifies the pipeline route is not required but greatly appreciated. The kmz file can be submitted via email to: [katherine.calnan@twdb.texas.gov](mailto:katherine.calnan@twdb.texas.gov)

2. FEMA floodplain map with the pipeline replacements overlain (not required if kmz file is submitted).
3. Provide a table listing: (a) approximately how many linear feet of pipeline will be replaced and, (b) the existing versus proposed diameter for each pipeline segment. Estimates of line diameters is sufficient.
4. Is the project limited to the replacement of existing water pipelines? Will the City be installing any pipeline extensions to connect existing dead end pipelines?
5. Approximate dimensions of the affected areas for the existing and proposed pipelines, including excavation depths.
6. Method of installation. For example, open trenching, boring, pipe bursting, and other methodology used for special circumstances such as water or highway crossings.
7. Specific location conditions (under pavement, under cleared roadside right of way).
8. Approximate distances from existing lines. For example, within 3 ft., within 20ft., etc.
9. What does the City plan to do with the old lines? Abandon in place, removal, removal and reuse?
10. **Crossing creeks:** Please provide a discussion about the permit requirements for any potential creek crossings (e.g., explain why the work should be authorized by a USACE general permit such as Nationwide or Regional General permit without pre-construction notification).

**ANSWERS TO QUESTION ABOVE:**

2. See Floodplain map attached to application.
3.

<b>Length</b>	<b>Size</b>	<b>Upsize</b>
12 miles	2"-12"	Less than 8" will be replaced with 8"
4. A. Yes  
b. No
5. 4 Foot wide trench, 6 feet deep.
6. Open trench & boring.
7. Under pavement or in public right of way.
8. Water and other non-service pipelines (12" vertical separation, 3' horizontal separation) sewer & force main will comply with TCEQ 290.44 for separation
9. Abandon in place.
10. Will install, if necessary, under Nationwide Permit. Creek Crossings will be restored to pre-construction cross section and condition.



**Water Line Pipe Type**

- AC
- CI
- PVC Class (Thin Walled)
- GAL

This map was compiled for solely the use of City of Keller who assumes no responsibility for the content or accuracy other than the use intended.  
DECEMBER 2015  
CITY OF KELLER - GIS

# WATER PIPE TYPES TO BE REPLACED

The City of Keller is **not** rated by Fitch. In order to file the application a rating was chosen.

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General Info

Application Roles

Authority

Project Info

Description

Users & Members

Contact

Proputors

Proputor docs

Location

Funding Program

Funding

Type

Financial Pledge

Application and Affidavit

Enforcement

Service Area

Financial

Wastewater

Customer

Usage

Water Customer

Water Usage

Number of Customers

## Project Information - Project Location

Editing Application #328907

### Project Location (Counties):

section D7

List counties where the project is located or providing service. If selected county or counties include colonias, select the colonia M number(s).

Primary	County Name	Colonia Number(s)	Action
<input checked="" type="checkbox"/>	Tarrant		<a href="#">x Delete</a>

[Add More](#)

### Can you locate your project to a specific address?

section D7a

Yes  No

Use this link <http://itouchmap.com/latlong.html> to identify the Latitude and Longitude for your project area

Latitude

Longitude

Attach a map of the service area and drawings as necessary to locate and describe the project. The map should show the project footprint and major project components.

section D8

[+ Upload](#)

[★ View](#)

[Delete](#)

Attach to EFR Pipe Types To Be Replaced No Topo.pdf (2563672 bytes)

Only PDFs are allowed

screen

↑

↓

[Return to APP Management](#)

## Project Information - Project Schedule

Editing Application #328907

### Project Schedule:

- a) Requested loan closing date  
- b) Estimated date to submit environmental planning documents.  
- c) Estimated date to submit engineering planning documents.  
- d) Estimated date for completion of design.  
- e) Estimated Construction start date for first contract.  
- f) Estimated Construction end date for last contract  

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