

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF KATY, TEXAS

**For the fiscal year ended
September 30, 2015**

**Prepared by
Finance Department**

**Becky Wilkins
Director of Finance**



CITY OF KATY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS

	<u>Page</u>
Introductory Section	
Letter of Transmittal	i
GFOA Certificate of Achievement	v
Organization Chart	vi
Principal City Officials	vii
Financial Section	
Report of Independent Auditors	1
Management’s Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Net Position - Proprietary Fund	24
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	25
Statement of Cash Flows - Proprietary Fund	26
Statement of Fiduciary Assets and Liabilities - Agency Fund	27
Discretely Presented Component Units:	
Combining Statement of Net Position	28
Combining Statement of Activities	29
Notes to the Basic Financial Statements	30
Required Supplementary Information	
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	59
Notes To Required Supplementary Budget Information	60
Required Pension System Supplementary Information	61
Required Other Post-Employment Benefits Supplementary Information	63

CITY OF KATY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS (continued)

Financial Section

Combining and Individual Fund Statements and Schedules

Non-major Governmental Funds:	
Combining Balance Sheet	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	69
Debt Service Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	70
Agency Fund:	
Statement of Changes in Assets and Liabilities	71

Statistical Section

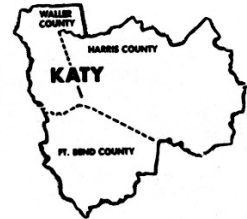
Net Position by Component	74
Changes in Net Position	76
Fund Balances of Governmental Funds	80
Changes in Fund Balances of Governmental Funds	82
Assessed Value and Estimated Actual Value of Taxable Property	84
Property Tax Rates - Direct and Overlapping Governments	86
Principal Property Taxpayers	89
Property Tax Levies and Collections	90
Taxable Sales by Category	92
Ratios of Outstanding Debt by Type	94
Ratios of General Bonded Debt Outstanding	95
Direct and Overlapping Governmental Activities Debt	96
Demographic and Economic Statistics	97
Principal Employers	99
Full-time Equivalent City Government Employees by Function	100
Operating Indicators by Function	102
Capital Assets Statistics by Function	104

Introductory Section



City of Katy

P.O. Box 617 • 910 Avenue C • Katy, Texas 77492-0617 • Phone 281-391-4800



HUB CITY OF THREE COUNTIES

March 30, 2016

Honorable Mayor and
Members of the City Council
and the Citizens of the City of Katy

The Comprehensive Annual Financial Report of the City of Katy (the “City”) for the fiscal year ended September 30, 2015, is hereby submitted. Responsibility for both the accuracy of data and the completeness of presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities are included.

This report consists of management’s representations concerning the finances of the City. Consequently, management assumes full responsibility for completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, the City’s management has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefit, the City’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City’s financial statements have been audited by Whitley Penn LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the Fiscal year ended September 30, 2015, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating whether the overall financial statements for the fiscal year ended September 30, 2015, are fairly presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City is located on the edge of three counties (Harris, Waller and Fort Bend), and is approximately thirty miles west of downtown Houston.

The City provides a full range of services. These services include police, emergency management, animal control and municipal court facilities; the construction and the maintenance of streets, drainage systems and other infrastructure; recreational parks, a library and other facilities for various cultural and civic activities. The following entities have met the requirements for component units and have appropriately been included within the financial statements:

Katy Development Authority
Katy Tax Increment Redevelopment Zone Number One

The City also operates its own water and sewer system for all residential and commercial locations within its limits.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and that adequate accounting data is compiled to allow preparation of financial statements in conformity with generally accepted accounting principles. The City feels its internal control structure provides reasonable assurance recognizing that: (1) the cost of control should not exceed the benefits likely derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Enterprise Fund, and Debt Service Fund are included in the annual appropriated budget. The level of budgetary control is at the department level.

Economic Conditions

The economic conditions and outlook of the City of Katy have remained steady over the last year. While the price of oil is a concern, the City is optimistic that global energy conditions will improve overall and the economic improvement within other industry sectors will stabilize the economy. The City continues to show growth and provides desirable conditions in all areas of economic development including commercial, residential and industrial environments.

The City's philosophy is to be proactive towards economic development and conditions and diligently strive to diversify the industrial and commercial base and to protect the residential base and quality of life of the residents of Katy, Texas.

The City, in 2014-2015, continued its partnership with the Katy Area Economic Development Council. This partnership will help not only the downtown Katy area but also the greater Katy area in developing economic infrastructure. The City of Katy continued to focus on drainage and infrastructure with plans for Katy/Hockley Detention Facility and a streets program through the Katy Development Authority. The KDA is a governing board that oversees Metro Funds provided to the City. These are some of the projects started in the 2014-2015 fiscal year:

<u>2015 Projects</u>	
Water/Sanitary Sewer Projects	\$ 559,411
Street/Sidewalk Projects	\$ 205,575

<u>KDA Projects</u>	
Cane Island Overpass (TexDot)	\$ 1,621,200
Cane Island Parkway/Bridges	\$ 1,307,176
First Street	\$ 567,000

All projects were started in the 2014-2015 fiscal year and most were completed. The City's continuing conservative effort in this economic environment, has adopted an optimistic approach with the operating budgets.

For The Future

It is the vision of the City to promote rapid economic development in the region through public improvements, public safety, and providing infrastructure to magnet centers like Katy Mills Mall and the new commercial development at the Reserves at Katy. The Reserves at Katy project is a mixed-use commercial development that includes a Kroger grocery store, 24-Hour Fitness Center, and Petco. The City also has five planned developments that will continue to develop in 2014-2015.

Young Ranch	971 Homes
Cane Island	535 Homes
Falls at Green Meadows	450 Homes
The Reserve at Katy	323 Homes
Avalon at Spring Green	216 Homes

The City is also experiencing an increase in demand in the hotel/motel industry. Eight hotels are now open in the City of Katy with plans for several more.

The following budgeted projects are scheduled for completion in 2014-2015:

<u>2015 City Budgeted Projects</u>	
City Hall	\$ 7,526,426
Cane Island Bridges & Parkway	\$ 1,450,681
Cane Island Water/Sewer Lines	\$ 517,638
First Street Improvements	\$ 327,967
Drexel Drainage Improvements	\$ 207,000

Relevant Financial Policies

Financial policies guide the development and implementation of the budget and are a framework for fiscal decision making and that ensure financial resources are available to meet the current and future needs of the City. The policy statements address areas of reporting and auditing, budgeting, revenues, capital improvements, debt, and grants.

The City has a current reserves policy which requires 50% of the current budget amount be maintained in a restricted fund. This strong fiscal policy ensures financial strength, even in the event of economic downturns that cause drastic reductions in the collection of sales or property taxes. The City makes allocation decisions based on economic efficiency and their strong management has led to higher bond ratings and reduced interest costs.

Awards

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 of Katy, Texas for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2014.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. I would like to express my appreciation for their efforts. In addition, I thank the Mayor and members of City Council for responsible decisions they have made in the interest of preserving the financial integrity of the City.

Respectfully Submitted,



Director of Finance



Government Finance Officers Association

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

Presented to

**City of Katy
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

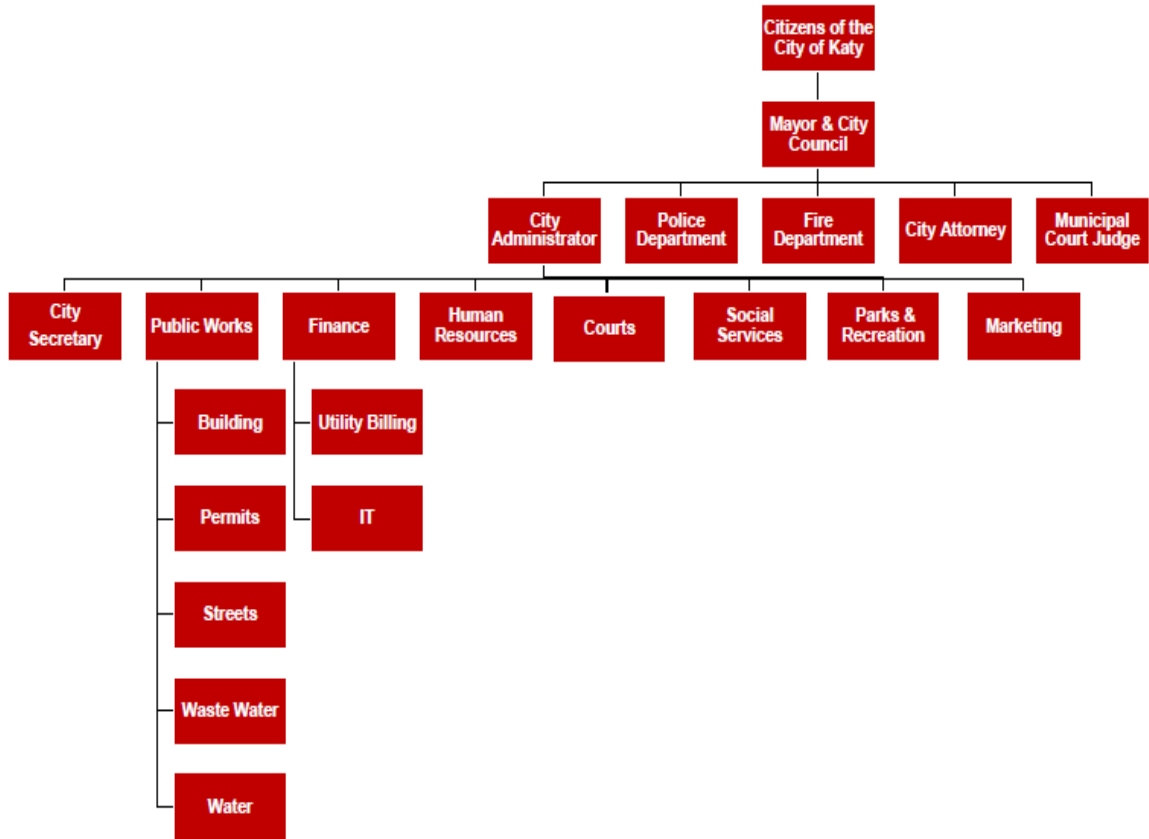
September 30, 2014

Executive Director/CEO

CITY OF KATY, TEXAS
ORGANIZATION CHART



Department Organizational Chart
City of Katy



CITY OF KATY, TEXAS
PRINCIPAL CITY OFFICIALS
September 30, 2015

Elected Officials	Position
Fabol R. Hughes	Mayor
Charles A. Brawner	Councilmember Ward A
J. Gary Jones	Councilmember Ward A
Durran C. Dowdle	Councilmember Ward B
James C. Mendez Jr.	Councilmember Ward B
Steve Pierson	Councilmember At Large

Appointed Officials and Department Heads

	Position
Byron J. Hebert	City Administrator
Art Pertile	City Attorney
Jeffrey C. Brashear	Municipal Court Judge
William M. Hastings	Police Chief
Rufus Summers	Fire and EMS Administrative Director
Melissa A. Bunch	City Secretary
Becky Wilkins	Director of Finance

Financial Section

REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and
Members of the City Council
and the Citizens of the City of Katy
City of Katy, Texas

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

To the Honorable Mayor and
Members of the City Council
and the Citizens of the City of Katy
City of Katy, Texas

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, 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.

Emphasis of Matter

As discussed in Note 1 and Note 12 to the financial statements, the City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68* for the year ending September 30, 2015. Our opinions are 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 on pages 4 through 13, budgetary comparison information on pages 59 through 60, and pension system and other post-employment benefit supplementary information on pages 61 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

To the Honorable Mayor and
Members of the City Council
and the Citizens of the City of Katy
City of Katy, Texas

Other Matters (continued)

Other Information (continued)

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

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

Whitley Penn LLP

March 30, 2016

CITY OF KATY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Katy (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015.

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$117.7 million (*net position*). Of this amount, \$24.4 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$5.3 million, before applying the effects of the \$3.1 million prior period adjustment due to the implementation of accounting principles.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$30.4 million, an increase of \$2.8 million over the prior year. Approximately 66% of this total amount, \$20.1 million, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was 70% of total general fund expenditures.
- The City's long-term liabilities increased by \$7.5 million over the prior year due to the issuance of new debt and the recognition of a \$3.8 million net pension liability.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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 between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include a water and sewer operating fund.

CITY OF KATY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Statements (continued)

The government-wide financial statements include the City itself (known as the primary government), but also a legally separate Tax Reinvestment Zone Number One (TIRZ) and the Katy Development Authority (KDA). Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 17 through 19 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, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Capital Projects Fund, which are considered to be a major funds. Data from the other four governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general fund and debt service fund. Budgetary comparison schedules have been provided for the general fund and debt service fund to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer utility.

CITY OF KATY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary Funds (continued)

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operating fund that is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 24 through 26 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City is the trustee, or fiduciary, for funds accepted from ProTerra-Stratford/I-10 Ltd. for design, improvement, and construction costs in association with the entrance and exit ramps with intersection improvements at I-10 and Cane Island Parkway. All the City's fiduciary activities are reported in a separate Statement of Assets and Liabilities on page 27 and a Statement of Changes in Assets and Liabilities on page 71. We exclude these resources from the City's other financial statements because the City cannot use the assets reported in these funds to finance its operations. The City is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Basic 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 on pages 30 through 57 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's progress in funding its obligation to provide pension and other post-employment benefits to its employees and general fund budgetary comparisons. Required supplementary information can be found on pages 59 through 63 of the City's Comprehensive Annual Financial Report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found beginning on page 68 of the City's Comprehensive Annual Financial Report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$117.7 million (net position). At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

By far, the largest portion of the City's net position (75%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. 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.

CITY OF KATY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis (continued)

An additional portion of the City's net position (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$24.4 million, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table summarizes the financial position of the City as of September 30, 2015 and 2014.

CONDENSED SCHEDULE OF NET POSITION

September 30, 2015 and 2014

Amounts in (000's)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 35,853	\$ 31,678	\$ 6,643	\$ 7,216	\$ 42,496	\$ 38,894
Capital assets	53,245	47,980	41,676	40,366	94,921	88,346
Total Assets	89,098	79,658	48,319	47,582	137,417	127,240
Deferred Outflows of Resources	1,375		86		1,461	
Other liabilities	2,987	1,850	1,535	1,111	4,522	2,961
Long-term liabilities	15,867	8,639	362	124	16,228	8,763
Total Liabilities	18,854	10,489	1,897	1,235	20,751	11,724
Deferred Inflows of Resources	391	3	24		416	3
Net position:						
Net investment in capital assets	46,936	41,357	41,676	40,366	88,612	81,723
Restricted	4,678	4,097			4,678	4,097
Unrestricted	19,614	23,712	4,808	5,981	24,422	29,693
Total Net Position	\$ 71,228	\$ 69,166	\$ 46,484	\$ 46,347	\$ 117,712	\$ 115,513

The City's net position increased by \$5.3 million during the current fiscal year, demonstrating the ability of the City's revenues to keep pace with annual expenses.

CITY OF KATY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis (continued)

The following table summarizes the changes in net position for the City for the year ended September 30, 2015 and 2014.

CONDENSED SCHEDULE OF CHANGES IN NET POSITION

For the Year Ended September 30, 2015 and 2014

Amounts in (000's)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenue:						
Charges for services	\$ 4,762	\$ 3,207	\$ 4,941	\$ 4,933	\$ 9,703	\$ 8,140
Operating grants and contributions	5,575	5,281			5,575	5,281
Capital grants and contributions	1,074	3,790		465	1,074	4,255
General revenues:						
Property taxes	6,646	6,201			6,646	6,201
Sales and use taxes	11,814	11,281			11,814	11,281
Franchise taxes	1,194	1,110			1,194	1,110
Unrestricted investment earnings	34	21	7	4	41	25
Miscellaneous	79	184			79	184
Total Revenues	31,178	31,075	4,948	5,402	36,126	36,477
Expenses:						
General government	3,477	3,064			3,477	3,064
Public safety	11,201	10,127			11,201	10,127
Public works	4,249	4,476			4,249	4,476
Culture and recreation	1,253	1,147			1,253	1,147
Transportation	5,549	5,365			5,549	5,365
Interest on long-term debt	503	376			503	376
Water and sewer			4,628	4,153	4,628	4,153
Total Expenses	26,232	24,555	4,628	4,153	30,860	28,708
Change in net position	4,946	6,520	320	1,249	5,266	7,769
Net position - beginning	69,166	62,646	46,347	45,098	115,513	107,744
Prior period adjustment	(2,884)		(183)		(3,067)	
Net position - ending	\$ 71,228	\$ 69,166	\$ 46,484	\$ 46,347	\$ 117,712	\$ 115,513

Governmental Activities

Governmental activities increased the City's net position by approximately \$4.9 million or 7% of beginning net position. The key elements of this increase are as follows:

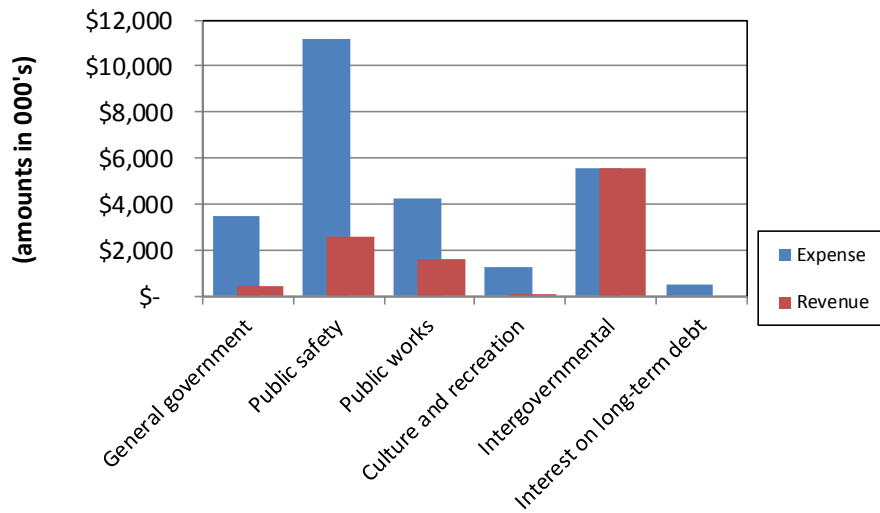
- Charges for services of \$4.8 million experienced an overall increase of \$1.5 million primarily due to an increase in billings by the third party ambulance billing service, an increase in development revenue, and an increase in building permit revenue due to the continued growth in the area.
- Operating grants and contributions of \$5.6 million, an increase of \$294,000 over the prior year, is a result of an increase in METRO funds due to strong growth in the area.

CITY OF KATY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

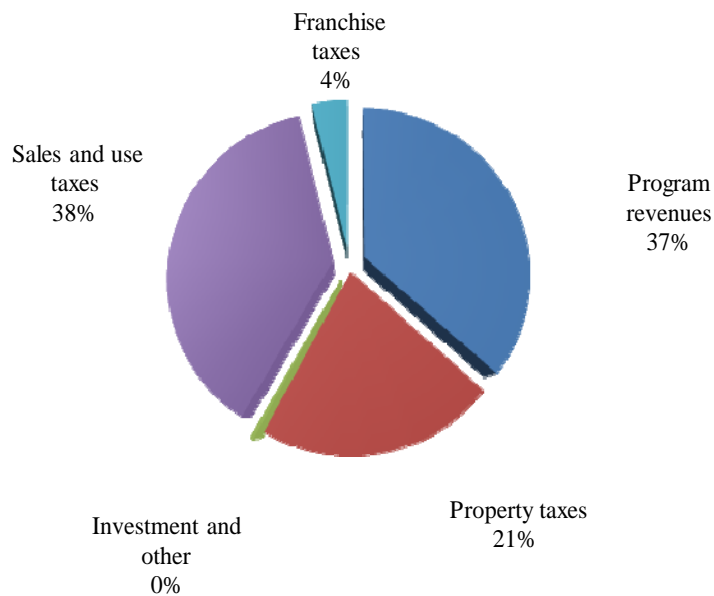
Governmental Activities (continued)

- Property tax revenue of \$6.6 million, an increase of \$445,000 over the prior year, is a result of an increase in appraised property values.
- Sales tax revenue of \$11.8 million, an increase of \$533,000 over the prior year, is a result of an increase in taxable sales due to the addition of Katy Main Street and additional anchor stores at Katy Mills Mall.

A comparison of program expenses to program revenues follows:



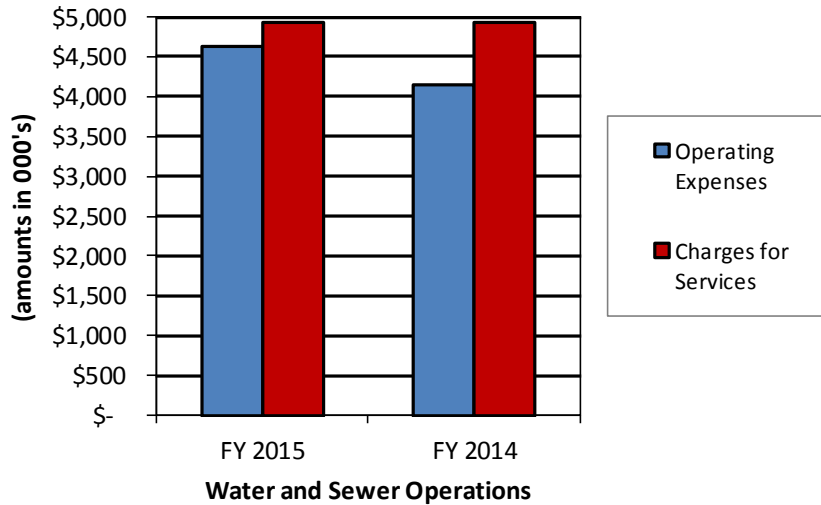
Revenue sources for governmental activities were distributed as follows:



CITY OF KATY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Business-type Activities

Business-type activities increased the City's net position by \$319,550. This increase is due to a decrease in water and sewer expenses along with an increase of one-time fees due to development in residential subdivisions such as Wood Creek, Falls at Green Meadows, and The Reserves at Katy. There was also a significant increase in development fees related to commercial construction projects. A comparison between expenses relating to water and sewer operations and program revenues (charges for services) for fiscal years 2015 and 2014 follows:



Revenue sources for business-type activities were almost entirely charges for water and sewer services.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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.

CITY OF KATY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Funds (continued)

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$30.4 million, an increase of \$2.8 million over the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$20.1 million. The unassigned fund balance decreased \$2.2 million from fiscal year 2014. The City is currently completing the construction of a City Hall building. This project is being paid for entirely from reserve funds. As the City continues to experience explosive growth in the residential areas, we have expanded our Police and Fire personnel and equipment, along with software and computer upgrades to help meet the demand of a growing populace.

At the end of the current fiscal year, fund balance in the Capital Projects Fund was \$5.3 million, an increase of \$3.9 over the prior year. This increase is due to the proceeds received from the issuance of \$5 million of debt during the year.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 70% of annual general fund expenditures for the 2015 fiscal year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements.

Unrestricted net position of the Water and Sewer Enterprise Fund at the end of the year amounted to \$4.8 million or 104% of annual operating and non-operating expenses for the fund.

General Fund Budgetary Highlights

Actual revenues differed from budgeted revenues by \$2.6 million primarily as a result of higher than expected sales tax revenue.

Actual expenditures exceeded appropriations by \$4.3 million. The key elements of the significant variances are construction of a new City Hall, software upgrades, Parks infrastructure expansion, fire and police safety equipment upgrades, and vehicles for Public Works.

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounted to \$94.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, park facilities, water and sewer plants and service lines, machinery and equipment, and construction in progress. Capital asset balances increased by approximately \$6.6 million from the prior year due to contributions and construction of infrastructure.

CITY OF KATY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Capital Asset and Debt Administration (continued)

Major capital asset events during the current fiscal year included City Hall, land purchases, new vehicles for police and fire departments, communications and software, and sidewalk projects.

The following table shows the balances at September 30, 2015 and 2014 (in \$000's):

	<u>2015</u>	<u>2014</u>
Governmental Activities		
Capital Assets not being depreciated		
Land	\$ 6,615	\$ 6,258
Construction in progress	6,996	1,523
Capital Assets, net of depreciation		
Infrastructure	21,097	21,849
Buildings	14,980	15,348
Equipment	3,557	3,002
Total capital assets - Governmental Activities	<u>\$ 53,245</u>	<u>\$ 47,980</u>
Business-Type Activities		
Capital Assets not being depreciated		
Land	\$ 1,705	\$ 1,705
Construction in progress	2,275	698
Capital Assets, net of depreciation		
Infrastructure	30,149	30,554
Buildings	7,324	7,093
Equipment	223	316
Total capital assets - Business-Type Activities	<u>\$ 41,676</u>	<u>\$ 40,366</u>

Additional information on the City's capital assets can be found in Note 5 to the basic financial statements of this report.

Long-term Liabilities

At the end of the current fiscal year, the City had total bonded debt outstanding of \$11.5 million. This is an increase from the prior year of \$3.6 million, due to the issuance of \$5 million in new debt offset by scheduled principal payments made during the year. The entire amount of bonded debt is backed by the full faith and credit of the City. The implementation of new accounting standards in fiscal year 2015 resulted in a \$3.8 net pension liability. A schedule of long-term debt at September 30, 2015 and 2014 follows (in \$000's):

	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 11,500	\$ 7,930
Bond issuance premiums/discounts	59	23
Compensated absences	861	674
Other post-employment benefit (OPEB) obligation	57	136
Net pension liability	3,751	
	<u>\$ 16,228</u>	<u>\$ 8,763</u>

CITY OF KATY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Long-term Liabilities (continued)

As of fiscal year 2015, the City reported other post-employment benefit (OPEB) obligations of \$56,872 which represents the implied subsidy for health care benefits to retirees.

The City has no legal debt limit provision in its charter. Additional information on the City's long-term debt can be found in Note 6 to the basic financial statements of this report.

In February 2015, Moody's Investors Service reviewed and assigned an Aa2 rating to the City's sale of \$5 million Permanent Improvement Bonds, Series 2015. Concurrently, Moody's maintained the Aa2 rating on the City's outstanding parity debt.

In May 2014, Standard & Poor's Ratings Services raised its rating on the City's general obligation bonds one notch to 'AAA' from 'AA+'.

Economic Factors and Next Year's Budget and Rates

The unemployment rate for the City during fiscal year 2015 was 4.9%, compared to the United States' average unemployment rate of 5.4% for the same reporting period.

Each year the budget is prepared on key objectives and assumptions. These objectives and assumptions are relayed to staff throughout the year by the Mayor and City Council in various forms: through directives, adopted goals and actions, and the implementation of new programs or policies. For the fiscal year 2015 budget, the key objective was Economic Growth and Improvement.

This year finds the City of Katy still experiencing commercial and residential growth. Current economic conditions in the Energy Corridor have taken a downward turn, however we are hopeful that a conservative approach to budgeting will allow the City to maintain its current service levels to the public while continuing to explore growth opportunities in commercial and residential projects. City officials still feel that a conservative approach with the use of current revenue projection and reserve funds is the best course of action.

The property tax rate for fiscal 2015 (tax year 2014) fell slightly to \$0.54672 per \$100 of assessed value. Despite lowering the tax rate, revenues received from ad valorem taxes are budgeted to increase by \$158,000,000. Based on economic conditions, the City's sales tax revenues are budgeted to increase more than \$200,000 over last year. Overall, total revenues for the City are budgeted 9.4% higher than last year.

The Water and Sewer Enterprise Fund City rates increased during 2015. There is an expected 15 cent per 1,000 gallons water rate increase for the West Harris County Water Authority in 2015 of which \$0.08 will be passed through to water customers. In addition, revenues received from the Water and Sewer Enterprise Fund are budgeted to increase as a result of the City's growth.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the City Treasurer, 910 Avenue C, Katy, TX 77493.

Basic Financial Statements

(This page intentionally left blank.)

CITY OF KATY, TEXAS
STATEMENT OF NET POSITION
September 30, 2015

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	Governmental Activities
Assets				
Cash and cash equivalents	\$ 29,666,207	\$ 6,236,258	\$ 35,902,465	\$ 25,460,464
Accounts receivable	4,901,873	419,934	5,321,807	
Due from other governments	1,271,534		1,271,534	15,188,657
Internal balances	12,906	(12,906)		
Capital assets, not subject to depreciation:				
Land	6,615,515	1,704,909	8,320,424	
Construction in progress	6,995,615	2,274,718	9,270,333	
Capital assets, net of depreciation:				
Infrastructure	21,096,797	30,148,865	51,245,662	
Buildings and improvements	14,979,811	7,324,370	22,304,181	
Machinery and equipment	3,557,574	223,376	3,780,950	
Total Capital Assets	<u>53,245,312</u>	<u>41,676,238</u>	<u>94,921,550</u>	
Total Assets	<u>89,097,832</u>	<u>48,319,524</u>	<u>137,417,356</u>	<u>40,649,121</u>
Deferred Outflows of Resources				
Deferred charge on refunding				113,025
Deferred outflows related to pension activities	1,375,032	86,319	1,461,351	
Total Deferred Outflows of Resources	<u>1,375,032</u>	<u>86,319</u>	<u>1,461,351</u>	<u>113,025</u>
Liabilities				
Accounts payable and accrued expenses	1,691,475	1,535,327	3,226,802	168,665
Due to component unit	1,271,534		1,271,534	
Accrued interest payable	24,385		24,385	65,036
Long-term liabilities:				
Due within one year	2,066,009	53,543	2,119,552	2,030,000
Due in more than one year	13,800,648	308,215	14,108,863	19,880,000
Total Liabilities	<u>18,854,051</u>	<u>1,897,085</u>	<u>20,751,136</u>	<u>22,143,701</u>
Deferred Inflows of Resources				
Deferred gain on refunding	1,376		1,376	
Deferred inflows related to pension activities	389,739	24,466	414,205	
Total Deferred Inflows of Resources	<u>391,115</u>	<u>24,466</u>	<u>415,581</u>	
Net Position				
Net investment in capital assets	46,935,634	41,676,238	88,611,872	
Restricted for:				
Debt service	928,624		928,624	177,022
Community projects	346,034		346,034	18,317,875
Public safety	307,147		307,147	
Tourism	3,096,305		3,096,305	
Unrestricted	19,613,954	4,808,054	24,422,008	123,548
Total Net Position	<u>\$ 71,227,698</u>	<u>\$ 46,484,292</u>	<u>\$ 117,711,990</u>	<u>\$ 18,618,445</u>

See Notes To Basic Financial Statements.

CITY OF KATY, 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
Primary government				
Governmental Activities:				
General government	\$ 3,477,327	\$ 469,812	\$	\$
Public safety	11,200,875	2,550,747	3,608	
Public works	4,248,954	1,645,918		1,073,911
Culture and recreation	1,253,260	95,915	20,646	
Transportation	5,548,629		5,550,938	
Interest on long-term debt	503,428			
Total governmental activities	<u>26,232,473</u>	<u>4,762,392</u>	<u>5,575,192</u>	<u>1,073,911</u>
Business-type activities:				
Water and sewer	4,628,226	4,940,925		
Total primary government	<u>\$ 30,860,699</u>	<u>\$ 9,703,317</u>	<u>\$ 5,575,192</u>	<u>\$ 1,073,911</u>
Component Units				
Governmental Activities	<u>\$ 3,742,316</u>	<u>\$</u>	<u>\$ 180,000</u>	<u>\$</u>
General revenues:				
Taxes:				
Property taxes				
Sales and use taxes				
Franchise taxes				
Unrestricted investment earnings				
Miscellaneous				
Total general revenues				
Change in net position				
Net Position - Beginning				
Prior period adjustment				
Net Position - Ending				

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Discretely Presented Component Units
Governmental Activities	Business-type Activities	Total	Governmental Activities
\$ (3,007,515)	\$	\$ (3,007,515)	
(8,646,520)		(8,646,520)	
(1,529,125)		(1,529,125)	
(1,136,699)		(1,136,699)	
2,309		2,309	
(503,428)		(503,428)	
<u>(14,820,978)</u>		<u>(14,820,978)</u>	
	312,699	312,699	
<u>(14,820,978)</u>	<u>312,699</u>	<u>(14,508,279)</u>	
			\$ (3,562,316)
6,646,102		6,646,102	3,048,294
11,814,251		11,814,251	5,630,414
1,193,551		1,193,551	
34,161	6,851	41,012	8,671
78,916		78,916	
<u>19,766,981</u>	<u>6,851</u>	<u>19,773,832</u>	<u>8,687,379</u>
4,946,003	319,550	5,265,553	5,125,063
69,165,604	46,347,458	115,513,062	13,493,382
(2,883,909)	(182,716)	(3,066,625)	
<u>\$ 71,227,698</u>	<u>\$ 46,484,292</u>	<u>\$ 117,711,990</u>	<u>\$ 18,618,445</u>

CITY OF KATY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 20,092,843	\$ 5,288,929	\$ 4,284,435	\$ 29,666,207
Taxes receivable, net	2,610,199		419,192	3,029,391
Due from other funds	54,056		12,103	66,159
Due from other governments	1,271,534			1,271,534
Other receivables	1,855,968	16,514		1,872,482
Total Assets	\$ 25,884,600	\$ 5,305,443	\$ 4,715,730	\$ 35,905,773
Liabilities				
Accounts payable	\$ 1,641,238	\$	\$	\$ 1,641,238
Due to other funds	804	39,214	13,235	53,253
Due to component unit	1,271,534			1,271,534
Deposits	50,237			50,237
Total Liabilities	2,963,813	39,214	13,235	3,016,262
Deferred Inflows of Resources				
Unavailable revenues	2,261,613	15,468	191,493	2,468,574
Total Deferred Inflows of Resources	2,261,613	15,468	191,493	2,468,574
Fund Balances				
Restricted:				
Debt service			761,516	761,516
Capital projects		5,250,761		5,250,761
Public safety			307,147	307,147
Tourism			3,096,305	3,096,305
Community projects			346,034	346,034
Committed:				
Community projects	49,264			49,264
Assigned	464,582			464,582
Unassigned	20,145,328			20,145,328
Total Fund Balances	20,659,174	5,250,761	4,511,002	30,420,937
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 25,884,600	\$ 5,305,443	\$ 4,715,730	\$ 35,905,773

See Notes to Basic Financial Statements.

CITY OF KATY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2015

Total fund balance, governmental funds \$ 30,420,937

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. 53,245,312

Certain other unavailable 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.
 Unavailable revenue 2,468,574

Deferred outflows of resources relating to pension activities 1,375,032

Long-term liabilities are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.
 Bonds payable, at maturity (11,500,000)
 Premium/discount on bonds payable (59,063)
 Other post-employment benefits (OPEB) (52,686)
 Accrued long-term interest (24,385)
 Compensated absences (727,600)
 Net pension liability (3,527,308)

Deferred gain on refunding (1,376)
 Deferred outflows of resources relating to pension activities (389,739)

Net Position of Governmental Activities in the Statement of Net Position \$ 71,227,698

See Notes to Basic Financial Statements.

CITY OF KATY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes:				
Property taxes	\$ 4,985,397	\$	\$ 1,772,069	\$ 6,757,466
Sales and use taxes	10,697,135		1,117,116	11,814,251
Franchise taxes	1,190,522			1,190,522
Fines and forfeitures	1,103,017			1,103,017
Licenses and permits	812,782			812,782
Intergovernmental	5,570,938		54,230	5,625,168
Charges for services	1,957,288		13,801	1,971,089
Investment earnings	28,710	3,354	2,145	34,209
Miscellaneous	483,515	46,303		529,818
Total Revenues	<u>26,829,304</u>	<u>49,657</u>	<u>2,959,361</u>	<u>29,838,322</u>
Expenditures				
Current:				
General government	2,534,513		579,389	3,113,902
Public safety	10,225,814		47,410	10,273,224
Public works	3,096,476			3,096,476
Culture and recreation	1,064,478			1,064,478
Transportation	5,548,628			5,548,628
Capital Outlay	6,120,081	1,053,267		7,173,348
Debt Service:				
Principal			1,430,000	1,430,000
Interest and other charges		129,524	287,524	417,048
Total Expenditures	<u>28,589,990</u>	<u>1,182,791</u>	<u>2,344,323</u>	<u>32,117,104</u>
Other Financing Sources (Uses)				
Proceeds from issuance of general obligation refunding bonds		5,000,000		5,000,000
Premium on issuance of bonds		50,877		50,877
Total other financing sources (uses)		<u>5,050,877</u>		<u>5,050,877</u>
Net Changes in Fund Balances	(1,760,686)	3,917,743	615,038	2,772,095
Fund Balances - Beginning of Year	<u>22,419,860</u>	<u>1,333,018</u>	<u>3,895,964</u>	<u>27,648,842</u>
Fund Balances - End of Year	<u>\$ 20,659,174</u>	<u>\$ 5,250,761</u>	<u>\$ 4,511,002</u>	<u>\$ 30,420,937</u>

See Notes to Basic Financial Statements.

CITY OF KATY, 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: \$ 2,772,095

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The capital asset expenditures are allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay of \$6,824,613 exceeded depreciation of \$2,632,872 in the current period. 4,191,741

Donated infrastructure does not represent current assets, and therefore is not recognized as revenue in governmental fund financials. The total amount is, however, reflected in the government wide financial statements as program revenue. 1,073,911

Changes in the other post-employment benefit (OPEB) obligation are not due and payable in the current period and therefore, are not reported in the governmental funds. 74,342

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 266,247

Pension contributions made after the net pension liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position. 1,077,343

Governmental funds report the proceeds of bond sales as another financial source or an increase to fund balance. In contrast, the Statement of Activities treats such proceeds as an increase in long-term liabilities. (5,000,000)

Governmental funds report repayment of bond principal and capital leases as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of payments made on long-term debt. 1,430,000

Deferred gains on bond refunding, and other debt charges which are treated as expenditures or other sources/uses in the fund basis financial statements are set up as assets and amortized in the Statement of Net Position. The net change for each represents an increase/(decrease) in net position.

Bond premiums/discounts (35,910)
Gain/loss on refunding 1,377

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:

Changes in accrued interest (1,134)
Changes in accrued compensated absences (168,560)
Pension expense for the pension plan measurement year (735,449)

Change in net position of governmental activities \$ 4,946,003

See Notes to Basic Financial Statements.

CITY OF KATY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2015

	Business-type Activities
	Water and Sewer
Assets	
Current assets:	
Cash and cash equivalents	\$ 6,236,258
Accounts receivable, net	416,269
Interest receivable	3,665
Total Current Assets	6,656,192
Non-current assets:	
Capital assets not being depreciated:	
Land	1,704,909
Construction in progress	2,274,718
Other capital assets, net of depreciation:	
Utility system	30,148,865
Buildings	7,324,370
Equipment and furniture	223,376
Total Non-Current Assets	41,676,238
Total Assets	48,332,430
 Deferred Outflows of Resources	
Deferred outflows related to pension activities	86,319
Total Deferred Outflows of Resources	86,319
 Liabilities	
Current liabilities:	
Accounts payable	956,201
Due to other funds	12,906
Deposits	579,126
Compensated absences	53,543
Total Current Liabilities	1,601,776
Non-current liabilities:	
Compensated absences	80,314
Net OPEB obligation	4,186
Net Pension Liability	223,715
Total Non-Current Liabilities	308,215
Total Liabilities	1,909,991
 Deferred Inflows of Resources	
Deferred inflows related to pension activities	24,466
Total Deferred Inflows of Resources	24,466
 Net Position	
Investment in capital assets	41,676,238
Unrestricted	4,808,054
Total Net Position	\$ 46,484,292

See Notes to Basic Financial Statements.

CITY OF KATY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended September 30, 2015

	Business-type Activities
	Water and Sewer
Operating Revenues	
Charges for services	\$ 4,940,925
Operating Expenses	
Personnel services	816,154
Supplies	249,577
Contracted services	2,462,698
Other	67,650
Depreciation	1,032,147
Total Operating Expenses	4,628,226
Operating income (loss)	312,699
Non-Operating Revenues (Expenses)	
Interest and investment revenue	6,851
Total Non-Operating Revenues (Expenses)	6,851
Change in Net Position	319,550
Total Net Position - Beginning	46,347,458
Prior period adjustment	(182,716)
Total Net Position - Ending	\$ 46,484,292

See Notes to Basic Financial Statements.

CITY OF KATY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2015

	<u>Business-type Activities</u>
	<u>Water and Sewer</u>
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 5,030,665
Disbursed for personnel services	(822,603)
Disbursed for goods and services	(2,400,219)
Net cash provided by operating activities	<u>1,807,843</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(2,325,100)
Cash flows from capital and related financing activities	<u>(2,325,100)</u>
Cash Flows From Investing Activities	
Interest received	5,531
Net cash used by investing activities	<u>5,531</u>
Net increase (decrease) in cash and cash equivalents	(511,726)
Cash and cash equivalents - beginning of year	<u>6,747,984</u>
Cash and cash equivalents - end of year	<u>\$ 6,236,258</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating Income	\$ 312,699
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,032,147
(Increase) decrease in accounts receivable	35,917
(Increase) decrease in deferred outflows relating to pension activities	(19,959)
Increase (decrease) in interfund payables	8,876
Increase (decrease) in accounts payable	370,830
Increase (decrease) in accrued compensated absences	18,971
Increase (decrease) in other post-employment benefit liability	(4,566)
Increase (decrease) in customer deposits	53,823
Increase (decrease) in net pension liability	(25,361)
Increase (decrease) in deferred inflows relating to pension activities	24,466
Net cash provided by operating activities	<u>\$ 1,807,843</u>

See Notes to Basic Financial Statements.

CITY OF KATY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND - CANE ISLAND PARKWAY IMPROVEMENTS
September 30, 2015

	Cane Island Parkway Improvements
Assets	
Cash and cash equivalents	<u>\$ 121,881</u>
Liabilities	
Due to other governments	<u>\$ 121,881</u>

See Notes to Basic Financial Statements.

CITY OF KATY, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities		
	Totals	Katy Development Authority	Reinvestment Zone Number One
Assets			
Cash and cash equivalents	\$ 25,460,464	\$ 25,291,737	\$ 168,727
Due from other governments	15,188,657	15,188,657	
Total Assets	40,649,121	40,480,394	168,727
Deferred Outflows of Resources			
Deferred charge on refunding	113,025	113,025	
Liabilities			
Accounts payable and accrued expenses	168,665	123,486	45,179
Unearned revenue			
Accrued interest payable	65,036	65,036	
Long-term liabilities:			
Due within one year	2,030,000	2,030,000	
Due in more than one year	19,880,000	19,880,000	
Total Liabilities	22,143,701	22,098,522	45,179
Net Position			
Restricted for:			
Debt service	177,022	177,022	
Community projects	18,317,875	18,317,875	
Unrestricted	123,548		123,548
Total Net Position	\$ 18,618,445	\$ 18,494,897	\$ 123,548

See Notes to Basic Financial Statements.

CITY OF KATY, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Governmental Activities		
	Totals	Katy Development Authority	Reinvestment Zone Number One
Program Revenues			
Operating grants	\$ 180,000	\$	\$ 180,000
General Revenues			
Taxes:			
Property taxes	3,048,294	3,048,294	
Sales and use taxes	5,630,414	5,630,414	
Unrestricted investment earnings	8,671	8,671	
Total revenues	<u>8,867,379</u>	<u>8,687,379</u>	<u>180,000</u>
Expenses			
Economic development	<u>3,742,316</u>	<u>3,531,126</u>	<u>211,190</u>
Change in net position	5,125,063	5,156,253	(31,190)
Net Position - Beginning	<u>13,493,382</u>	<u>13,338,644</u>	<u>154,738</u>
Net Position - Ending	<u><u>\$ 18,618,445</u></u>	<u><u>\$ 18,494,897</u></u>	<u><u>\$ 123,548</u></u>

See Notes to Basic Financial Statements.

CITY OF KATY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1 - Organization

The City of Katy, Texas (the “City”) was incorporated in 1945 and adopted a Home-Rule Charter in January 1981. The Charter provides for a "Mayor-Aldermanic-Administrator" form of City government. A Mayor and five Council members are elected by voters of the City at large for two-year terms.

The City Council is the principal legislative and administrative body of the City. Subject to confirmation of the City Council, the Mayor has the power to appoint all boards, commissions, agencies, and officers provided for in the Charter or by ordinance. Departments and agencies of the City submit budget requirements to the Mayor. The Mayor is the presiding officer of the City Council and does not vote except in the case of a tie vote.

The City provides the following services: public safety, public works, parks and recreation, library, water and sewer and general administrative services.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

Tax Reinvestment Zone Number One (“TIRZ”)

Reinvestment Zone Number One was created by the City in 1998 under the provisions of Chapter 311 of the Texas Tax Code, as a tax increment reinvestment zone, for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City through public improvements to be completed within the boundaries of the Zone. The entity’s fiscal year end is June 30 and its financial information is presented as such in this report.

Katy Development Authority (“KDA”)

Katy Development Authority, a not-for-profit local government corporation (“the authority”), was established by the City under the provisions of Chapter 431, Texas Transportation Code, and the general laws of the State of Texas to aid, assist, and act on behalf of the City in the performance of the City’s governmental functions and to provide a means of financing certain project costs in connection with Reinvestment Zone Number One, City of Katy, Texas (the “Zone”). The entity’s fiscal year end is June 30 and its financial information is presented as such in this report.

The component units identified above are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City appoints a majority of these organizations' boards and is either able to impose its’ will on them or a financial benefit/burden exists. In addition, the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City even though they do not provide services directly to it.

The TIRZ and KDA have a fiscal year end (June 30th) that differs from the City’s fiscal year end (September 30th). However, the year ends are treated consistently each year.

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Complete financial statements of the individual component units can be obtained directly from the City's Finance Department at 910 Avenue C, Katy, Texas, 77492-0617.

The financial reporting entity consists of the primary government and other organizations for which the primary government is financially accountable. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's business-type and governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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 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 segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded in the government-wide financial statements. Major individual governmental funds and 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 accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the economic resources measurement focus, as are the proprietary fund financial statements. The government-wide statements, proprietary fund statements, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recognized 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.

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

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 if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally 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.

General property taxes are recorded as receivables when levied and as revenue in the period for which they were levied and become available. Property taxes receivable have been recorded as deferred inflows of resources at year-end.

Property taxes collected within 60 days subsequent to September 30, 2015, have not been recorded as revenue as the amount is not considered material. Franchise taxes and sales taxes relating to underlying transactions that occurred prior to September 30, 2015, have been recorded as receivables and revenue. Licenses and permits and fines are not susceptible to accrual since they are not measurable until received. Revenue on federal and state cost-reimbursement grants is accrued when the related expenditures are incurred. Interest is recorded when earned.

The City reports two major governmental funds:

The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, franchise taxes, licenses and permits, and fines and forfeitures. Expenditures are for general government, public safety, public works and parks and recreation.

The *Capital Projects Fund* is used to account for the accumulation of resources for the construction of capital projects through debt proceeds and other governmental activity resources.

The City reports one major proprietary fund:

The *Water and Sewer Enterprise Fund* is used to account for operations of the water and sewer division and the construction of related facilities. The fund is financed and operated in a manner similar to private business enterprises -- where the intent of the City is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), impact fees and other City funds.

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

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 program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater enterprise fund are charges to customers for sales and services. Operational expenses for the fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

Net position is categorized into three components – net investment in capital assets, restricted, and unrestricted. These classifications are as follows:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings.
- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position - This component of net position consists of the balance of net position that does not meet the definition of the other components noted above.

Additionally, the City reports the following fiduciary fund:

The *Agency Fund* is used to account for assets held by the City as an agent for ProTerra-Stratford/I-10 Ltd. in connection with the design, improvement, and construction costs in association with the entrance and exit ramps and intersection improvements at I-10 and Cane Island Parkway. This fund has no revenues, expenditures, or equity, and the City does not budget for them.

D. Cash and Cash Equivalents

The City reports cash and cash equivalents in the District's statement of cash flows for Proprietary Fund Types and in all other financial statements of financial position. The City considers cash and cash equivalents to be cash on hand, demand deposits, certificates of deposit, balances in public funds investment pools and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

E. Investments

Investments consist of balances in public funds investment pools and investments in certificates of deposit. The City reports all investments at fair value based on quoted market prices at year-end date.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Water and Sewer Fund are considered to be immaterial and have not been recognized at the end of the current fiscal year.

G. Due to and from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are, for the most part, eliminated from the Government-Wide Statement of Net Position and are recorded as “due from other funds” or “due to other funds” in the fund financial statements.

H. Inventories and Prepaid Items

Inventories of the General and Enterprise Funds are valued at the lesser of cost (weighted moving average) or fair value. Inventories for all funds consist of expendable supplies held for consumption, and the cost thereof is recorded as an expense/expenditure at the time the inventory items are issued (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

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. Improvements, including public domain, and equipment are capitalized and depreciated over the remaining useful lives of the related capital assets using the straight line method, as applicable.

<u>Asset</u>	<u>Estimated Useful Lives</u>
Streets and improvements	40 years
Water and sewer system	50 years
Vehicles and Equipment	5 years
Building and improvements	30 years

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

J. Compensated Absences

Employees earn vacation based on years of service with the City. In accordance with GAAP, the liability for accumulated vacation at September 30, 2015, has been recorded as a liability in the Government-Wide Statement of Net Position.

The City pays accrued sick leave for accumulated unused sick leave of up to 90 days per employee to employees who retire under the Texas Municipal Retirement System and have 10 continuous years of employment with the City. Sick leave is otherwise non-cumulative for non-retirees and is paid only for actual absences due to illness; therefore, no accrual has been recorded for unused sick leave. Compensated absences are typically liquidated using the General and Water & Utility Funds.

K. 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category.

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this 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.
- Deferred outflows of resources for pension activities - Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category.

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes and EMS services arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

K. Deferred Outflows/Inflows of Resources (continued)

- Deferred inflows of resources for pension activities - Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.
- Deferred inflows of resources for refunding - Reported in the government-wide statement of net position, this deferred gain 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

L. General Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest set forth by the Property Tax Code. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Appraised values are established by the Central Appraisal Districts (the "CADs") of Waller, Harris, and Fort Bend County. Taxes are levied by the City Council based on the appraised values received from the CADs.

M. Debt Service

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for debt service on the general obligation debt is provided by the debt service tax together with interest earned in the Debt Service Fund.

N. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from these estimates.

O. Bond Discounts

In governmental fund types, bond discounts are recognized in the current period and are deferred and amortized in the Government-wide Statement of Activities. Bond discounts for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are recorded as deferred charges.

P. Fund Equity

In the fund financial statements, the City categorizes portions of fund balance into categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

P. Fund Equity (continued)

Non-spendable fund balance – amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balance – amounts that are subject to external restrictions from creditors, grantors, contributors, or laws of other governments.

Committed fund balance – amounts constrained for specific purposes as determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by City Council. City Council will approve obligations of funds, such as multiyear contracts, prior to the end of the fiscal year.

Assigned fund balance – amounts the City intends to use for a specific purpose that is neither restricted or committed and includes the remaining positive fund balance of all governmental funds except for the General Fund. Balances for encumbrances, other than those committed by City Council, fall into this category. Under the City's adopted policy, Resolution No. 465, intent to assign fund balance can be established by City Council or delegated to the City Administrator.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City will typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

P. Fund Equity (continued)

The City will maintain the General Fund unassigned fund balance equivalent to three months of normal recurring operating costs, based on current year budgeted expenditures. If the fund balance exceeds this amount, the amount in excess of policy requirements may be utilized to fund one-time expenditures in the next fiscal year's budget.

Unrestricted net position for proprietary funds represents the net position available for future operations or distribution. Restricted net position for proprietary funds represents the net position that has been legally identified for specific purposes.

Q. Revenues and Expenditures/Expenses

In the fund financial statements revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred. Revenues and expenses in the Government-wide Statement of Activities are recognized in essentially the same manner as used in commercial accounting.

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

R. Post-employment Healthcare Benefits

The City provides post-employment healthcare benefits mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and the City incurs no direct costs. In addition, retired employees receiving annuities from the Texas Municipal Retirement System and if selected, their dependents, are eligible to continue to participate in the City's health insurance plan at the "blended" employee group rate.

S. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as assigned fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are appropriately provided for in the subsequent year's budget.

As of September 30, 2015, outstanding purchase orders of \$464,582. These were the result of normal operations. As such, the City has assigned this amount in the General Fund.

T. 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*.

U. New Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information. GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71") amends the transition provisions of GASB 68. GASB 71 requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Implementation is reflected in the financial statements and the notes to the financial statements.

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Deposits (Cash) and Investments

Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City's investment policy. The City's investment policy is more restrictive than the PFIA requires. It is the City's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully collateralized certificates of deposit, bankers' acceptances, mutual funds, repurchase agreements and local government investment pools. The maximum maturity allowed is three years from date of purchase. The City's investment policy does not allow investments in commercial paper, collateralized mortgage obligations, floating rate investments or swaps.

Deposit and Investment Amounts

The City's cash and investments are classified as: cash and cash equivalents, investments, and restricted cash and investments. The cash and cash equivalents include cash on hand, deposits with financial institutions, non-negotiable certificates of deposit, and short-term investments in a privately-managed public funds investment pool account (TexPool). The restricted cash and investments are assets restricted for specific use.

The following schedule shows the City's recorded cash and cash equivalents at year-end:

	<u>Fair Value</u>
Primary Government	
Cash Deposits	\$ 5,017,515
Certificates of Deposit	9,000,000
Public Funds Investment Pool	
TexPool	<u>21,884,950</u>
Total	<u>\$ 35,902,465</u>

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Deposits (Cash) and Investments (continued)

Deposit and Investment Amounts (continued)

At September 30, 2015, the City reported deposits in the amount of \$5,017,515, and the bank balance was \$5,941,623. Of this amount, \$592,763 required collateralization. The City's collateral requirement in accordance with its investment policy is 102%. The required collateralized balance was covered by federal depository insurance and by collateral held by the City's agent in the City's name as of September 30, 2015. The City's money market mutual fund sweep accounts do not require collateralization.

The City uses the Certificate of Deposit Account Registry Service ("CDARS"), a deposit-placement service designed to allow FDIC-insured depository institutions to accept deposits of more than \$250,000 and obtain full coverage for the City by spreading the funds among as many separate FDIC insured institutions as necessary so that no institution holds more than \$250,000 (principal plus interest).

Interest Rate Risk

At year-end, the City had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles:

	<u>Fair Value</u>	<u>Weighted Average Maturities (Days)</u>	<u>Percentage of Portfolio</u>
Primary Government			
Public funds investment pool			
TexPool	\$ 21,884,950	40	100%
Total	<u>\$ 21,884,950</u>		
Portfolio weighted average maturities (days)		40	

The City measures interest rate risk using the weighted average maturity method for the portfolio. The City's investment policy specifies a maximum weighted average maturity of 270 days based on the stated maturity date for each investment in the portfolio. To the extent possible, the City attempts to match investments with anticipated cash flow requirements. The City does not directly invest in securities with a stated maturity date more than three years or 1,095 days from date of purchase. The settlement date is considered the date of purchase.

Concentration of Credit Risk

The City's investment policy allows investments by type based on the following diversification requirements:

	Percentage of Portfolio (Maximum)
U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities of Government-Sponsored Corporations	80%
Authorized Local Government Investment Pool (per Pool)	100%
Fully Collateralized Certificates of Deposit	50%
Fully Collateralized Repurchase Agreements	50%
SEC-Regulated No-Load Money Market Mutual Fund (per Fund)	50%

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Deposits (Cash) and Investments (continued)

Credit Risk

At year-end, balances in TexPool, a privately-managed public funds investment pool, was rated AAAM by Standard & Poor's. Certificates of Deposit are not rated. All credit ratings meet acceptable levels required by guidelines prescribed by both the PFIA and the City's investment policy. A public funds investment pool must be continuously rated no lower than AAA or AAAM or no lower than investment grade by at least one nationally-recognized rating service and have a weighted average maturity no greater than 90 days. Investments with minimum required ratings do not qualify as authorized investments during the period the investment does not have the minimum rating.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

Note 4 - Receivables

Amounts recorded as receivables as of September 30, 2015, for the government's individual major and non-major funds, including the applicable allowance for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Receivables:					
Sales and use taxes	\$ 2,041,581	\$	\$ 227,699	\$	\$ 2,269,280
Fines and Forfeitures	1,656,504				1,656,504
Property taxes	592,312		199,472		791,784
Customer accounts	1,930,158			427,457	2,357,615
Grants	57,576				57,576
Interest	13,181			3,665	16,846
Other	19,265	16,514			35,779
Gross Receivables	<u>6,310,577</u>	<u>16,514</u>	<u>427,171</u>	<u>431,122</u>	<u>7,185,384</u>
Less: allowance for uncollectibles	<u>(1,844,410)</u>		<u>(7,979)</u>	<u>(11,188)</u>	<u>(1,863,577)</u>
Net Total Receivables	<u>\$ 4,466,167</u>	<u>\$ 16,514</u>	<u>\$ 419,192</u>	<u>\$ 419,934</u>	<u>\$ 5,321,807</u>

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 4 – Receivables (continued)

Delinquent tax collections during the first sixty days subsequent to September 30, 2015, have not been recorded as revenue as of September 30, 2015, as the amount is not considered material.

The following portions of receivables represent assets that are not available for use by the City to liquidate current year liabilities at September 30, 2015. These amounts are reported as deferred inflows of resources on the governmental fund balance sheet and are summarized below:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non Major Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 568,084	\$	\$ 191,493	\$ 759,577
Fines and forfeitures	579,776			579,776
Ambulance services	1,112,361			1,112,361
Street assessments		15,468		15,468
Other	1,392			1,392
	<u>\$ 2,261,613</u>	<u>\$ 15,468</u>	<u>\$ 191,493</u>	<u>\$ 2,468,574</u>

Note 5 - Capital Assets

A summary of activity for capital assets capitalized by the City for the year ended September 30, 2015, follows:

	<u>Balance 9/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2015</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 6,257,596	\$ 357,919	\$	\$ 6,615,515
Construction in progress	1,523,197	6,989,712	(1,517,294)	6,995,615
Total capital assets, not being depreciated	<u>7,780,793</u>	<u>7,347,631</u>	<u>(1,517,294)</u>	<u>13,611,130</u>
Capital assets being depreciated:				
Streets and improvements	44,305,558	464,148		44,769,706
Buildings and improvements	19,858,183	115,300		19,973,483
Furniture and equipment	8,237,107	1,488,740	(230,081)	9,495,766
Total capital assets being depreciated	<u>72,400,848</u>	<u>2,068,188</u>	<u>(230,081)</u>	<u>74,238,955</u>
Less accumulated depreciation for:				
Streets and improvements	(22,456,463)	(1,216,446)		(23,672,909)
Buildings and improvements	(4,509,980)	(483,692)		(4,993,672)
Furniture and equipment	(5,235,538)	(932,735)	230,081	(5,938,192)
Total accumulated depreciation	<u>(32,201,981)</u>	<u>(2,632,873)</u>	<u>230,081</u>	<u>(34,604,773)</u>
Total capital assets being depreciated, net	<u>40,198,867</u>	<u>(564,685)</u>		<u>39,634,182</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 47,979,660</u>	<u>\$ 6,782,946</u>	<u>\$ (1,517,294)</u>	<u>\$ 53,245,312</u>

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets (continued)

	Balance 9/30/2014	Additions	Deletions	Balance 9/30/2015
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,704,909	\$	\$	\$ 1,704,909
Construction in progress	698,470	1,576,248		2,274,718
Total capital assets, not being depreciated	2,403,379	1,576,248		3,979,627
Capital assets being depreciated:				
Water and sewer system	51,185,106	379,458		51,564,564
Buildings and improvements	9,950,421	341,836		10,292,257
Furniture and equipment	1,659,691	44,799		1,704,490
Total capital assets being depreciated	62,795,218	766,093		63,561,311
Less accumulated depreciation for:				
Water and sewer system	(20,631,525)	(784,174)		(21,415,699)
Buildings and improvements	(2,857,154)	(110,733)		(2,967,887)
Furniture and equipment	(1,343,873)	(137,241)		(1,481,114)
Total accumulated depreciation	(24,832,552)	(1,032,148)		(25,864,700)
Total capital assets being depreciated, net	37,962,666	(266,055)		37,696,611
Business-type Activities				
Capital Assets, Net	\$ 40,366,045	\$ 1,310,193	\$	\$ 41,676,238

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

Governmental Activities

General	\$ 129,518
Public safety	891,117
Public works	1,408,452
Culture and recreation	203,786
	<u>\$ 2,632,873</u>

Business-type Activities

Water and sewer	<u>\$ 1,032,148</u>
-----------------	---------------------

Construction in progress for the various projects and remaining commitments under these construction contracts at September 30, 2015, are as follows:

	Authorized Contract	Total in Progress	Remaining Commitment
Governmental Activities			
Cane Island (Bridge and Road)	\$ 1,450,681	\$ 1,307,176	\$ 143,505
City Hall	7,526,426	5,688,439	1,837,987
	<u>\$ 8,977,107</u>	<u>\$ 6,995,615</u>	<u>\$ 1,981,492</u>
Business-type Activities			
Water Plant #7 Study (construction to begin in 2017)	\$ 3,527,640	\$ 132,840	\$ 3,394,800
Cane Island Water & Sewer	517,638	465,226	52,412
Waterline Replacement - A.R. Turnkey	146,059	100,404	45,655
Water Line & Sanitary Sewer Extension to Young Ranch		1,518,288	(1,518,288)
Wastewater Sludge Dewatering System		57,960	(57,960)
	<u>\$ 4,191,337</u>	<u>\$ 2,274,718</u>	<u>\$ 3,492,867</u>

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for general government and enterprise fund activities. These instruments include general obligation bonds. Future ad valorem tax revenues secure these debt obligations. For governmental activities, compensated absences and the other post-employment obligation are liquidated by the general fund. For business-type activities, compensated absences and the other post-employment obligation are liquidated by the water and sewer fund.

The City issued \$5,000,000 of Permanent Improvement Bonds, Series 2015 dated March 1, 2015. Proceeds from the sale of the bonds will be used for the construction of a fire station and to pay the costs of issuance of the bonds.

During the year ended September 30, 2015, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 7,930,000	\$ 5,000,000	\$ (1,430,000)	\$ 11,500,000	\$ 1,760,000
Bond issuance premiums/discounts	23,153	50,878	(14,968)	59,063	14,969
Compensated absences	559,040	452,872	(284,312)	727,600	291,040
Other post-employment benefit (OPEB) obligation	127,028		(74,342)	52,686	
Net pension liability		3,931,313	(404,005)	3,527,308	
Governmental Activities Long-term Liabilities	<u>\$ 8,639,221</u>	<u>\$ 9,435,063</u>	<u>\$ (2,207,627)</u>	<u>\$ 15,866,657</u>	<u>\$ 2,066,009</u>
Business-type Activities:					
Compensated absences	\$ 114,886	\$ 31,023	\$ (12,052)	\$ 133,857	\$ 53,543
Other post-employment benefit (OPEB) obligation	8,752		(4,566)	4,186	
Net pension liability		249,076	(25,361)	223,715	
Business-type Activities Long-term Liabilities	<u>\$ 123,638</u>	<u>\$ 280,099</u>	<u>\$ (41,979)</u>	<u>\$ 361,758</u>	<u>\$ 53,543</u>

The following is a summary of the terms of obligations of general obligation bonds outstanding as of September 30, 2015:

<u>Governmental Activities:</u>			<u>Maturity Date</u>	<u>Debt Outstanding</u>
<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>		
General Obligation Bonds				
2004 Series	2.85% to 3.75%	\$ 3,200,000	2019	\$ 1,130,000
2008 Series	3.30% to 3.625%	7,500,000	2023	4,625,000
2011 Series	2.00%	3,320,000	2016	745,000
2015 Series	1.50% to 2.75%	5,000,000	2030	5,000,000
Total Governmental Activities				<u>\$ 11,500,000</u>

CITY OF KATY, TEXAS**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)****Note 6 - Long-Term Debt (continued)**

Annual debt service requirements to retire outstanding general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 1,760,000	\$ 300,710	\$ 2,060,710
2017	1,060,000	260,553	1,320,553
2018	1,085,000	228,672	1,313,672
2019	1,130,000	195,543	1,325,543
2020	865,000	166,231	1,031,231
2021 - 2025	3,595,000	448,764	4,043,764
2026 - 2030	2,005,000	137,377	2,142,377
	<u>\$ 11,500,000</u>	<u>\$ 1,737,850</u>	<u>\$ 13,237,850</u>

Legal Compliance

A number of limitations and restrictions are contained in the various bond ordinances. The City has complied with all significant limitations and restrictions.

A summary of permanent improvement bonds authorized, but unissued, at September 30, 2015, follows:

Purpose	Date Authorized	Amount Authorized	Amount Unissued
Civic Center	01/22/00	\$ 3,000,000	\$ 3,000,000
Street	01/22/00	3,000,000	3,000,000
Drainage Improvements	01/22/00	5,000,000	1,800,000
Water and Sewer	01/22/00	5,000,000	1,000,000
		<u>\$ 16,000,000</u>	<u>\$ 8,800,000</u>

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt (continued)

Katy Development Authority

Long-term debt of the Katy Development Authority consists of the following contract revenue bonds payable:

- The Series 2012 Bonds constitute Tax Increment Contract Revenue Refunding Bonds. Proceeds of the sale financed a multi-purpose center for use by Katy Independent School District (“Katy ISD”). Katy ISD has leased the project site to the Authority and the lease provides that the Authority will own the project. The Authority has subleased the project site and leased the project to Katy ISD. As further security for the bonds, the Authority has granted a leasehold deed of trust lien to a mortgage trustee for the benefit of the trustee on its leasehold estate on the project site and all its right, title and interest in the project.
- The Series 2014 Katy Metro Contract Service Bonds were issued to finance construction, engineering, and testing costs for the Morton Road Project or other eligible transportation projects as may be approved by the City Council, as well as for paying any cost of issuance related to the bonds. The bonds are secured by the Metro Contract Revenues.

Note 7 - Interfund Transactions

The composition of interfund balances as of September 30, 2015, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 54,056	\$ 804
Debt Service Fund	12,103	
Capital Projects Fund		39,214
Police Fund		377
Hotel Tax Fund		12,858
Water and Sewer Fund		12,906
	<u>\$ 66,159</u>	<u>\$ 66,159</u>

Amounts recorded as interfund receivables and payables are considered to be temporary loans and will be repaid during the following fiscal year.

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System

Texas Municipal Retirement System

Plan Description and Provisions

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 agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

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 at any age; 5 years at age 60 and above
Updated Service Credit:	75% Repeating
Annuity Increase to retirees:	50% of CPI Repeating
Supplemental death benefit – employees and retirees:	Yes

The City does not participate in Social Security.

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent 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.

On the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

CITY OF KATY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Benefits Provided (continued)

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	52
Inactive employees entitled to but not yet receiving benefits	42
Active employees	163
Total	257

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the State law governing TMRS, the contribution rate for each City is determined annually by the consulting 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. For fiscal year 2015, the City made contributions of 16.48% for the months in 2014 and 15.54% for the months in 2015.

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.

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Actuarial Assumptions (continued)

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. This experience study 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 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
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	<u>100.0%</u>	

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 contributions will remain at the current 7% 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 35,111,666	\$ 30,931,277	\$ 4,180,389
Changes for the year:			
Service cost	1,485,439		1,485,439
Interest	2,462,064		2,462,064
Change in benefit terms Difference between expected and actual experience	(488,581)		(488,581)
Changes in assumptions			
Contributions - employer		1,500,997	(1,500,997)
Contributions - employee		637,566	(637,566)
Net investment income		1,769,718	(1,769,718)
Benefit payments, including refunds, of employee contributions	(1,364,088)	(1,364,088)	
Administrative expense		(18,474)	18,474
Other charges		(1,519)	1,519
Net changes	<u>2,094,834</u>	<u>2,524,200</u>	<u>(429,366)</u>
Balance at 12/31/2014	<u>\$ 37,206,500</u>	<u>\$ 33,455,477</u>	<u>\$ 3,751,023</u>

Sensitivity of the Net Pension Liability

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%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease to 6.00%	Current Single Rate Assumption 7.00%	1% Increase to 8.00%
City's net pension liability	\$ 9,252,658	\$ 3,751,023	\$ (746,279)

Pension Plan Fiduciary Net Position

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

CITY OF KATY, TEXAS**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)****Note 8 - Employee Retirement System (continued)****Pension Expense, 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 \$735,449.

At September 30, 2015, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actuarial assumptions and actual experience	\$	\$ 414,205
Differences between projected and actual investment earnings	316,377	
Contributions subsequent to the measurement date	<u>1,144,974</u>	
Total	<u>\$ 1,461,351</u>	<u>\$ 414,205</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,144,974 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2015 (i.e. recognized in the City's financial statements September 30, 2016). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Net deferred outflows (inflows) of resources</u>
2015	\$ 4,718
2016	4,718
2017	4,718
2018	4,719
2019	(74,376)
Thereafter	<u>(42,325)</u>
Total	<u>\$ (97,828)</u>

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% to 6.75% and changing the inflation assumption from 3% 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 a large as originally projected.

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

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.

	<u>Plan Year 2014</u>	<u>Plan Year 2015</u>
The City offers supplemental death to:		
Active employees	Yes	Yes
Retirees	Yes	Yes

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 fiscal years ended 2015, 2014, and 2013 were \$20,122, \$18,226, and \$17,105, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates
(Retiree-only portion of the rate, for OPEB)

<u>Plan/Calendar Year</u>	<u>Annual Required Contribution Rate</u>	<u>Actual Contribution Made Rate</u>	<u>Percentage of ARC Contributed</u>
2013	0.03%	0.03%	100%
2014	0.03%	0.03%	100%
2015	0.03%	0.03%	100%

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits

Plan Description

The City's Other Post-Employment Benefits Plan (OPEB) is a single-employer defined benefit healthcare Plan that is administered by the City and covers retired employees of the City and if selected, their dependents. City Council has the authority to establish and amend benefit provisions of the Plan. The Plan does not issue a separate, publicly available report. In addition to providing pension benefits through the Texas Municipal Retirement System, the City has opted to provide eligible retired employees with the following post-employment benefits:

- For employees retiring and receiving annuities from the Texas Municipal Retirement System who are (1) at least 60 and have completed five consecutive years of active service with the city immediately prior to retirement, or (2) at any age have completed 20 consecutive years of active service with the City immediately prior to retirement. Coverage for medical benefits is provided from the date of retirement, for the balance of the retiree's life, and is contingent on the payment of the retiree's premium.
- For retirees under the age of 65, the retiree will pay 100% of the retiree premium for medical coverage. If dependent coverage is selected, the retiree is responsible for 100% of the dependent coverage premium.
- For retirees over the age of 65, the retiree is responsible for 100% of the fully-insured Medicare supplement plan. There is no GASB 45 liability associated with post-65 coverage.
- The City does not subsidize, directly or indirectly, the cost of dental, vision, or life insurance benefits.

Annual OPEB Cost and Net OPEB Obligation

At September 30, 2015, there were approximately six participants eligible to receive such benefits. Commencing in fiscal year 2009, the City has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. The City has performed an actuarial valuation of its post-retirement benefit liability. The financial statement disclosures for 2015 are as follows.

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance within the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

	Fiscal Year Ending 9/30/15
Determination of Annual Required Contribution	
Normal Cost at Fiscal Year End	\$ 12,943
Amortization of Unfunded Actuarial Accrued Liability	(88,930)
Annual Required Contribution	<u>(75,987)</u>
Determination of Net OPEB Obligation	
Annual Required Contribution	(75,987)
Interest on prior year Net OPEB Obligation	5,431
Adjustment to ARC	(7,550)
Annual OPEB Cost	<u>(78,106)</u>
Less Contributions Made	<u>(802)</u>
Estimate Decrease in Net OPEB Obligation	(78,908)
Net OPEB Obligation – Beginning of Year	<u>135,780</u>
Net OPEB Obligation – End of Year	<u>\$ 56,872</u>

The following table shows the estimated annual OPEB cost and net OPEB obligation for the prior three years assuming the plan is not prefunded (4% discount rate):

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
09/30/2013	\$ 13,209	\$ 1,086	8.22%	\$ 124,688
09/30/2014	13,694	2,602	19.00%	135,780
09/30/2015	(78,106)	802	-1.03%	56,872

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

Funded Status and Funding Progress

As of October 1, 2014, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial valuation date	October 1, 2014
Actuarial value of plan assets (a)	\$0
Actuarial accrued liability (AAL) (b)	\$129,489
Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL) (b-a)	\$129,489
Funded Ratio (a/b)	0.0%
Projected Annual Covered Payroll (c)	\$8,312,520
UAAL or OAAL as % of covered payroll ((b-a)/c)	1.56%

Actuarial valuations of an ongoing plan involve 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 healthcare 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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2014, actuarial valuation, the liabilities were computed using the projected unit credit actuarial cost method and level dollar amortization. The actuarial assumptions included a 4% per annum discount rate. Employees eligible for retiree medical benefits assumed to elect continued medical coverage in retirement is 25%. The trend assumptions for medical and pharmacy costs and retiree premiums were 5.5% for 2014 and fluctuate from 4.5% to 6.9% for future years. The actuarial value of plan assets will be determined using market value. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis. The actuarial valuation includes no explicit inflation assumption or projected salary increase assumption as the postretirement benefits under GASB 45 provided by the City are not salary-related and the amortization method is not based on payroll.

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

Actuarial Methods and Assumptions (continued)

Changes since Last Valuation

The underlying inflation assumption has decreased from 2.75% per annum as of October 1, 2011 to 2.50% per annum as of October 1, 2014.

Note 10 - Commitments and Contingencies

Litigation and Other Contingencies

From time to time, the City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City Management and legal counsel that any ultimate uninsured liability to the City from these lawsuits will not be material.

Arbitrage Rebate

In accordance with the provisions of the Internal Revenue Code, sections 103, 103A, and 148, as amended, a governmental debt issuance must qualify and maintain tax-exempt status by satisfying certain arbitrage requirements contained in these provisions. As part of the requirements, certain amounts earned on the non-purpose investment of debt issuance proceeds, in excess of the yield on an issue, earned as arbitrage, will be required to be paid to the U.S. Treasury. As part of this process, the City annually determines potential arbitrage liabilities on its debt issues, on component unit debt issues and on debt issues assumed by the City from various Municipal Utility Districts.

Note 11 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City participates in the Texas Municipal League's General Liability Fund. In addition, the City participates in the Texas Municipal League's Workers Compensation Fund to insure the City for workers compensation claims. The Texas Municipal League is not intended to operate as an insurance company but rather as contracting mechanism by which the city provides self-insurance benefits to its employees. The fund contracts with a third-party administrator for administration, investigation and adjustment services in the handling of claims. Premiums are based on the estimated City payroll risk factor and rates. The premiums are adjusted by the City's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool. The City has not significantly reduced insurance coverage in the last three years.

CITY OF KATY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 12 – Prior Period Adjustment

The implementation of GASB Statements No. 68 and No. 71 required restatement of beginning net position for the elimination of the previously reported net pension asset, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying this change results in the adjustment below:

	Government-wide Financial Statements			Proprietary
	Governmental	Business-type		Fund
	Activities	Activities	Total	Water and
				Sewer Fund
Net position at September 30, 2014, as previously reported	\$ 69,165,604	\$ 46,347,458	\$ 115,513,062	\$ 46,347,458
Recording of net pension liability as of October 1, 2014	(3,931,313)	(249,076)	(4,180,389)	(249,076)
Deferral for pension contributions made after the measurement date	1,047,404	66,360	1,113,764	66,360
Net position at October 1, 2014, as restated	<u>\$ 66,281,695</u>	<u>\$ 46,164,742</u>	<u>\$ 112,446,437</u>	<u>\$ 46,164,742</u>

Required Supplementary Information

CITY OF KATY, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (BUDGETARY BASIS)

For the Year Ended September 30, 2015

	2015			Variance Positive (Negative)	2014
	Original Budget	Final Budget	Actual		Actual
Revenues					
Taxes:					
Property taxes	\$ 4,908,117	\$ 4,908,117	\$ 4,985,397	\$ 77,280	4,419,945
Sales and use taxes	9,537,000	9,537,000	10,697,135	1,160,135	10,144,293
Franchise taxes	1,131,000	1,131,000	1,190,522	59,522	1,107,464
Fines and forfeitures	871,000	871,000	1,103,017	232,017	878,069
Licenses and permits	525,175	525,175	812,782	287,607	558,007
Intergovernmental			20,000	20,000	
Charges for services	1,626,438	1,646,438	1,957,288	310,850	1,653,569
Investment earnings	17,870	17,870	28,710	10,840	19,180
Miscellaneous	57,550	57,550	483,515	425,965	166,191
Total Revenues	<u>18,674,150</u>	<u>18,694,150</u>	<u>21,278,366</u>	<u>2,584,216</u>	<u>18,946,718</u>
Expenditures					
Current:					
General government	2,675,899	2,613,935	2,534,513	79,422	2,674,907
Public Safety	10,678,486	10,698,486	10,225,814	472,672	9,732,000
Public Works	3,391,948	3,391,948	3,096,476	295,472	3,757,422
Culture and recreation	1,107,169	1,169,133	1,064,478	104,655	1,055,085
Capital Outlay	820,648	820,648	6,120,081	(5,299,433)	228,422
Total Expenditures	<u>18,674,150</u>	<u>18,694,150</u>	<u>23,041,362</u>	<u>(4,347,212)</u>	<u>17,447,836</u>
Revenues over (under) expenditures			(1,762,996)	(1,762,996)	1,498,882
Fund Balances - Beginning of Year	<u>25,669,780</u>	<u>25,669,780</u>	<u>25,669,780</u>		<u>24,170,898</u>
Fund Balances - End of Year	<u>\$ 25,669,780</u>	<u>\$ 25,669,780</u>	<u>\$ 23,906,784</u>	<u>\$ (1,762,996)</u>	<u>\$ 25,669,780</u>

CITY OF KATY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION

Year ended September 30, 2015

General Budget Policies

The original budget is adopted by the City Council prior to the beginning of the fiscal year for the General Fund and Debt Service Fund. The legal level of control is the total approved budget for each fund. The Mayor may transfer appropriations between departments without Council approval. Council must approve all transfers from one fund to another.

Budgetary Basis of Accounting

While the City reports financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented as RSI for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis is the receipt of intergovernmental revenues from the Metropolitan Transit Authority of Harris County (METRO) and the subsequent disbursement to the Katy Development Authority, which are reported as intergovernmental expenditures. The reconciliation from the budgetary to GAAP basis is as follows:

	<u>Budgetary Basis</u>	<u>Adjustments</u>	<u>GAAP Basis</u>
Revenues:			
Budgetary basis	\$ 21,278,366	\$	\$ 21,278,366
Intergovernmental		5,550,938	5,550,938
Total revenues	<u>21,278,366</u>	<u>5,550,938</u>	<u>26,829,304</u>
Expenditures:			
Budgetary basis	23,041,362		23,041,362
Transportation		5,548,628	5,548,628
Total expenditures	<u>23,041,362</u>	<u>5,548,628</u>	<u>28,589,990</u>
Changes in fund balance	(1,762,996)	2,310	(1,760,686)
Beginning fund balance	<u>25,669,780</u>	<u>(3,249,920)</u>	<u>22,419,860</u>
Ending fund balance	<u>\$ 23,906,784</u>	<u>\$ (3,247,610)</u>	<u>\$ 20,659,174</u>

Budgetary Compliance

The City had expenditures exceeding appropriations for capital outlay due to the construction of a new City Hall, including related engineering and inspections, software upgrades, parks infrastructure expansion, fire and police safety equipment upgrades, and vehicles for public works.

CITY OF KATY, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
September 30, 2015

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Changes in Net Pension Liability and Related Ratios

	Measurement Year 2014
Total pension liability:	
Service cost	\$ 1,485,439
Interest	2,462,064
Changes of benefit terms	
Difference between expected and actual experience	(488,581)
Change in assumptions	
Benefit payments, including refunds of employee contributions	<u>(1,364,088)</u>
Net change in total pension liability	2,094,834
Total pension liability - beginning	<u>35,111,666</u>
Total pension liability - ending (a)	<u>\$ 37,206,500</u>
 Plan fiduciary net position:	
Contributions - employer	\$ 1,500,997
Contributions - employee	637,566
Net investment income	1,769,718
Benefit payments, including refunds of employee contributions	(1,364,088)
Administrative expense	(18,474)
Other	<u>(1,519)</u>
Net change in plan fiduciary net position	2,524,200
Plan fiduciary net position - beginning	<u>30,931,277</u>
Plan fiduciary net position - ending (b)	<u>33,455,477</u>
 Net pension liability - ending (a) - (b)	 <u>\$ 3,751,023</u>
 Plan fiduciary net position as a percentage of total pension liability	 89.92%
 Covered employee payroll	 \$ 9,108,082
 Net pension liability as a percentage of covered employee payroll	 41.18%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68. Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

CITY OF KATY, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
September 30, 2015

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Contributions
 Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 1,528,535	\$ 1,454,101	\$ 1,256,710	\$ 1,166,610	\$ 1,199,601
Contribution in relation of the actuarially determined contribution	\$ 1,528,535	\$ 1,454,101	\$ 1,256,710	\$ 1,166,610	\$ 1,199,601
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$ 9,108,082	\$ 7,821,129	\$ 7,121,588	\$ 6,862,689	\$ 6,887,029
Contributions as a percentage of covered employee payroll	16.8%	18.6%	17.6%	17.0%	17.4%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 1,062,326	\$ 969,281	\$ 775,841	\$ 685,117	\$ 653,238
Contribution in relation of the actuarially determined contribution	\$ 1,062,326	\$ 969,281	\$ 775,841	\$ 685,117	\$ 653,238
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$ 6,680,043	\$ 6,540,022	\$ 6,131,918	\$ 5,661,076	\$ 5,473,601
Contributions as a percentage of covered employee payroll	15.9%	14.8%	12.7%	12.1%	11.9%

Notes to Required Supplementary Information:

Valuation Date: Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	15 years
Asset Valuation Method:	10 Year smoothed market; 15% soft corridor
Inflation:	3.0%
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 with scale BB.
Other Information:	There were no benefit changes during the year.

CITY OF KATY, TEXAS

REQUIRED OTHER POST-EMPLOYMENT BENEFITS SUPPLEMENTARY INFORMATION

September 30, 2015

KATY OTHER POST-EMPLOYMENT BENEFITS SUPPLEMENTARY INFORMATION (UNAUDITED)

Schedule of Funding Progress

Actuarial Valuation Date October 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a % of Covered Payroll
2011	\$	\$ 187,608	\$ 187,608	0.0%	\$ 6,976,344	2.69%
2012	n/a	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a	n/a
2014		129,489	129,489	0.0%	8,312,520	1.56%

Note: AAL determined under the projected unit credit cost method

(This page intentionally left blank.)

**Combining and Individual Fund
Statements and Schedules**

(This page intentionally left blank.)

Non-Major Governmental Funds

Debt Service Fund

The *Debt Service Fund* is used to account for the accumulation of resources for the payment of principal and interest on general long-term debt of the City.

Special Revenue Funds

To account for the proceeds and specific revenue sources that are legally restricted to expenditures for specific purposes.

Police Activities

This special revenue fund is used to account for the receipt of narcotics seizure revenue and the expenditures of such funds for law enforcement drug-related areas.

Storm Drainage

This special revenue fund is used to account for the expansion of the storm water drainage and flood facilities.

Hotel Tax

Money collected from a Hotel Tax for expenditures promoting tourism and the convention and hotel industries.

CITY OF KATY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2015

	<u>Debt Service</u>	<u>Police Activities</u>	<u>Storm Drainage</u>	<u>Hotel Tax</u>	<u>Total Non- Major Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 749,413	\$ 307,524	\$ 346,034	\$ 2,881,464	\$ 4,284,435
Taxes receivable, net	191,493			227,699	419,192
Due from other funds	12,103				12,103
Total Assets	<u>\$ 953,009</u>	<u>\$ 307,524</u>	<u>\$ 346,034</u>	<u>\$ 3,109,163</u>	<u>\$ 4,715,730</u>
Liabilities and Fund Balances					
Liabilities:					
Due to other funds	\$	\$ 377	\$	\$ 12,858	\$ 13,235
Total Liabilities		<u>377</u>		<u>12,858</u>	<u>13,235</u>
Deferred Inflows of Resources					
Unavailable revenues	191,493				191,493
Total Deferred Inflows of Resources	<u>191,493</u>				<u>191,493</u>
Fund balances:					
Restricted:					
Debt service	761,516				761,516
Public safety		307,147			307,147
Tourism				3,096,305	3,096,305
Community projects			346,034		346,034
Total Fund Balances	<u>761,516</u>	<u>307,147</u>	<u>346,034</u>	<u>3,096,305</u>	<u>4,511,002</u>
Total Liabilities and Fund Balances	<u>\$ 953,009</u>	<u>\$ 307,524</u>	<u>\$ 346,034</u>	<u>\$ 3,109,163</u>	<u>\$ 4,715,730</u>

CITY OF KATY, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

	<u>Debt Service</u>	<u>Police Activities</u>	<u>Storm Drainage</u>	<u>Hotel Tax</u>	<u>Total Non-Major Governmental Funds</u>
Revenues					
Taxes:					
Property taxes	\$ 1,772,069	\$	\$	\$	\$ 1,772,069
Sales and miscellaneous taxes				1,117,116	1,117,116
Intergovernmental		54,230			54,230
Charges for services			13,801		13,801
Investment earnings	468	152	203	1,322	2,145
Total Revenues	<u>1,772,537</u>	<u>54,382</u>	<u>14,004</u>	<u>1,118,438</u>	<u>2,959,361</u>
Expenditures					
Current:					
General government				579,389	579,389
Public safety		47,410			47,410
Debt Service:					
Principal	1,430,000				1,430,000
Interest and other charges	287,524				287,524
Total Expenditures	<u>1,717,524</u>	<u>47,410</u>		<u>579,389</u>	<u>2,344,323</u>
Changes in Fund Balance	55,013	6,972	14,004	539,049	615,038
Fund Balances - Beginning of Year	<u>706,503</u>	<u>300,175</u>	<u>332,030</u>	<u>2,557,256</u>	<u>3,895,964</u>
Fund Balances - End of Year	<u>\$ 761,516</u>	<u>\$ 307,147</u>	<u>\$ 346,034</u>	<u>\$ 3,096,305</u>	<u>\$ 4,511,002</u>

CITY OF KATY, TEXAS

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)**

For the Year Ended September 30, 2015

	2015		
	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes:			
Property taxes	\$ 1,988,758	\$ 1,772,069	\$ (216,689)
Investment earnings	600	468	(132)
Total Revenues	<u>1,989,358</u>	<u>1,772,537</u>	<u>(216,821)</u>
Expenditures			
Debt Service:			
Principal	1,430,000	1,430,000	
Interest and other charges	510,028	287,524	222,504
Total Expenditures	<u>1,940,028</u>	<u>1,717,524</u>	<u>222,504</u>
Revenues over (under) expenditures	49,330	55,013	5,683
Fund Balances - Beginning	<u>706,503</u>	<u>706,503</u>	
Fund Balances - Ending	<u>\$ 755,833</u>	<u>\$ 761,516</u>	<u>\$ 5,683</u>

CITY OF KATY, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - Cane Island Parkway Improvements
For the Year Ended September 30, 2015

	<u>Balance October 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2015</u>
Construction Activities				
Assets				
Cash and cash equivalents	<u>\$ 981</u>	<u>\$ 120,900</u>		<u>\$ 121,881</u>
Liabilities				
Due to other governments	<u>\$ 981</u>	<u>\$ 241,800</u>	<u>\$ (120,900)</u>	<u>\$ 121,881</u>

(This page intentionally left blank.)

UNAUDITED STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information, both current and historical, 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. To assist financial statement users, the section is categorized as follows:

Contents	Page
Financial Trends	74
These schedules contain trend information to help the reader understand how the City's financial performance and "well-being" have changed over time.	
Revenue Capacity	84
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	94
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	97
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	100
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in the fiscal year ending September 30, 2004. Schedules presenting government-wide information include information beginning in that year.

CITY OF KATY, TEXAS
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Activities					
Net investment in capital assets	\$27,773,666	\$33,098,319	\$ 33,794,736	\$ 34,118,685	\$ 35,242,526
Restricted	1,294,409	1,547,224	2,008,269	2,204,699	2,135,473
Unrestricted	<u>14,533,027</u>	<u>13,421,362</u>	<u>14,862,398</u>	<u>15,435,479</u>	<u>16,361,228</u>
Total Governmental Activities Net Position	<u>\$43,601,102</u>	<u>\$48,066,905</u>	<u>\$ 50,665,403</u>	<u>\$ 51,758,863</u>	<u>\$ 53,739,227</u>
Business-type Activities					
Net investment in capital assets	\$37,690,724	\$37,323,226	\$ 37,425,321	\$ 38,697,704	\$ 39,100,232
Unrestricted	<u>4,856,687</u>	<u>5,244,901</u>	<u>5,647,316</u>	<u>4,993,823</u>	<u>4,568,019</u>
Total Business-type Activities Net Position	<u>\$42,547,411</u>	<u>\$42,568,127</u>	<u>\$ 43,072,637</u>	<u>\$ 43,691,527</u>	<u>\$ 43,668,251</u>
Primary Government					
Net investment in capital assets	\$65,464,390	\$70,421,545	\$ 71,220,057	\$ 72,816,389	\$ 74,342,758
Restricted	1,294,409	1,547,224	2,008,269	2,204,699	2,135,473
Unrestricted	<u>19,389,714</u>	<u>18,666,263</u>	<u>20,509,714</u>	<u>20,429,302</u>	<u>20,929,247</u>
Total Primary Government Net Position	<u>\$86,148,513</u>	<u>\$90,635,032</u>	<u>\$ 93,738,040</u>	<u>\$ 95,450,390</u>	<u>\$ 97,407,478</u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 34,361,489	\$ 35,604,402	\$ 35,410,941	\$ 41,356,772	\$ 46,935,634
1,281,772	1,791,546	3,416,162	4,096,644	4,678,110
<u>20,282,191</u>	<u>20,916,298</u>	<u>23,819,968</u>	<u>23,712,188</u>	<u>19,613,954</u>
<u>\$ 55,925,452</u>	<u>\$ 58,312,246</u>	<u>\$ 62,647,071</u>	<u>\$ 69,165,604</u>	<u>\$ 71,227,698</u>
\$ 39,040,436	\$ 40,059,025	\$ 39,472,329	\$ 40,366,045	\$ 41,676,238
4,775,733	5,280,202	5,626,167	5,981,413	4,808,054
<u>\$ 43,816,169</u>	<u>\$ 45,339,227</u>	<u>\$ 45,098,496</u>	<u>\$ 46,347,458</u>	<u>\$ 46,484,292</u>
\$ 73,401,925	\$ 75,663,427	\$ 74,883,270	\$ 81,722,817	\$ 88,611,872
1,281,772	1,791,546	3,416,162	4,096,644	4,678,110
<u>25,057,924</u>	<u>26,196,500</u>	<u>29,446,135</u>	<u>29,693,601</u>	<u>24,422,008</u>
<u>\$ 99,741,621</u>	<u>\$ 103,651,473</u>	<u>\$ 107,745,567</u>	<u>\$ 115,513,062</u>	<u>\$ 117,711,990</u>

CITY OF KATY, TEXAS
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses					
Governmental activities:					
General government	\$ 1,627,079	\$ 2,768,823	\$ 2,574,407	\$ 2,682,848	\$ 2,604,877
Public safety	5,843,821	5,755,471	7,252,467	7,855,217	7,646,310
Public works	4,377,569	2,966,139	4,276,991	4,526,509	3,832,393
Culture and recreation	815,273	768,246	983,933	997,116	1,060,414
Transportation	3,854,116	4,032,220	3,827,539	4,040,625	4,040,650
Interest on long-term debt	332,220	498,870	588,340	607,514	549,787
Total governmental activities expenses	<u>16,850,078</u>	<u>16,789,769</u>	<u>19,503,677</u>	<u>20,709,829</u>	<u>19,734,431</u>
Business-type activities:					
Water and sewer	<u>2,947,920</u>	<u>3,344,170</u>	<u>3,319,607</u>	<u>3,049,239</u>	<u>3,530,011</u>
Total Primary Government Expenses	<u>\$ 19,797,998</u>	<u>\$ 20,133,939</u>	<u>\$ 22,823,284</u>	<u>\$ 23,759,068</u>	<u>\$ 23,264,442</u>
Program Revenue					
Governmental activities:					
Charges for services:					
General government	\$ 29,695	\$ 70,864	\$ 50,462	\$ 48,112	\$ 20,945
Public safety	721,184	779,291	693,934	726,596	1,079,063
Public works	788,870	870,091	883,899	848,949	994,419
Culture and recreation	39,138	44,205	46,804	49,813	49,643
Operating grants and contributions:					
General government			168,236	919,315	68,416
Public safety	26,260	4,281	32,687	33,388	51,999
Public works			5,846	9,302	1,003
Culture and recreation	1,250	1,105	1,104	11,934	952
Transportation	3,854,116	3,746,765	4,112,994	4,040,625	4,040,649
Capital grants and contributions					
Total governmental activities program revenues	<u>5,460,513</u>	<u>5,516,602</u>	<u>5,995,966</u>	<u>6,688,034</u>	<u>6,307,089</u>
Business-type activities:					
Charges for services:					
Water and sewer	3,202,170	3,079,223	3,645,791	3,610,931	3,486,912
Capital grants and contributions					
Total business-type activities program revenues	<u>3,202,170</u>	<u>3,079,223</u>	<u>3,645,791</u>	<u>3,610,931</u>	<u>3,486,912</u>
Total Primary Government Program Revenues	<u>\$ 8,662,683</u>	<u>\$ 8,595,825</u>	<u>\$ 9,641,757</u>	<u>\$ 10,298,965</u>	<u>\$ 9,794,001</u>
Net (Expense)/Revenue					
Governmental activities	\$ (11,389,565)	\$ (11,273,167)	\$ (13,507,711)	\$ (14,021,795)	\$ (13,427,342)
Business-type activities	<u>254,250</u>	<u>(264,947)</u>	<u>326,184</u>	<u>561,692</u>	<u>(43,099)</u>
Total Primary Government Net Expense	<u>\$ (11,135,315)</u>	<u>\$ (11,538,114)</u>	<u>\$ (13,181,527)</u>	<u>\$ (13,460,103)</u>	<u>\$ (13,470,441)</u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 2,477,320	\$ 2,750,644	\$ 2,815,940	\$ 3,063,780	\$ 3,477,327
8,292,124	8,669,707	9,114,787	10,126,918	11,200,875
3,989,606	3,962,075	4,164,800	4,475,948	4,248,954
1,038,983	1,075,309	1,059,868	1,147,263	1,253,261
4,457,621	4,424,994	5,175,980	5,365,100	5,548,628
575,817	409,420	468,487	376,241	503,428
<u>20,831,471</u>	<u>21,292,149</u>	<u>22,799,862</u>	<u>24,555,250</u>	<u>26,232,473</u>
<u>4,453,405</u>	<u>2,808,388</u>	<u>4,632,369</u>	<u>4,152,574</u>	<u>4,628,226</u>
<u>\$ 25,284,876</u>	<u>\$ 24,100,537</u>	<u>\$ 27,432,231</u>	<u>\$ 28,707,824</u>	<u>\$ 30,860,699</u>
\$ 11,716	\$ 100,392	\$ 80,041	\$ 132,802	\$ 469,812
979,433	1,546,733	1,982,908	1,662,080	2,550,747
1,007,009	1,116,851	1,341,009	1,342,123	1,645,918
53,090	62,202	67,726	69,973	95,915
15,615		55,642		
11,234	231	89	3,513	3,608
950	914	892	846	20,646
4,457,621	4,424,995	5,175,981	5,276,648	5,550,938
			3,789,746	1,073,911
<u>6,536,668</u>	<u>7,252,318</u>	<u>8,704,288</u>	<u>12,277,731</u>	<u>11,411,495</u>
4,592,134	4,325,708	4,386,253	4,932,549	4,940,925
			465,226	
<u>4,592,134</u>	<u>4,325,708</u>	<u>4,386,253</u>	<u>5,397,775</u>	<u>4,940,925</u>
<u>\$ 11,128,802</u>	<u>\$ 11,578,026</u>	<u>\$ 13,090,541</u>	<u>\$ 17,675,506</u>	<u>\$ 16,352,420</u>
\$ (14,294,803)	\$ (14,039,831)	\$ (14,095,574)	\$ (12,277,519)	\$ (14,820,978)
138,729	1,517,320	(246,116)	1,245,201	312,699
<u>\$ (14,156,074)</u>	<u>\$ (12,522,511)</u>	<u>\$ (14,341,690)</u>	<u>\$ (11,032,318)</u>	<u>\$ (14,508,279)</u>

CITY OF KATY, TEXAS

CHANGES IN NET POSITION (continued)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property taxes	\$ 5,341,320	\$ 5,714,224	\$ 6,204,284	\$ 5,695,071	\$ 5,744,215
Sales and use taxes	7,431,003	8,026,513	8,147,428	7,990,736	8,389,820
Franchise taxes	1,142,058	1,024,398	1,014,896	1,055,222	1,052,764
Investment earnings	699,673	834,351	665,444	227,551	87,494
Miscellaneous	91,987	139,483	74,156	146,674	133,413
Transfers					
Total governmental activities	<u>14,706,041</u>	<u>15,738,969</u>	<u>16,106,208</u>	<u>15,115,254</u>	<u>15,407,706</u>
Business-type activities:					
Investment earnings	238,689	285,663	178,320	57,198	19,823
Transfers					
Total business-type activities	<u>238,689</u>	<u>285,663</u>	<u>178,320</u>	<u>57,198</u>	<u>19,823</u>
Total primary government	<u>\$ 14,944,730</u>	<u>\$ 16,024,632</u>	<u>\$ 16,284,528</u>	<u>\$ 15,172,452</u>	<u>\$ 15,427,529</u>
Change in Net Position					
Governmental activities	\$ 3,316,476	\$ 4,465,802	\$ 2,598,497	\$ 1,093,459	\$ 1,980,364
Business-type activities	492,939	20,716	504,504	618,890	(23,276)
Total primary government	<u>\$ 3,809,415</u>	<u>\$ 4,486,518</u>	<u>\$ 3,103,001</u>	<u>\$ 1,712,349</u>	<u>\$ 1,957,088</u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 5,638,594	\$ 5,651,700	\$ 5,983,143	\$ 6,200,611	\$ 6,646,102
9,468,742	9,421,574	11,197,344	11,281,055	11,814,251
1,103,640	1,232,093	1,117,350	1,109,694	1,193,551
41,690	28,211	26,365	20,600	34,161
228,462	93,047	106,197	184,092	78,916
<u>16,481,128</u>	<u>16,426,625</u>	<u>18,430,399</u>	<u>18,796,052</u>	<u>19,766,981</u>
9,189	5,738	5,385	3,761	6,851
<u>9,189</u>	<u>5,738</u>	<u>5,385</u>	<u>3,761</u>	<u>6,851</u>
<u>\$ 16,490,317</u>	<u>\$ 16,432,363</u>	<u>\$ 18,435,784</u>	<u>\$ 18,799,813</u>	<u>\$ 19,773,832</u>
\$ 2,186,325	\$ 2,386,794	\$ 4,334,825	\$ 6,518,533	\$ 4,946,003
147,918	1,523,058	(240,731)	1,248,962	319,550
<u>\$ 2,334,243</u>	<u>\$ 3,909,852</u>	<u>\$ 4,094,094</u>	<u>\$ 7,767,495</u>	<u>\$ 5,265,553</u>

CITY OF KATY, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund					
Committed	\$ 163,379	\$ 227,283	\$ 265,748	\$ 283,773	\$ 53,277
Assigned				491,602	655,113
Unassigned	9,910,414	12,928,583	14,403,757	14,522,547	15,444,774
Total General Fund	<u>\$ 10,073,793</u>	<u>\$ 13,155,866</u>	<u>\$ 14,669,505</u>	<u>\$ 15,297,922</u>	<u>\$ 16,153,164</u>
All other governmental funds					
Restricted:					
Debt service	\$ 434,408	\$ 458,903	\$ 774,405	\$ 731,964	\$ 825,776
Capital projects	4,254,135	1,636,403	8,237,050	6,280,208	2,586,767
Other	628,839	765,890	842,757	1,003,173	1,117,891
Total all other governmental funds	<u>\$ 5,317,382</u>	<u>\$ 2,861,196</u>	<u>\$ 9,854,212</u>	<u>\$ 8,015,345</u>	<u>\$ 4,530,434</u>

Note : In conforming to provisions of GASB Statement No. 54, fund balances of prior periods were restated to the new fund balance classifications.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 47,321	\$ 48,289	\$ 49,226	\$ 49,241	\$ 49,264
32,726	51,219	352,739	38,295	464,582
<u>17,434,054</u>	<u>17,529,407</u>	<u>20,833,457</u>	<u>22,332,324</u>	<u>20,145,328</u>
<u>\$ 17,514,101</u>	<u>\$ 17,628,915</u>	<u>\$ 21,235,422</u>	<u>\$ 22,419,860</u>	<u>\$ 20,659,174</u>

\$ 722,453	\$ 748,904	\$ 777,305	\$ 706,503	\$ 761,516
1,544,382	1,418,085	1,348,580	1,333,018	5,250,761
<u>1,410,587</u>	<u>1,791,546</u>	<u>2,497,780</u>	<u>3,189,461</u>	<u>3,749,486</u>
<u>\$ 3,677,422</u>	<u>\$ 3,958,535</u>	<u>\$ 4,623,665</u>	<u>\$ 5,228,982</u>	<u>\$ 9,761,763</u>

CITY OF KATY, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues				
Taxes:				
Property taxes	\$ 4,315,398	\$ 4,589,644	\$ 4,999,603	\$ 5,482,115
Sales and use taxes	7,431,003	8,026,513	8,147,428	7,990,736
Franchise taxes	1,141,088	1,023,181	1,013,344	1,053,389
Fines and forfeitures	573,305	511,972	514,798	521,959
Licenses and permits	288,644	364,945	360,329	222,277
Intergovernmental	3,893,370	3,780,057	4,335,083	5,079,460
Charges for services	696,592	717,846	770,262	833,591
Investment earnings	699,918	834,799	666,310	227,807
Miscellaneous	103,518	194,639	144,950	184,623
Total Revenues	<u>19,142,836</u>	<u>20,043,596</u>	<u>20,952,107</u>	<u>21,595,957</u>
Expenditures				
General government	1,718,465	1,836,611	2,147,946	2,332,238
Public safety	5,835,419	6,224,774	7,112,770	7,561,084
Public works	2,433,675	2,072,859	2,749,630	2,546,265
Culture and recreation	808,217	916,528	1,265,738	1,582,328
Transportation	3,854,116	4,032,220	3,827,539	4,040,625
Capital outlay	2,770,768	3,172,616	1,333,644	2,862,254
Debt service:				
Principal	793,614	866,604	943,747	1,271,663
Interest and other charges	447,997	415,595	564,439	609,951
Total Expenditures	<u>18,662,271</u>	<u>19,537,807</u>	<u>19,945,453</u>	<u>22,806,408</u>
Excess of revenues over (under) expenditures	480,565	505,789	1,006,654	(1,210,451)
Other Financing Sources (Uses)				
Transfers out				
Refunding bonds issued				
Bonds issued		120,097	7,500,000	
Premium on bonds issued				
Payments to refunded bond escrow agent				
Capital leases	568,644			
Total other financing sources (uses)	<u>568,644</u>	<u>120,097</u>	<u>7,500,000</u>	
Net Change in Fund Balances	<u>\$ 1,049,209</u>	<u>\$ 625,886</u>	<u>\$ 8,506,654</u>	<u>\$ (1,210,451)</u>
Debt service as a percentage of noncapital expenditures	8.1%	8.4%	8.6%	9.5%

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 5,924,278	\$ 5,514,255	\$ 5,744,607	\$ 6,077,279	\$ 5,997,181	\$ 6,757,466
8,389,819	9,468,742	9,421,574	11,197,344	11,281,055	11,814,251
1,050,767	1,101,770	1,229,584	1,115,805	1,107,464	1,190,522
639,426	652,397	705,981	785,178	878,069	1,103,017
271,771	271,621	364,843	518,899	558,007	812,782
4,277,205	4,534,903	4,525,653	5,311,990	5,438,341	5,625,168
989,556	1,022,939	1,534,430	1,591,030	1,659,814	1,971,089
87,679	41,733	28,248	26,454	20,696	34,209
164,880	188,101	183,432	177,821	202,888	529,818
<u>21,795,381</u>	<u>22,796,461</u>	<u>23,738,352</u>	<u>26,801,800</u>	<u>27,143,515</u>	<u>29,838,322</u>
2,194,886	2,363,803	2,668,583	2,790,004	3,038,474	3,113,902
7,696,391	7,781,053	8,799,139	8,824,462	9,801,612	10,273,224
2,973,242	2,806,981	2,938,285	2,897,957	4,126,946	3,096,476
965,164	990,644	995,795	918,901	1,092,239	1,064,478
4,040,650	4,457,621	4,424,994	5,175,980	5,365,100	5,548,628
4,680,144	2,001,441	1,243,771	280,564	281,138	7,173,348
1,322,060	1,417,696	1,334,625	1,320,000	1,365,000	1,430,000
552,513	519,628	359,469	322,295	283,250	417,048
<u>24,425,050</u>	<u>22,338,867</u>	<u>22,764,661</u>	<u>22,530,163</u>	<u>25,353,759</u>	<u>32,117,104</u>
(2,629,669)	457,594	973,691	4,271,637	1,789,756	(2,278,782)
	3,320,000				5,000,000
	69,457				50,877
	(3,339,126)				
	<u>50,331</u>				<u>5,050,877</u>
<u>\$ (2,629,669)</u>	<u>\$ 507,925</u>	<u>\$ 973,691</u>	<u>\$ 4,271,637</u>	<u>\$ 1,789,756</u>	<u>\$ 2,772,095</u>
9.9%	9.8%	8.3%	7.6%	7.0%	7.3%

CITY OF KATY, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Tax Year	Real Property Value (1)		Personal Property Value (1)		Less Tax Exempt Real Property
		Residential Property	Commercial Property	Motor Vehicles	Other	
2006	2005	\$ 505,739,452	\$ 354,527,177	\$ 5,873,973	\$ 145,614,362	\$ 155,104,302
2007	2006	445,668,849	496,686,182	7,874,483	150,094,572	171,926,839
2008	2007	480,023,020	585,765,645	6,557,271	164,957,502	222,375,352
2009	2008	455,216,613	581,694,937	5,549,249	164,042,396	215,225,921
2010	2009	662,341,463	479,065,396	2,401,551	150,799,233	196,876,341
2011	2010	644,610,805	470,197,893	2,156,852	143,993,098	192,324,910
2012	2011	521,163,222	750,595,463	2,846,730	166,641,937	350,929,995
2013	2012	539,212,782	805,295,510	3,234,720	179,615,259	372,012,890
2014	2013	573,002,744	929,466,516	1,340,965	173,731,951	454,703,840
2015	2014	753,699,663	938,258,577		228,579,171	540,765,412

- (1) The value is the appraised value at original certification and fluctuates due to property owner protests and preliminary appraisal values at the time of certification.
- (2) Tax rate per \$100 assessed valuation.
- (3) All properties are assessed at 100% of actual taxable value. The difference between market value is the value of exemptions given for statutory purposes.

Source: City tax department

Total Taxable Assessed Value	Total Direct Tax Rate (2)	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value (3)
\$ 856,650,662	\$ 0.61466	\$ 856,650,662	100.00%
928,397,247	0.60540	928,397,247	100.00%
1,014,928,086	0.60540	1,014,928,086	100.00%
991,277,274	0.59372	991,277,274	100.00%
1,097,731,302	0.59372	1,097,731,302	100.00%
1,068,633,738	0.59372	1,068,633,738	100.00%
1,090,317,357	0.59372	1,090,317,357	100.00%
1,155,345,381	0.58672	1,155,345,381	100.00%
1,222,838,336	0.56672	1,222,838,336	100.00%
1,379,771,999	0.54672	1,379,771,999	100.00%

CITY OF KATY, TEXAS
PROPERTY TAX RATES (1)
DIRECT AND OVERLAPPING GOVERNMENTS (2)
Last Ten Fiscal Years

City of Katy

<u>Fiscal Year</u>	<u>Operating Tax Rate</u>	<u>Debt Service Tax Rate</u>	<u>Total Tax Rate</u>	<u>Katy Independent School District</u>	<u>Fort Bend County</u>	<u>Waller County</u>	<u>Harris County</u>
2006	\$ 0.46760	\$0.14706	\$0.61466	\$ 2.00000	\$0.51674	\$0.63430	\$0.39986
2007	0.47036	0.13504	0.60540	1.81500	0.49334	0.63311	0.40239
2008	0.42985	0.17555	0.60540	1.52660	0.49874	0.59978	0.39239
2009	0.41900	0.17472	0.59372	1.52660	0.48376	0.61082	0.38923
2010	0.42070	0.17302	0.59372	1.52660	0.47900	0.62457	0.39224
2011	0.42599	0.16773	0.59372	1.52660	0.48016	0.64836	0.38805
2012	0.42469	0.16903	0.59372	1.52660	0.48096	0.65979	0.39117
2013	0.43186	0.15486	0.58672	1.52660	0.48076	0.66109	0.40021
2014	0.41730	0.14942	0.56672	1.52660	0.48476	0.65115	0.41455
2015	0.40691	0.13981	0.54672	1.51660	0.46500	0.65075	0.41731

- (1) Tax rate per \$100 assessed valuation
- (2) Overlapping rates are those of local and county governments that apply to property owners within the City of Katy. Not all overlapping rates apply to all City of Katy property owners (e.g., the county rates apply only to the proportion of the City's property owners whose property is located within the geographic boundaries of the specific county).
- (3) WoodCreek Reserve MUD was established in fiscal year 2005.

Source: Tax department records of various taxing authorities

Brookshire Katy Drainage District	WoodCreek Reserve MUD (3)
\$ 0.10000	\$ 0.60000
0.10000	0.60000
0.09063	0.60000
0.09336	0.60000
0.93927	0.60000
0.93355	0.60000
0.93353	0.60000
0.09267	0.60000
0.87368	0.60000
0.79671	0.60000

(This page intentionally left blank.)

CITY OF KATY, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	2015			2006		
	Taxable Assessed Value (1)	Rank	% of Total Assessed Valuation (2)	Taxable Assessed Value (1)	Rank	% of Total Assessed Valuation (2)
Katy Mills Mall L.P.	\$ 121,548,329	1	6.9%	\$ 167,928,984	1	19.6%
Medline Industries Inc.	33,352,774	2	1.9%			
Hamilton Metals Inc.	32,887,500	3	1.9%			
Godwin SBO LP	29,270,164	4	1.7%			
Wal-Mart Real Estate Business	21,638,070	5	1.2%	17,542,170	2	2.0%
KM Commercial Realty LP	20,272,793	6	1.2%			
CSHV Katy LLC	18,874,239	7	1.1%			
Tubular Steel	17,207,839	8	1.0%	14,686,809	3	1.7%
Eventure Global Technology Inc	16,455,141	9	0.9%			
HEB Grocery Company	16,048,629	10	0.9%			
Centerpoint Energy				10,707,901	4	1.2%
Consolidated Communications				8,382,510	5	1.0%
Bass Pro Shops Outdoor World				6,491,100	6	0.8%
WDOP Sub ILP				5,264,390	7	0.6%
Hope Lumber				5,230,364	8	0.6%
Omega III Investment Co.				4,985,578	9	0.6%
I'10 Poorman Investment				4,285,250	10	0.5%
	<u>327,555,478</u>		<u>18.7%</u>	<u>245,505,056</u>		<u>28.7%</u>
Other taxpayers	<u>1,425,408,454</u>		<u>81.3%</u>	<u>611,145,606</u>		<u>71.3%</u>
Total Assessed Valuation	<u>\$ 1,752,963,932</u>		<u>100.0%</u>	<u>\$ 856,650,662</u>		<u>100.0%</u>

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

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for valuation data.

Source: City tax department

CITY OF KATY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Tax Year	Tax Rate (1)	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years
				Amount	Percentage of Levy	Amount
2006	2005	0.61466	\$ 5,263,749	5,159,298	98.0%	\$ 84,042
2007	2006	0.60540	5,618,634	5,503,178	97.9%	97,325
2008	2007	0.60540	6,126,096	5,931,677	96.8%	170,297
2009	2008	0.59372	6,612,178	6,377,447	96.5%	206,325
2010	2009	0.59372	6,470,591	6,388,919	98.7%	56,630
2011	2010	0.59372	6,350,201	6,182,569	97.4%	143,078
2012	2011	0.59372	6,474,123	6,384,228	98.6%	66,196
2013	2012	0.58672	6,925,257	6,850,310	98.9%	42,555
2014	2013	0.56672	6,904,549	6,834,102	99.0%	31,153
2015	2014	0.54672	7,562,480	7,494,789	99.1%	

(1) Tax rate per \$100 assessed valuation

Source: City tax department

Total Collections to Date

Amount	Percentage of Levy
\$ 5,243,340	99.6%
5,600,503	99.7%
6,101,974	99.6%
6,583,772	99.6%
6,445,549	99.6%
6,325,647	99.6%
6,450,424	99.6%
6,892,865	99.5%
6,865,255	99.4%
7,494,789	99.1%

CITY OF KATY, TEXAS
TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS
(in Thousands of Dollars)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Agriculture/Forestry/Fishing/Hunting	\$	\$	\$	\$
Mining/Quarrying/Oil and Gas Extraction		1,465	10,747	49,388
Construction	3,284	5,922	6,728	7,194
Manufacturing	15,245	16,594	14,636	16,192
Wholesale Trade	2,931	2,324	4,228	4,774
Retail Trade	378,809	356,415	369,025	359,960
Transportation/Warehousing	138	1	79	89
Information	41,753	34,828	30,178	27,677
Finance/Insurance	210	205	312	429
Real Estate/Rental/Leasing	322	502	720	378
Professional/Scientific/Technical Services	1,275	2,001	2,271	2,279
Management of Companies/Enterprises				
Admin/Support/Waste Mgmt/Remediation Services	11,845	13,350	15,931	16,847
Educational Services	141	165	492	610
Health Care/Social Assistance	204	182	199	87
Arts/Entertainment/Recreation	1,450	1,436	946	1,125
Accommodation/Food Services	36,746	39,510	44,926	46,053
Other Services (except Public Administration)	4,485	4,813	5,307	5,605
Other	2	1	1	2
Total Taxable Sales	<u>\$ 498,839</u>	<u>\$ 479,714</u>	<u>\$ 506,728</u>	<u>\$ 538,688</u>
City direct sales tax rate (1)	1.00%	1.00%	1.00%	1.00%

(1) The City direct sales tax rate includes the City only.

Note: Taxable sales for calendar year 2015 were not available at the date of this report

Source: State Comptroller's Office

2009	2010	2011	2012	2013	2014
\$	\$	\$ 1	\$	\$ 12	\$ 1,359
49,495	43,734	56,315	36,598	33	19
6,439	5,537	8,870	11,555	11,974	11,803
9,563	10,727	17,527	33,831	45,087	51,865
3,198	4,023	8,029	9,576	8,154	21,359
334,745	371,450	401,516	429,607	484,122	523,271
71	76	52	70	76	88
25,186	23,866	24,779	27,557	28,113	29,119
267	87	88	91	94	100
246	241	239	240	291	378
1,414	1,525	1,871	3,148	2,975	2,318
			43	39	2
15,274	14,852	22,405	25,555	35,560	37,507
734	854	1,005	846	1,209	1,277
48	83	239	125	142	103
503	518	583	748	1,511	2,728
44,756	44,811	50,191	57,332	65,332	71,236
5,601	5,440	6,304	7,657	8,221	8,260
1					
\$ 497,543	\$ 527,823	\$ 600,012	\$ 644,579	\$ 692,945	\$ 762,792
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

CITY OF KATY, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

<u>Governmental Activities</u>				Percentage of Actual Taxable Value of Property (2)	Percentage of Personal Income (3)	Per Capita (3)
Fiscal Year	General Obligation Bonds (1)	Capital Leases (1)	Total Primary Government			
2006	\$ 9,060,000	\$972,405	\$10,032,405	1.17%	1.96%	\$ 765
2007	8,430,000	924,144	9,354,144	1.01%	1.72%	678
2008	15,245,000	720,838	15,965,838	1.57%	2.89%	1,140
2009	14,180,000	514,175	14,694,175	1.48%	2.52%	1,013
2010	13,070,000	302,115	13,372,115	1.22%	1.98%	893
2011	11,922,881	84,625	12,007,506	1.12%	1.60%	781
2012	10,661,305		10,661,305	0.98%	1.38%	688
2013	9,329,729		9,329,729	0.81%	1.17%	598
2014	7,953,153		7,953,153	0.65%	0.92%	482
2015	11,559,063		11,559,063	0.66%	1.26%	687

- (1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for valuation data.
(3) See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF KATY, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds (1)	Less Amounts Available in Debt Service Fund	Net Bonded Debt	Percentage of Estimated Actual Taxable Value of Property (2)	Percentage of Personal Income (3)	Per Capita (3)
2006	\$ 9,060,000	\$ 434,408	\$ 8,625,592	1.01%	1.69%	658
2007	8,430,000	458,903	7,971,097	0.86%	1.46%	578
2008	15,245,000	774,405	14,470,595	1.43%	2.62%	1,033
2009	14,180,000	731,964	13,448,036	1.36%	2.30%	927
2010	13,070,000	825,776	12,244,224	1.12%	1.82%	817
2011	11,922,881	722,453	11,200,428	1.05%	1.49%	728
2012	10,661,305	748,904	9,912,401	0.91%	1.28%	639
2013	9,329,729	777,305	8,552,424	0.74%	1.07%	549
2014	7,953,153	706,503	7,246,650	0.59%	0.84%	439
2015	11,559,063	761,516	10,797,547	0.62%	1.17%	641

- (1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for valuation data.
(3) See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF KATY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL
ACTIVITIES DEBT
As of September 30, 2015

Name of Governmental Unit	Net Debt Outstanding	Percentage Applicable to City	Estimated Debt Applicable to City
Katy Independent School District	\$1,218,180,083	4.15%	\$ 50,554,473
Katy Management District	7,390,000	100.00%	7,390,000
Fort Bend County	355,635,469	1.23%	4,374,316
Fort Bend County MUD #161	4,825,384	100.00%	4,825,384
Fort Bend County MUD #199	1,846,892	100.00%	1,846,892
Harris County	2,244,963,183	0.20%	4,489,926
Waller County	4,552,000	3.81%	173,431
Harris-Waller Counties MUD #2	3,240,000	100.00%	3,240,000
Port of Houston Authority	646,929,397	0.20%	1,293,859
Harris County Flood Control District	83,017,090	0.20%	166,034
Harris County Department of Education	7,210,000	0.20%	14,420
Harris County Toll Road		0.20%	
WoodCreek Reserve Municipal Utility District	<u>11,596,369</u>	<u>100.00%</u>	<u>11,596,369</u>
Total Net Overlapping Debt			89,965,105
 City of Katy	 11,559,063	 100.00%	 <u>11,559,063</u>
Total Direct and Overlapping Net Debt			<u>\$ 191,489,274</u>
 Ratio of total direct and overlapping net debt to assessed valuation (1)			 <u>10.92%</u>
 Direct and overlapping net debt per capita (2)			 <u>\$ 11,377</u>

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for valuation data.

(2) See the Schedule of Demographic and Economic Statistics for population data.

Source: Texas Municipal Advisory Council

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments

CITY OF KATY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income (1)	Median Age (2)	Education Level in Years of Formal Schooling (3)	School Enrollment (3)	Unemployment Rate (4)
2006	13,107	\$ 511,854,564	\$ 39,052	33.22	14	5,287	4.5%
2007	13,795	544,654,190	39,482	33.57	14	5,183	4.8%
2008	14,006	552,144,532	39,422	33.49	14	6,182	7.1%
2009	14,510	584,259,660	40,266	33.55	14	7,437	9.7%
2010	14,981	673,920,285	44,985	34.50	14	8,234	9.1%
2011	15,380	749,436,640	48,728	32.40	14	8,985	8.5%
2012	15,507	774,993,339	49,977	35.50	14	8,069	7.8%
2013	15,592	798,279,216	51,198	35.20	14	8,069	6.6%
2014	16,507	867,368,569	52,546	35.50	14	8,722	5.7%
2015	16,832	919,044,032	54,601	35.50	14	9,420	5.0%

Data Sources:

- (1) Bureau of Economic Analysis, Regional Information Department (Data for Harris County)
- (2) United States Census Bureau, 2010 Census
- (3) Katy Independent School District
- (4) Texas Workforce Commission (Data for Fort Bend County)

Note: Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

(This page intentionally left blank.)

CITY OF KATY, TEXAS
PRINCIPAL EMPLOYERS
Current Year and Eight Years Ago (1)

Employer	2015		2007	
	Employees	Rank	Employees	Rank
Katy Mills (2)	3,200	2		
Katy Independent School District	2,651	1	640	1
Wal-Mart Stores #3226	370	3	280	2
HEB Grocery/Gas	300	4		
Kroger Spring Green	250	5		
Spanish Meadows	221	6	150	3
City of Katy	204	7	127	4
Moore Control	180	8		
United States Post Office	120	9		
Heritage Park Katy Nursing Home	100	10		
Champion Nissan			100	5
Katyville Healthcare			80	6
Lutheran Social Services			68	7
KT Steel			67	8
Consolidated Communications			60	9
Centerpoint Energy Inc.			58	10
Total	7,596		1,630	

(1) Information only available for the last eight years

(2) Total for the 200+ specialty stores located within the retail complex

Source: Personnel department of each employer above

Note: Information on total City employment was unavailable.

CITY OF KATY, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010
General government					
City council (1)	5	5	5	5	5
Administrative	5	4	4	4	4
Municipal Court	3	3	3	4	4
City secretary	2	2	2	2	2
Finance	4	4	4	4	4
Social services	2	2	2	2	2
Human Resources					
Public safety					
Police	59	59	59	59	59
Fire - Ambulance	12	12	16	16	17
Fire marshal	1	1	1	1	1
Humane	1	1	1	1	1
Culture and recreation					
Library (1)	1	1	1	1	1
Parks	5	5	6	6	6
Public works					
Street	8	8	8	8	8
Public works/warehouse	5	5	5	5	5
Sanitation					
Permits and inspection	6	7	7	7	7
City hall					
Building maintenance	1	1	1	1	1
Hotel/Motel					
Water and sewer	10	10	10	10	10
Total	130	130	135	136	137

(1) City council and Library are not full-time paid employees

Source: City finance department

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
5	5	5	5	5
4	4	5	2	1
4	4	5	5	5
2	2	2	4	4
4	4	4	4	4
2	2	2	2	2
			3	3
59	59	60	65	71
17	17	19	40	40
1	1	1	1	1
1	2	2	2	2
1	1	1	1	1
5	5	5	6	7
8	8	7	7	7
5	5	5	6	6
7	7	8	11	12
1	1	1	1	1
			1	1
<u>10</u>	<u>10</u>	<u>10</u>	<u>12</u>	<u>14</u>
<u><u>136</u></u>	<u><u>137</u></u>	<u><u>142</u></u>	<u><u>178</u></u>	<u><u>187</u></u>

CITY OF KATY, TEXAS
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	2006	2007	2008	2009
Police				
Physical arrests	1,267	1,000	1,325	1,264
Parking violations	279	220	358	240
Traffic violations	5,469	5,200	5,363	5,805
Fire				
Number of calls answered	638	626	660	635
Highways and streets				
Street resurfacing (miles)	3	1	1	1
Potholes repaired	200	300	168	261
Sanitation				
Number of monthly pickups				
Residential	3,831	3,934	3,973	4,012
Multi-family	17	17	17	16
Commercial	156	157	159	165
Culture and recreation				
Athletic field permits	357	421	317	673
Community Cntr. Admissions	148	162	128	92
Water				
New connections	104	99	43	25
Water main breaks	22	7	18	27
Average daily consumption (thousands of gallons)	2,395	1,938	2,490	2,663
Sewer				
Average daily sewage treatment (thousands of gallons)	1,506	1,737	1,492	1,391

Source: Various City departments

Note: Indicators are not available for the general government function

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1,209	1,065	1,195	1,052	1,142	1,368
258	152	264	240	360	296
7,131	6,344	8,314	1,336	9,690	9,442
1,092	1,351	1,295	1,336	1,212	1,458
1	1	1.7	-	0.8	-
560	448	452	29	66	28
4,049	4,093	4,165	4,230	4,381	4,568
16	16	15	15	159	157
164	175	173	178	183	185
593	567	815	814	789	993
80	68	99	94	167	742
48	85	131	154	216	377
15	57	12	19	14	9
2,320	3,025	3,154	2,484	2,369	2,488
1,612	1,444	1,667	1,684	1,784	2,059

CITY OF KATY, TEXAS
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	2006	2007	2008	2009
Public safety				
Police				
Stations	2	2	2	2
Patrol units	18	18	18	18
Fire				
Fire stations	1	1	1	1
Volunteers	47	33	29	34
Highways and streets				
Streets (miles)	93	93	93	94
Streetlights	900	894	887	976
Traffic signals	1	1	1	1
Culture and recreation				
Parks acreage	50.7	50.7	50.7	50.7
Parks	4	4	4	4
Tennis courts	6	6	6	6
Water				
Water wells	6	6	6	6
Water mains (miles)	81	81	81	81
Fire hydrants	674	674	690	758
Maximum daily capacity (thousands of gallons)	6,400	6,400	6,400	6,400
Sewer				
Sanitary sewers (miles)	77.5	77.5	78.0	87.0
Storm sewers (miles)	53.7	53.7	53.7	64.0
Maximum daily treatment capacity (thousands of gallons)	7,200	7,200	7,200	7,200

Source: Various City departments

Note: No capital asset indicators are available for the general government function

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
2	2	2	1	1	1
18	18	18	18	20	23
1	1	1	1	1	1
31	18	10	8	5	6
94	94	94	94	95.6	97.4
993	1,063	1,090	1,098	1,119	1,128
2	2	2	2	2	2
50.7	50.7	50.7	50.7	50.7	50.7
4	4	4	4	4	4
6	6	6	6	6	6
6	6	6	6	6	6
92	92	92.7	93	95.2	103.7
773	786	815	845	845	917
7,120	7,120	7,120	7,120	7,120	7,120
87.0	87.4	88.1	88.4	90.4	99.1
64.0	64.2	64.7	65.0	66.2	70.3
3,075	3,075	3,075	3,075	3,075	3,075

(This page intentionally left blank.)