

CITY OF KELLER COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ending Sept. 30, 2018

Big-City Comforts, Small-Town Charm



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

**FISCAL YEAR ENDED
SEPTEMBER 30, 2018**

**AS PREPARED BY THE
FINANCE DEPARTMENT**

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**CITY OF KELLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
I. INTRODUCTORY SECTION		
Letter of Transmittal		i
GFOA Certificate of Achievement		ix
Organizational Chart		x
Principal Officials		xi
II. FINANCIAL SECTION		
Independent Auditor's Report		1
A. MANAGEMENT'S DISCUSSION AND ANALYSIS		5
B. BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements		
Statement of Net Position	A-1	15
Statement of Activities	A-2	16
Fund Financial Statements		
Governmental Fund Financial Statements		
Balance Sheet	A-3	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	A-4	21
Statement of Revenues, Expenditures, and Changes in Fund Balance	A-5	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	A-6	23
Proprietary Fund Financial Statements		
Statement of Net Position	A-7	24
Statement of Revenues, Expenses, and Changes in Fund Net Position	A-8	26
Statement of Cash Flows	A-9	27
Notes to the Basic Financial Statements		28
C. REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget (GAAP Basis) and Actual		
General Fund	A-10	64
Crime Control Prevention District Fund	A-11	65
Notes to Budget Comparison Schedule		66
Schedule of Changes in Net Pension Liability and Related Ratios - TMRS	A-12	67
Schedule of Pension Contributions - TMRS	A-13	68
Schedule of Changes in Total OPEB Liability and Related Ratios - TMRS	A-14	69
Schedule of OPEB Contributions - TMRS	A-15	70
Notes to Texas Municipal Retirement System Required Supplementary Information		71
Schedule of Changes in Total OPEB Liability and Related Ratios - Retiree Health Benefits Plan	A-16	72
Notes to Required Supplementary Information - OPEB	A-17	73

TABLE OF CONTENTS – CONTINUED

	<u>Exhibit</u>	<u>Page</u>
D. COMBINING AND BUDGETARY FUND FINANCIAL STATEMENTS AND SCHEDULES		
Major Governmental Funds		
Budgetary Comparison Schedules:		
General Obligation Debt Service Fund	A-18	76
TIF#1 Interest and Sinking Fund	A-19	77
Nonmajor Governmental Funds		
Combining Balance Sheet	B-1	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	B-2	82
Budgetary Comparison Schedules:		
Municipal Court Fund	C-1	84
Keller Development Corporation	C-2	85
Street/Sidewalk Improvements Fund	C-3	86
Nonmajor Internal Service Funds		
Statement of Net Position	D-1	88
Statement of Revenues, Expenses, and Changes in Fund Net Position	D-2	89
Statement of Cash Flows	D-3	90
III. STATISTICAL SECTION		
	<u>Table</u>	
Net Position By Component	1	94
Expenses, Program Revenues, and Net (Expense)/Revenue	2	96
General Revenues and Total Change in Net Position	3	98
Fund Balances of Governmental Funds	4	100
Changes in Fund Balances of Governmental Funds	5	102
Tax Revenues by Source, Governmental Funds	6	104
Assessed Value and Estimated Actual Value of Taxable Property	7	105
Direct and Overlapping Property Tax Rates	8	106
Principal Property Tax Payers	9	107
Property Tax Levies and Collections	10	109
Taxable Sales by Category	11	110
Direct and Overlapping Sales Tax Revenue	12	113
Sales Taxpayer By Industry	13	114
Ten Largest Water Customers By Consumption	14	115
Ratios of Outstanding Debt by Type	15	116
Ratios of General Bonded Debt Outstanding	16	118
Direct and Overlapping Governmental Activities Debt	17	119
Legal Debt Margin Information	18	120
Pledged-Revenue Coverage	19	122
Demographic and Economic Statistics	20	123
Principal Employers	21	124
Full-Time Equivalent Employees by Function/Program	22	125
Operating Indicators by Function/Program	23	126
Capital Asset Statistics by Function/Program	24	130

INTRODUCTORY SECTION

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March 21, 2019

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

The Comprehensive Annual Financial Report for the City of Keller, Texas (the City) for the fiscal year that ended September 30, 2018, is hereby submitted. Article VII, Section 8.15 of the Charter of the City of Keller requires an annual audit of all accounts of the City by an independent certified public accountant, selected by the City Council. This report is intended to meet that requirement, and the independent auditor's report has been included in this report. This report was prepared through the cooperative efforts of the City's Finance Department and independent auditors. The purpose of the report is to provide the City Council, management, staff, citizens, bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City.

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

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

Weaver, L.L.P., Certified Public Accountants, have issued an unmodified ("clean") opinion on the City's financial statements for the fiscal year ended September 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

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

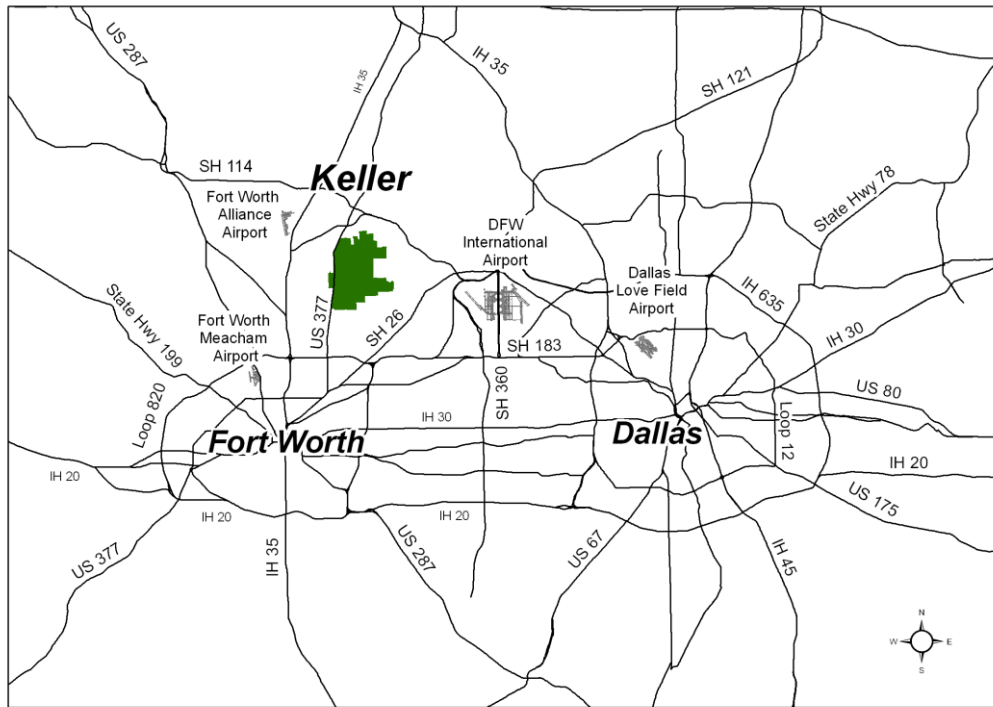
City Profile

The City was incorporated on November 16, 1955, under the general laws of the State of Texas, and the current home-rule charter was approved by the voters in 1982 and most recently amended in 2010. The City operates under the Council-Manager form of government. The Keller City Council is composed of a Mayor and six Council members in places designated as 1 through 6, all elected at-large by registered voters within the city limits of Keller. The Mayor and all Council members are elected for staggered three-year terms. The Mayor and City Council members, places 5 and 6, were elected for the initial three-year term in 2017 (terms expire May 2020). City Council members, places 1 and 2, were elected in 2018 (terms expire May 2021), and Council places 3 and 4 were elected in 2016 (terms expire May 2019). Under the provisions of the City Charter, and subject only to the limitations imposed by the Texas Constitution, State law and the City Charter, the City Council enacts local legislation, adopts the annual operating budget and sets policy. The City Manager, appointed by the City Council, is responsible to the Council for proper administration of the City's daily affairs and appointment of heads of the various departments.

The City of Keller is renowned for being a good place to live and work, delivering big-city comforts with small-town charm. In addition to the numerous departmental awards and recognitions the City receives annually, Keller has also received the following community-wide awards and recognitions for 2017:

- Top 10 Affordable, Kid-Friendly Suburbs that City Parents Won't Hate, Realtor.com
- Top 100 Safest Cities in the U.S., Neighborhood Scout
- Top 10 Safest Cities in Texas, USA Today
- Top 10 Cities & Towns for New Families in the U.S.
- The 10 Best Places to Live in Texas, HomeSnacks
- The Safest Cities in Texas 2018, National Council for Home Safety and Security
- Texas' 50 Safest Cities of 2018, Safewise.com
- 10 Safest Places in Texas, HomeSnacks
- Best Suburbs to Raise a Family in Texas, Niche
- Safest Suburbs in Texas, Niche
- Best Suburbs to Buy a House in Texas, Niche
- Best Places to Raise a Family in Texas, Niche
- 7 Dallas-Fort Worth Suburbs with the Best Downtowns, Neighborhoods.com
- Scenic City Gold Status, Scenic City Texas
- Tree City USA 25th Anniversary, Arbor Day Foundation

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



The City of Keller is located in Northeast Tarrant County, Texas, approximately 10 miles north of Fort Worth on US 377, and 25 miles northwest of downtown Dallas. It is part of the 12-county "Metroplex" of North Central Texas, which includes the cities of Fort Worth and Dallas as well as surrounding communities, with an estimated population in the 12 county MPA exceeding 7.26 million in January 2018. The city limits of Keller currently encompass approximately 19 square miles.

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

Local Economy

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

According to the Texas Workforce Commission, the City's civilian labor force was 24,921 in December 2018, compared to a total civilian labor force for Tarrant County of 1,074,048. Keller's unemployment rate in December 2018 was 2.9%, compared to the Tarrant County rate of 3.3%, a statewide rate of 3.6% and a nationwide rate of 3.9%. The unemployment rates are not seasonally adjusted.

The City continues to experience an increase in population. Official Census reported population figures of 27,345 for 2000 and 39,627 for 2010. The January 2018 population estimate was 44,940, representing an increase of 5,313 (13.4%) since the 2010 Census. The following table presents Keller's official Census population since 1970, as well as the current year estimated population.

	Population	Increase (Decrease)	Percent Change
1970 Census	1,474	NA	NA
1980 Census	4,156	2,682	182.0%
1990 Census	13,683	9,527	229.2%
2000 Census	27,345	13,662	99.8%
2010 Census	39,627	12,282	44.9%
2018 Estimate	44,940	5,313	13.4%

Since 1970, the total population increase has exceeded 43,466. This increasing population trend is anticipated to persist for several years, although at a slower pace. Tarrant County has experienced similar growth during the last 40 years, increasing from 715,587 in 1970 to 1,809,034 in 2010, and an increase of more than 167%. According to the North Central Texas Council of Governments' population projections, the population of Tarrant County in 2018 is anticipated to be 1,989,810, an increase of 180,776 or 110.0% since the 2010 Census.

Another factor in measuring the local economy is its overall appraised value. Since 2000, the appraised value of property within Keller has more than doubled. Most of the increase has been the result of new residential development. Overall appraised values provide a better indication of new development than do taxable values, since taxable values are derived after deducting the various allowable exemptions. For Keller, this growth trend moderated in recent years. The following table provides the total appraised values of the City of Keller since 2008.

Fiscal Year Ended September 30	Total Appraised Value (000's)	Percent Change
2008	3,905,121.9	9.4%
2009	4,049,165.3	3.7%
2010	3,975,497.0	-1.8%
2011	4,046,869.5	1.8%
2012	4,133,807.9	2.1%
2013	4,287,820.9	3.7%
2014	4,557,288.9	6.3%
2015	4,731,833.0	3.8%
2016	5,368,009.1	13.4%
2017	5,627,823.2	4.8%
2018	6,213,765.3	10.4%

As shown, the rates of change in the City's total appraised value are continually growing, including a 10.4 percent increase in 2018 over prior year. The rates of increase in taxable values can impact the City's general fund operations significantly, since property tax revenues

comprise approximately 47% of the total revenues for the General Fund. City management continuously monitors local economic trends in order to maintain adequate fund balance reserve levels and to meet policy targets.

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

The value of new construction is included in both market and net taxable values. The net taxable value of new construction for calendar year 2017 (FY 2017-18) was \$142.3 million, compared to \$221.8 million for calendar year 2016 (FY 2016-17).

The net assessed taxable value for calendar year 2017 (FY 2017-18) increased by 4.9%, compared to an increase of 11.3% in calendar year 2016 (FY 2016-17), and the related levies grew by 10.1% and 3.5% respectfully. The City has been steady growth in property values over the past three years. As a result, the City was able to decrease the tax rate and increase the homestead while still meeting the FY 2017-18 goals of the City, maintain excellent services, and adhere to the financial/budget targets to ensure the fiscal stability of the City's operations.

The expansion of business, retail and commercial growth has also resulted in increases in sales tax collections. Total sales tax collections in FY 2017-18 represent the largest amount in the City's history, with collections totaling more than \$12.2 million; up from FY 2017-18 collections totaling \$11.8 million.

Long-term Financial Planning

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

The five-year capital improvements program (CIP) for fiscal years 2017-18 through 2021-22 was developed by City staff and reviewed and adopted by the City Council as a part of the fiscal year 2016-17 budget. The total five-year program for FY 2017-18 identified \$41.4 million of proposed improvements.

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

Relevant Financial Policies

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

The unassigned fund balance in the General Fund representing 250 days of total General Fund expenditures) currently exceeds the requirements of the City's Financial Management Policies adopted by the City Council for budgetary and planning purposes (i.e., 70 days of General Fund expenditures). In addition to providing financial stability and sustainability during difficult economic times, the City may use available fund balance reserves as a means to fund one-time, non-recurring projects or expenditures.

In December 2008, the City Council adopted a Financial Management Contingency Plan. The primary purpose of the Plan is to guide planning efforts for City management and is intended to assist in budget balancing strategies during periods of economic uncertainty. During fiscal year 2017-18, no specific provisions of the Contingency Plan were enacted.

In May 2012, the City's financial management policies were amended to increase the required unassigned fund balance in the General Fund from 60 to 70 days of expenditures. In May 2013, the City Council adopted an official GASB 54 fund balance policy. In July 2016, the City Council adopted revisions to the financial management policies which included creating a General Fund minimum of 19.2% (70 days) and a maximum fund balance of 50% (182 days).

Major Initiatives

During FY 2017-18, the City focused on bond projects related to the 2017 Certificate of Obligations (CO) and replacing capital equipment. At the end of FY 2016-17, the city issued the CO for fire station rehabilitation, road improvements, water pump station replacement, and water transmission line replacement from the new pump station. The projects became a main focus of the city as they impacted the debt service tax rate and water rates. The budget also included funding for a roundabout at Johnson Road and Keller Smithfield. The roundabout will be the first of three identified on the five-year CIP and all will be funded with cash, rather than debt. In addition, the budget including one-time funding of \$109,807 for EMS power load devices, \$52,021 for EMS chest compression devices, \$48,500 for a compact track loader, and \$10,800 for replacement AED's in city facilities.

Accounting System and Budgetary Control

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

Budgetary reporting is provided at the department level within the individual fund. The legal level of control for budgeted expenditures is at the fund level. Transfers of budget appropriations

within funds may occur with the approval of the City Manager provided there is no increase in overall expenditures. Transfers of budget appropriations between funds, as well as any increase in total appropriations, require a formal budget amendment adopted by the City Council. Unless otherwise noted, except for capital projects funds, all appropriations lapse at year-end and excess funds become available for re-appropriation in the subsequent year. In prior years, encumbrances remaining at year-end are re-appropriated in the subsequent year. With the adoption of updated financial policies, all encumbrances related to operating funds end at the end of the fiscal year, unless re-appropriated in the budget adoption. In addition, the updated financial policies placed capital projects and grants on a project life budget, rather than annual, and therefore encumbrances related to capital projects and grants are appropriated until related funds are spent or end of the project, which occurs first.

Prior to FY 2015-16, the City Council would adopt a current year revised budget by ordinance at the same time it was adopting the upcoming budget. This revised budget was not required by City Charter or policy and generally had the budget match to year-end projections. However, the use of a revised budget did not provide a good comparison of budget to actuals and minimized the impact of conservative budgeting. Starting in FY 2015-16, budget amendments are presented to Council and adopted in accordance of the financial policies when budget adjustments are required. The amendments represent required budget adjustments determined either thru budget monitoring or required project funding changes.

Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as required supplementary information. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the major and non-major governmental fund sections of this report. All applicable financial targets were met or exceeded. Additional information regarding the annual budget is provided in the MD&A.

Finance Committee

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended that September 30, 2017; a reproduction of the certificate accompanies this report.

The City has received a Certificate of Achievement for twenty-nine (29) consecutive fiscal years (FY1988-89 through FY 2016-17). In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), the contents of which must conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition to the Certificate of Achievement, the City also received GFOA's Distinguished Budget Presentation Award for its FY 2017-18 annual budget document. In order to qualify for the award, the City's budget document was judged to be proficient in several categories, including policy documentation, financial planning and as an operations guide. The City has received the award for twenty-two (22) consecutive fiscal years (FY1996-97 through FY2017-18). Recognition by GFOA as evidenced by these two awards is verification of the Finance department's dedication to producing documents that effectively communicate the City's financial condition.

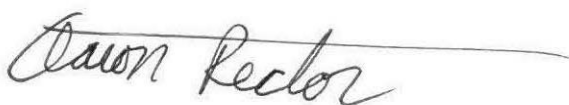
In 2015, the City received the Texas State Comptroller's Leadership Gold Circle Award for financial transparency for the fifth consecutive year. This award is presented to cities in Texas that meet certain criteria for providing financial reporting information to its citizens. These financial reports include annual budgets, comprehensive annual financial reports, and online check registers and payroll information.

The City's bonds are rated by both Moody's and Standard and Poor's. Moody's bond rating is Aa1, while Standard and Poor's bond rating is AAA. Both rating categories classify the City's debt obligations as high-quality investment grade. In July 2017, these ratings were confirmed by the respective rating agencies.

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

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

Respectfully submitted,



Aaron Rector
Director of Finance



Pamela McGee
Assistant Director of Finance



Government Finance Officers Association

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

Presented to

**City of Keller
Texas**

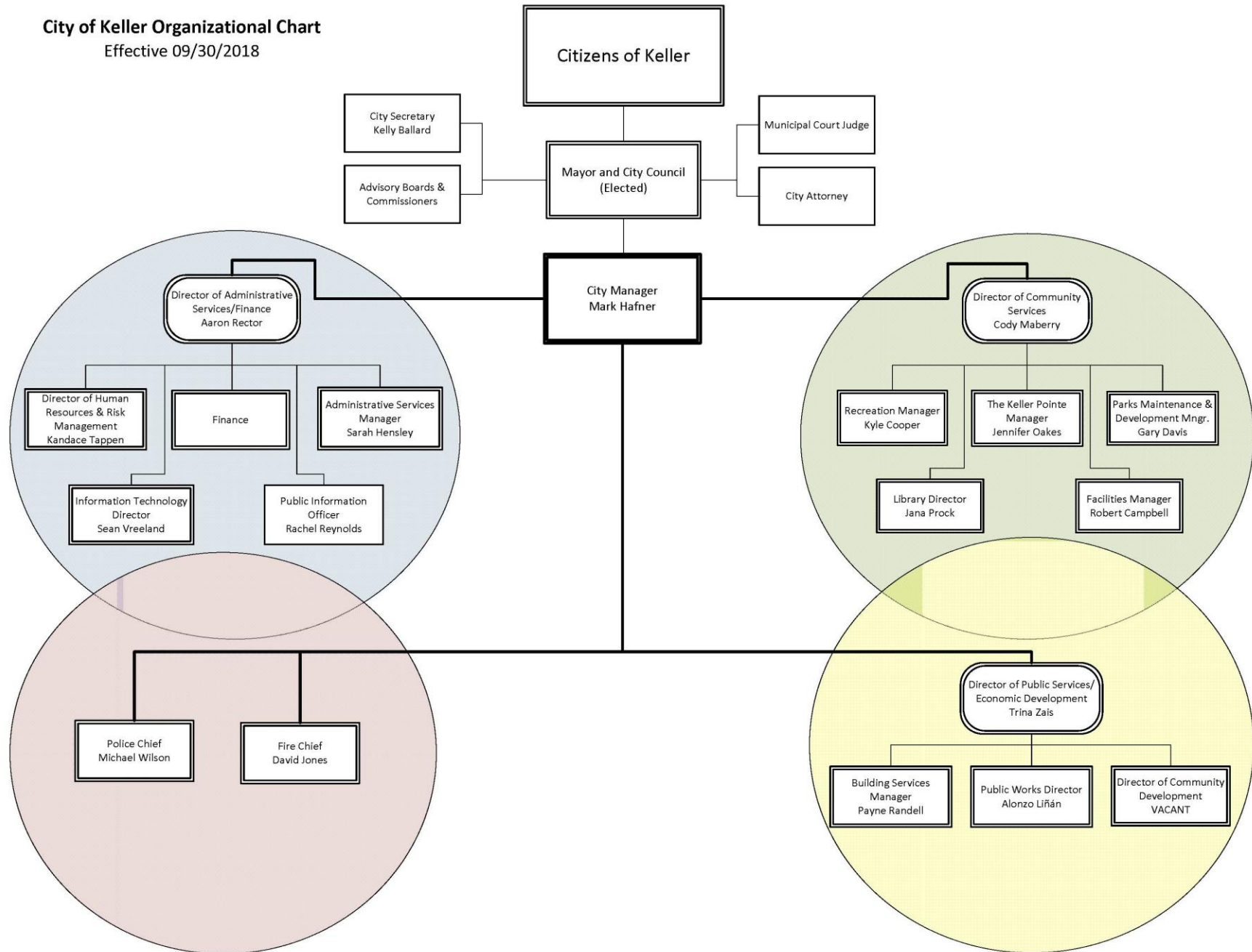
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill

Executive Director/CEO

City of Keller Organizational Chart
Effective 09/30/2018





PRINCIPAL OFFICIALS

September 30, 2018

ELECTED OFFICIALS

<i>Position</i>	<i>Incumbent</i>	<i>Elected</i>	<i>Term Expires</i>
Mayor	Pat McGrail	May 2017	2020
Council, Place 1	Mitch Holmes	May 2018	2021
Council, Place 2	Sean Hicks	Jun 2018	2021
Council, Place 3	Ed Speakmon	Jun 2016	2019
Council, Place 4	Eric Schmidt	May 2016	2019
Council, Place 5	Chris Whatley	May 2017	2020
Council, Place 6	Tag Green	May 2017	2020

APPOINTED OFFICIALS

City Manager.....	Mark Hafner
City Secretary.....	Kelly Ballard
Director of Community Services	Cody Maberry
Director of Administrative Services/Finance	Aaron Rector
Director of Public Services/Economic Development.....	Trina Zais
Fire Chief.....	David Jones
Police Chief	Michael Wilson
Public Works Director.....	Alonzo Liñán
Community Development Director	Vacant
Library Director.....	Jana Prock
Director of Human Resources and Risk Management	Kandace Tappen
Information Technology Director.....	Sean Vreeland

FINANCE DEPARTMENT

Director of Administrative Services/Finance	Aaron Rector
Assistant Director of Finance	Pamela McGee
Budget Analyst.....	Debbie Penaluna
Purchasing Agent.....	Karla Parker
Senior Accountant.....	Violet Wangila
Accountant	Camie Orth
Sr. Accounting Technician	Geneva Dunn
Accounting/Records Tech	Crystal MacNeil
Accounting/Purchasing Tech	Brittany Berardi

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FINANCIAL SECTION

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Independent Auditor's Report

Members of the City Council
City of Keller, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas (the City) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 13 to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Beginning net position has been restated to reflect the change in accounting principle for implementation of this Statement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and other post-employment benefits schedules on pages 5 through 11, 64 through 66, 67 through 68, and 69 through 71, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Members of the City Council
City of Keller, Texas

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 25, 2019

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City of Keller, Texas Management's Discussion and Analysis September 30, 2018

As management of the City of Keller, Texas (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended September 30, 2018, by \$245,033,020 (net position). Of this amount, \$17,689,345 (unrestricted portion of net position) may be used to meet the government's ongoing obligations to citizens and creditors. Included in the unrestricted portion of net position are monies from all the City's various funds which are not either committed to or restricted for other purposes.
- The City's total net position increased by \$14,483,769 exclusive of the cumulative effect of the change in accounting principle. The increase is attributable to increases in revenues, particularly property tax revenues, sales tax revenues, licenses and permits revenues, and charges for services.
- Net position increased in the Enterprise Funds by \$3,328,855 and increased for the business-type activities by \$3,455,560 in comparison to the previous year. Business-type activities include an internal allocation for their portion of the internal service fund activity of (\$126,705). Increases in water revenues, investment earnings and developer contributions were the primary reasons for increases.
- The City's governmental funds reported combined ending fund balances of \$59,345,134, an increase of \$6,804,434 in comparison to the previous year.
- The unassigned portion of the General Fund fund balance at the end of the year was \$20,851,712 or 66% of total General Fund expenditures. This includes the 70 days of General Fund expenditures which is required to be held in General Fund fund balance per the City Council approved Financial Management Policies. That amount is \$7,886,357. The remainder represents funds which may be used for one-time expenditures or unforeseen needs which the Council allocates for a specific purpose. The unassigned General Fund fund balance can be seen on page 18 of this report on the Balance Sheet-Governmental Funds. It is part of the total General Fund fund balances, September 30, 2018, shown on page 22 of this report on the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- Total debt of the City only decreased by \$11,059,186 during the fiscal year due to payments on bonded debt and issuance of debt.

Overview of the Financial Statements

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. This is done in a manner similar to a private-sector business. Two statements, the Statement of Net Position and the Statement of Activities, are utilized to provide this financial overview.

City of Keller, Texas
Management's Discussion and Analysis
September 30, 2018

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

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

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

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

Fund financial statements. The City, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains sixteen individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the General Obligation Debt Service Fund, Crime Control Prevention District, the TIF#1 Interest and Sinking Fund, and Capital Projects Fund. Data from the other non-major funds are also combined and reported in a single column. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

City of Keller, Texas
Management's Discussion and Analysis
September 30, 2018

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

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

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

Government-Wide Financial Analysis

At the end of fiscal year 2018, the City's net position totaled \$245,033,020. This analysis focuses on the net position (Table 1) and changes in net position (Table 2).

Net Position. The largest portion of the City's net position, \$173,499,249, or 71%, reflects its investment in capital assets (land, buildings, improvements other than buildings, machinery and equipment, construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City reports its capital assets net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$53,844,426, or 22% represents resources that are subject to external restrictions on how they may be used. The unrestricted portion of net position which is \$17,689,345 (7%) may be used to meet the government's ongoing obligations to citizens and creditors.

Table 1
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 67,996,058	\$ 57,939,572	\$ 36,561,819	\$ 33,409,903	\$ 104,557,877	\$ 91,349,475
Capital assets	133,296,389	139,555,114	89,995,719	92,841,453	223,292,108	232,396,567
Total Assets	201,292,447	197,494,686	126,557,538	126,251,356	327,849,985	323,746,042
Deferred outflow s of resources	3,394,479	6,192,532	589,024	1,102,000	3,983,503	7,294,532
Long term liabilities	52,378,227	64,423,746	24,827,820	27,633,446	77,206,047	92,057,192
Other liabilities	3,103,917	2,148,365	3,435,014	4,317,585	6,538,931	6,465,950
Total liabilities	55,482,144	66,572,111	28,262,834	31,951,031	83,744,978	98,523,142
Deferred inflow s of resources	2,627,296	708,828	428,194	134,572	3,055,490	843,400
Net Position:						
Net investment in capital assets	97,675,021	97,480,242	75,824,228	76,865,272	173,499,249	174,345,514
Restricted for debt service	2,749,561	2,268,163	-	-	2,749,561	2,268,163
Restricted for capital projects	22,793,473	20,434,317	17,601,201	17,275,318	40,394,674	37,709,635
Restricted for other	10,700,191	9,346,932	-	-	10,700,191	9,346,932
Unrestricted	12,659,240	6,876,625	5,030,105	1,127,163	17,689,345	8,003,788
Total Net Position	\$ 146,577,486	\$ 136,406,279	\$ 98,455,534	\$ 95,267,753	\$ 245,033,020	\$ 231,674,032

City of Keller, Texas
Management's Discussion and Analysis
September 30, 2018

Changes in Net Position. The net position of the City increased by \$14,483,769 for the fiscal year ended September 30, 2018, exclusive of the cumulative effect of the change in accounting principles.

Governmental Activities. Governmental activities increased the City's net position by \$11,028,209 from the prior year. This was primarily due to a decrease in net pension liability and decrease in interest on long term debt.

Business-type Activities. Business-type activities net position increased by \$3,455,560 from the prior year. This increase is primarily due to higher revenues for charges for services than in prior year.

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 5,351,963	\$ 6,188,567	\$ 32,072,020	\$ 31,111,701	\$ 37,423,983	\$ 37,300,268
Operating grants and contributions	4,209,216	3,620,161	-	53,222	4,209,216	3,673,383
Capital grants and contributions	20,227	1,242,726	987,138	2,012,753	1,007,365	3,255,479
General revenues:						
Ad valorem taxes	27,517,501	26,040,551	-	-	27,517,501	26,040,551
Sales taxes	12,210,696	11,812,756	-	-	12,210,696	11,812,756
Other taxes and fees	4,516,219	4,434,963	-	-	4,516,219	4,434,963
Interest	1,070,649	733,658	532,012	297,571	1,602,661	1,031,229
Gain (loss) disposal of capital assets	-	-	-	-	-	-
Miscellaneous	278,852	286,954	143,700	134,135	422,552	421,089
Total revenues	55,175,323	54,360,336	33,734,870	33,609,382	88,910,193	87,969,718
Expenses:						
General government	7,921,283	6,592,982	-	-	7,921,283	6,592,982
Public safety	19,093,622	21,542,266	-	-	19,093,622	21,542,266
Public works	6,722,250	4,289,043	-	-	6,722,250	4,289,043
Community development	2,004,708	2,387,006	-	-	2,004,708	2,387,006
Recreation and Leisure	7,115,961	6,457,773	-	-	7,115,961	6,457,773
Interest on long-term debt	1,299,198	2,027,789	-	-	1,299,198	2,027,789
Water and wastewater operations	-	-	24,203,826	23,661,400	24,203,826	23,661,400
Drainage utility	-	-	2,750,456	2,352,482	2,750,456	2,352,482
Recreation aquatics center	-	-	3,315,120	3,357,215	3,315,120	3,357,215
Total expenses	44,157,022	43,296,859	30,269,402	29,371,097	74,426,424	72,667,956
Increase (decrease) in net position before transfers	11,018,301	11,063,477	3,465,468	4,238,285	14,483,769	15,301,762
Transfers	9,908	(11,469,030)	(9,908)	11,469,030	-	-
Increase (decrease) in net position	11,028,209	(405,553)	3,455,560	15,707,315	14,483,769	15,301,762
Net position - October 1	136,406,279	136,811,832	95,267,753	79,560,438	231,674,032	216,372,270
Change in accounting principle	(857,002)	-	(267,779)	-	(1,124,781)	-
Net position - September 30	\$146,577,486	\$136,406,279	\$ 98,455,534	\$ 95,267,753	\$ 245,033,020	\$ 231,674,032

Government-Wide Financial Analysis

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 Keller, Texas
Management's Discussion and Analysis
September 30, 2018

As of year-end of the current fiscal year, the City's governmental funds reported combined fund balances of \$59,345,134.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$20,851,712. There was an increase in General Fund balance of \$4,865,732 during the current fiscal year. This increase is primarily due to property tax revenues and less operational costs along with a transfer in from TIF#1 Interest and Sinking Fund of \$2,339,591 which is no longer restricted.

The General Obligation Debt Service Fund had an increase of \$854,972 in fund balance. This was due to an increase in ad valorem property tax revenue. These funds are specifically restricted for the payment of debt service. The Crime Control Prevention District Fund increased \$697,948 due to more sales tax revenue than expenditures. The Capital Projects Fund had a decrease of \$283,585 due to continued spending on capital projects. The TIF#1 Interest and Sinking Fund had a decrease of \$434,922 primarily due to a \$2,339,591 transfer to the general fund. Other governmental funds' combined fund balances increased \$1,104,289.

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

The net position of the Water and Wastewater Utilities Fund at the end of the year was \$71,360,549. This represents an increase of \$4,159,017 which was the result of an increase in water revenues. This year's operating income was \$3,659,254. This income is attributable to significant increases in water and sewer charges for service revenue.

The net position of the Drainage Utility Fund at the end of the year was \$14,167,881. This represents a decrease of \$960,719 due to increased depreciation of capital assets. This year's operating loss was \$1,282,555. This decrease is attributable to an increase in operational costs.

The proprietary funds also included increases in net position from the Recreation/Aquatic Center and internal service funds. The Recreation/Aquatic Center fund had an increase of \$130,557 primarily due to more revenues than expenses during the year. The internal service fund had an increase of \$1,942,664 due to more revenues from the other funds for equipment replacement and information technology and \$1,577,178 transferred from the General Fund for capital replacement and funding of health insurance.

General Fund Budgetary Highlights. In FY2018, the General Fund expenditure budget was decreased by \$1,497,000 from the 2018 original budget. Each year the City performs a mid-year review of the budget. If the City Manager determines that funds are available, certain amendments are proposed to the City Council for their review and approval. Expenditures were amended throughout the year with the majority occurring during mid-year reviews. These amendments decreased General Fund appropriations by 4.75%.

In the General Fund, the actual revenue received in comparison to the final budget was over by \$709,994. This positive variance is most noticeable in intergovernmental which was \$398,731 over budget. General Fund expenditures had a final budget to actual positive variance of \$2,189,414 prior to other financing sources/uses. This amount is attributable to intentional savings made by all departments.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$223,292,108 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, and construction in progress. The total decrease in the City's investment in capital assets for the current year was 3.92%.

City of Keller, Texas
Management's Discussion and Analysis
September 30, 2018

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

Asset	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 34,146	\$ 34,146	\$ 1,506	\$ 1,642	\$ 35,652	\$ 35,788
Capacity rights	-	-	1,970	2,127	1,970	2,127
Buildings	29,201	30,423	10,130	10,551	39,331	40,974
Improvements	57,640	64,132	69,247	72,104	126,887	136,236
Machinery and equipment	3,970	5,885	371	517	4,341	6,402
Construction in progress	8,339	4,969	6,772	5,900	15,111	10,869
	<u>\$ 133,296</u>	<u>\$ 139,555</u>	<u>\$ 89,996</u>	<u>\$ 92,841</u>	<u>\$ 223,292</u>	<u>\$ 232,396</u>

Additional information on the City's capital assets can be found in the notes to the financial statements on pages 43-44.

Debt Administration. At the end of the current fiscal year, the City had total debt outstanding of \$61,003,195 which was backed by the full faith and credit of the City in addition to unamortized premiums.

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

Type of Debt	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation	\$ 19,832	\$ 23,761	\$ 8,373	\$ 9,868	\$ 28,205	\$ 33,629
Certificates/Contractual Obligations	16,665	21,194	13,120	13,810	29,785	35,004
Unamortized bond premium	2,178	2,470	835	959	3,013	3,429
Total	<u>\$ 38,675</u>	<u>\$ 47,425</u>	<u>\$ 22,328</u>	<u>\$ 24,637</u>	<u>\$ 61,003</u>	<u>\$ 72,062</u>

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

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

Additional information on the City's long-term debt can be found in the notes to the financial statements on pages 46-48.

**City of Keller, Texas
Management's Discussion and Analysis
September 30, 2018**

Economic Factors and Next Year's Budgets and Rates

In the next year's adopted fiscal year (FY) 2018-19 budget, total General Fund revenues (including transfers-in) are budgeted to increase by \$3,155,459 (8.8%) from the final FY 2017-18 Budget and by \$3,251,466 (9.1%) from the FY 2017-18 year-end projection, with general property taxes comprising about 50.9% of General Fund budgeted revenues and transfers-in. Certified taxable assessed valuations (after adjustments) increased 10.6% over the prior year, compared to an increase of 4.9% prior year which is due in part to the TIRZ ending in FY 2017-18. In addition to the TIRZ ending, decreased debt obligations, and conservative budgeting helped the city reduce the FY 2018-19 tax rate to \$0.41325 per \$100 of valuation from \$0.427500 per \$100 of valuation and increased the homestead exemption from 8% to 10%. The tax rate is the lowest rate in over twenty years, and the homestead exemption is the highest ever.

A small increase of 2.25% was projected for sales tax receipts in FY 2018-19 as overall monthly sales tax receipts were only showed slight increases during FY 2017-18. While retail sales tax activity has continued annually grow, utility pricing has resulted in a slight decrease in utility-based sales tax. FY 2018-19 sales tax projections assumed the lower utility prices would continue. In FY 2016-17, a big box retailer opened mid fiscal year with significant taxable sales activity and a full-year impact began in FY 2017-18.

Expenditures for the 2018-19 adopted budget represents an increase of \$3,336,485, or 9.23% from the FY 2017-18 budget. The FY 2018-19 budget includes one-time expenditures of \$4,138,306 of which \$3,650,000 relates to cash-funding capital improvements rather than issuing debt. With the one-time expenditures removed, the FY 2018-19 adopted budget represents a decrease of \$801,821 or 2.2%. The budget includes one-time funding for Senior Activity Center Design/Engineering, Johnson Road Reconstruction, Bear Creek & Whitley Roundabout, a replacement dump truck, Keller-Smithfield traffic signal, and Fire SCBA replacements.

Conservative revenue and expenditure budgeting resulted in a balanced budget that meets the City Council goals and directions, continues to provide excellent service levels, and maintains ending fund balances as required by the city's financial policies. The FY 2018-19 estimated ending unassigned fund balance at September 30, 2019 is \$18,260,481 which equals 51.7% or 166.54 days of on-going expenditures. Approximately \$2.28M of the fund balance growth is related to the TIRZ ending and the fund balance being reallocated to the General Fund. The estimated fund balance is above the policy required minimum balance of 19.2% (70 days of on-going expenditures) and the policy maximum of 50.0% (182 days of on-going expenditures). The City will be looking to further cash fund capital projects as a way to reduce the fund balance below the policy maximum.

The City is able to maintain its financial position because of having a stable tax and retail base, as well as a competitive tax rate. The City's property tax rate for FY 2018-19 ranks as one of the lowest among neighboring Tarrant County area cities.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, P.O. Box 770, Keller, Texas 76244-0770, call (817) 743-4025, or email at finance@CityofKeller.com.

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BASIC FINANCIAL STATEMENTS

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**CITY OF KELLER, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 20,591,363	\$ 10,646,024	\$ 31,237,387
Investments	43,289,723	2,385,691	45,675,414
Receivables (net of allowance for uncollectibles)	4,130,991	3,680,360	7,811,351
Inventories	101,184	270,888	372,072
Prepaid items	37,736	185,739	223,475
Internal balances	(154,939)	154,939	-
Restricted assets:			
Cash and investments	-	19,238,178	19,238,178
Capital assets (net of accumulated depreciation):			
Land	34,145,896	1,506,353	35,652,249
Construction in progress	8,339,387	6,771,807	15,111,194
Buildings	29,201,412	10,129,580	39,330,992
Improvement other than buildings	57,639,279	69,247,196	126,886,475
Capacity rights	-	1,969,806	1,969,806
Machinery and equipment	3,970,415	370,977	4,341,392
Total Assets	201,292,447	126,557,538	327,849,985
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	1,013,085	139,047	1,152,132
Deferred inflows related to pensions	2,255,099	428,055	2,683,154
Deferred inflows related to OPEB - SDBF	46,461	8,065	54,526
Deferred inflows related to OPEB Health Benefits	79,834	13,857	93,691
Total deferred outflows of resources	3,394,479	589,024	3,983,503
LIABILITIES			
Accounts payable and other current liabilities	2,503,120	1,379,862	3,882,982
Accrued interest payable	138,105	101,853	239,958
Customer deposits	242,961	1,289,027	1,531,988
Unearned revenue	219,731	664,272	884,003
Non-current liabilities:			
Due within one year	6,671,295	2,449,370	9,120,665
Due in more than one year:	45,706,932	22,378,450	68,085,382
Total Liabilities	55,482,144	28,262,834	83,744,978
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	2,627,296	428,194	3,055,490
Total deferred inflows of resources	2,627,296	428,194	3,055,490
NET POSITION			
Net investment in capital assets	97,675,021	75,824,228	173,499,249
Restricted for:			
Debt service	2,749,561	-	2,749,561
Capital projects	22,793,473	17,601,201	40,394,674
Other	10,700,191	-	10,700,191
Unrestricted	12,659,240	5,030,105	17,689,345
Total Net Position	\$ 146,577,486	\$ 98,455,534	\$ 245,033,020

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

**CITY OF KELLER, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 7,921,283	\$ 1,123,299	\$ 89,293	\$ -
Public safety	19,093,622	2,002,441	3,541,465	-
Public works	6,722,250	100,696	529,129	20,227
Community development	2,004,708	1,613,772	49,329	-
Recreation and cultural	7,115,961	511,755	-	-
Interest on long-term debt	1,299,198	-	-	-
Total governmental activities	44,157,022	5,351,963	4,209,216	20,227
Business-type activities:				
Water and wastewater utility	24,203,826	27,205,769	-	699,683
Drainage utility	2,750,456	1,455,901	-	287,455
Recreation/Aquatic Center	3,315,120	3,410,350	-	-
Total business-type activities	30,269,402	32,072,020	-	987,138
Total primary government	\$ 74,426,424	\$ 37,423,983	\$ 4,209,216	\$ 1,007,365

General revenues:

Ad valorem taxes
Sales taxes
Franchise taxes
Mixed drink taxes
Investment earnings
Miscellaneous income

Transfers

Total general revenues and transfers

Change in net position

Net position - Beginning of year

Cumulative effect of change in accounting principle

Net position - Ending

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (6,708,691)	\$ -	\$ (6,708,691)
(13,549,716)	-	(13,549,716)
(6,072,198)	-	(6,072,198)
(341,607)	-	(341,607)
(6,604,206)	-	(6,604,206)
(1,299,198)	-	(1,299,198)
<u>(34,575,616)</u>	<u>-</u>	<u>(34,575,616)</u>
-	3,701,626	3,701,626
-	(1,007,100)	(1,007,100)
-	95,230	95,230
<u>-</u>	<u>2,789,756</u>	<u>2,789,756</u>
\$ (34,575,616)	\$ 2,789,756	\$ (31,785,860)
27,517,501	-	27,517,501
12,210,696	-	12,210,696
4,358,208	-	4,358,208
158,011	-	158,011
1,070,649	532,012	1,602,661
278,852	143,700	422,552
9,908	(9,908)	-
<u>45,603,825</u>	<u>665,804</u>	<u>46,269,629</u>
11,028,209	3,455,560	14,483,769
136,406,279	95,267,753	231,674,032
(857,002)	(267,779)	(1,124,781)
<u>\$ 146,577,486</u>	<u>\$ 98,455,534</u>	<u>\$ 245,033,020</u>

CITY OF KELLER, TEXAS
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>General Obligation Debt Service</u>	<u>Crime Control Prevention District</u>
ASSETS			
Cash and equivalents	\$ 336,370	\$ -	\$ -
Investments	20,676,982	2,824,163	4,609,351
Receivables (net of allowance for uncollectibles):			
Ad valorem taxes	155,680	58,311	-
Franchise taxes	709,039	-	-
Sales taxes	1,101,138	-	252,223
Accounts	521,634	-	-
Interest and Other	64,306	5,192	8,938
Due from other governments	284,812	-	-
Due from other funds	-	-	11,169
Inventories, at cost	101,184	-	-
Prepaid items	29,691	-	-
Total assets	<u>\$ 23,980,836</u>	<u>\$ 2,887,666</u>	<u>\$ 4,881,681</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 882,828	\$ -	\$ 2,056
Other payables and accruals	609,959	-	-
Due to other funds	11,169	-	-
Customer deposits	238,539	-	-
Unearned revenue	130,254	-	-
Total liabilities	<u>1,872,749</u>	<u>-</u>	<u>2,056</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable resources	465,056	58,311	-
Total deferred inflows of resources	<u>465,056</u>	<u>58,311</u>	<u>-</u>
FUND BALANCES:			
Nonspendable			
Inventory and prepaids	130,875	-	-
Restricted			
Debt service	-	2,829,355	-
Capital projects	-	-	-
Park Development	-	-	-
Municipal court	-	-	-
Law Enforcement	-	-	4,879,625
Recreation and Cultural	423,987	-	-
Public information and broadcasting	-	-	-
Community clean up	236,457	-	-
Unassigned	20,851,712	-	-
Total fund balances	<u>21,643,031</u>	<u>2,829,355</u>	<u>4,879,625</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,980,836</u>	<u>\$ 2,887,666</u>	<u>\$ 4,881,681</u>

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

EXHIBIT A-3

<u>Capital Projects Fund</u>	<u>TIF #1 Interest and Sinking Fund</u>	<u>Non major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 13,300,112	\$ -	\$ 2,552,073	\$ 16,188,555
2,688,454	-	11,427,626	42,226,576
-	38,202	-	252,193
-	-	-	709,039
-	-	863,217	2,216,578
-	-	2,851	524,485
28,095	-	24,018	130,549
-	-	7,479	292,291
-	-	-	11,169
-	-	-	101,184
-	-	7,500	37,191
<u>\$ 16,016,661</u>	<u>\$ 38,202</u>	<u>\$ 14,884,764</u>	<u>\$ 62,689,810</u>
\$ 516,139	\$ -	\$ 292,927	\$ 1,693,950
-	-	4,195	614,154
-	-	-	11,169
-	-	4,422	242,961
-	-	89,477	219,731
<u>516,139</u>	<u>-</u>	<u>391,021</u>	<u>2,781,965</u>
-	38,202	1,142	562,711
-	38,202	1,142	562,711
-	-	7,500	138,375
-	-	-	2,829,355
15,500,522	-	9,333,621	24,834,143
-	-	4,006,549	4,006,549
-	-	201,832	201,832
-	-	77,890	4,957,515
-	-	403,518	827,505
-	-	461,691	461,691
-	-	-	236,457
-	-	-	20,851,712
<u>15,500,522</u>	<u>-</u>	<u>14,492,601</u>	<u>59,345,134</u>
<u>\$ 16,016,661</u>	<u>\$ 38,202</u>	<u>\$ 14,884,764</u>	<u>\$ 62,689,810</u>

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**CITY OF KELLER, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

EXHIBIT A-4

Total fund balance-governmental funds balance sheet	\$ 59,345,134
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Excludes governmental portion of the internal service funds of \$2,673,189.	130,623,200
Deferred losses on refunding are reported as deferred outflows of resources in the government-wide statement of net position.	1,013,085
Revenues earned but not available within sixty days of the fiscal year-end are not recognized as revenue in the fund financial statements.	562,711
Deferred outflows, \$2,302,982, and inflows, (\$2,540,982), of resources related to the City's net pension and other post employment benefit liabilities results in an increase in net position in the government-wide financial statements (including internal service fund activity). This amount excludes the internal service funds' deferred outflows of \$78,412 and inflows of (\$86,314).	(238,000)
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(138,105)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the fund financial statements.	(38,675,123)
Net pension liability, \$9,808,272, compensated absences, \$1,790,340, and total other post employment benefit obligation (OPEB), \$1,711,395, are not due and payable in the current period, and therefore are not reported in the fund financial statements. This amount excludes governmental portion of the internal service fund net pension liability of \$334,950 and OPEB liability \$58,147.	(13,310,007)
Internal service funds are used by management to charge the costs of capital assets to individual funds. A portion of the assets and liabilities of the internal service funds are allocated to the governmental activities.	<u>7,394,591</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - statement of net position	<u>\$ 146,577,486</u>

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

CITY OF KELLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT A-5

	General Fund	General Obligation Debt Service	Crime Control Prevention District	Capital Projects Fund	TIF #1 Interest and Sinking fund	Non major Governmental Funds	Total Governmental Funds
REVENUES							
Ad valorem taxes	\$ 17,111,557	\$ 5,404,308	\$ -	\$ -	\$ 4,998,955	\$ -	\$ 27,514,820
Sales taxes	6,155,624	-	1,438,354	-	-	4,616,718	12,210,696
Franchise fees	4,225,480	-	-	-	-	132,728	4,358,208
Mixed drink tax	158,011	-	-	-	-	-	158,011
Licenses and permits	1,115,134	-	-	-	-	113,773	1,228,907
Intergovernmental	3,519,696	-	20,000	-	-	61,175	3,600,871
Charges for services	3,027,726	-	-	-	-	43,810	3,071,536
Fines and forfeitures	903,580	-	-	-	-	93,403	996,983
Special assessments and impact fees	-	-	-	-	-	529,129	529,129
Donations	44,800	-	-	-	-	54,416	99,216
Interest income	322,418	135,841	129,785	218,975	24,783	198,531	1,030,333
Miscellaneous income	175,004	6,140	32,213	-	-	16,000	229,357
Total revenues	36,759,030	5,546,289	1,620,352	218,975	5,023,738	5,859,683	55,028,067
EXPENDITURES							
Current:							
General government	5,009,273	-	-	-	-	212,056	5,221,329
Public safety	16,816,608	-	239,645	-	-	35,713	17,091,966
Public works	2,532,760	-	-	15,115	-	80,520	2,628,395
Community development	2,040,732	-	-	-	-	244,412	2,285,144
Recreation and cultural	4,951,661	-	-	-	-	15,299	4,966,960
Capital outlay	194,394	-	209,769	3,522,934	-	651,327	4,578,424
Debt service:							
Principal	-	3,578,077	355,000	-	3,235,000	1,290,000	8,458,077
Interest and fiscal charges	-	868,067	172,075	-	129,242	296,184	1,465,568
Total expenditures	31,545,428	4,446,144	976,489	3,538,049	3,364,242	2,825,511	46,695,863
Excess (deficiency) of revenues under expenditures	5,213,602	1,100,145	643,863	(3,319,074)	1,659,496	3,034,172	8,332,204
OTHER FINANCING SOURCES (USES)							
Transfers in	2,339,591	-	12,915	3,035,489	245,173	1,089,770	6,722,938
Transfers out	(2,695,699)	(245,173)	-	-	(2,339,591)	(3,019,653)	(8,300,116)
Proceeds from sale of property	8,238	-	41,170	-	-	-	49,408
Total other financing sources (uses)	(347,870)	(245,173)	54,085	3,035,489	(2,094,418)	(1,929,883)	(1,527,770)
Net change in fund balances	4,865,732	854,972	697,948	(283,585)	(434,922)	1,104,289	6,804,434
Fund balances, October 1, 2017	16,777,299	1,974,383	4,181,677	15,784,107	434,922	13,388,312	52,540,700
Fund balances, September 30, 2018	\$ 21,643,031	\$ 2,829,355	\$ 4,879,625	\$ 15,500,522	\$ -	\$ 14,492,601	\$ 59,345,134

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

**CITY OF KELLER, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

EXHIBIT A-6

Net change in fund balances- total governmental funds.	\$ 6,804,434
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Excludes capital asset additions in the internal service fund of \$586,217.	4,053,238
Developers contributions that are not reported in governmental funds.	20,227
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. Excludes depreciation expense of \$954,496 from internal service fund.	(9,955,975)
Disposal of capital assets is not reported in governmental funds.	(7,936)
The repayment of the principal of long term debt consumes the current financial resources of governmental funds, but has no effect on net position. The amortization of bond premiums and deferred gain/loss on refunding of long term debt is reported in statement of activities but does not require the use of current financial resources. Therefore the effect of the amortization of these various items are not reported in the statement of revenues, expenses, and changes in fund balance.	
This amount represents the net effect of the following items:	
o Repayments of principal	8,458,077
o Amortization/refunding of premium on bonds	291,700
o Amortization of deferred loss on refunding	(199,051)
Implementation of GASB 68 requires certain expenditures to be de-expended and recorded as deferred	
The following is the net effect of current year pension expense and contributions made after the measurement date. Excludes changes in pension activity of \$3,042 that are from the internal service funds.	(89,490)
Implementation of GASB 75 requires certain expenditures to be de-expended and recorded as deferred	
The following is the net effect of current year Other Post Employment Benefits (OPEB) expense and contributions made after the measurement date. Excludes changes in OPEB activity of \$3,302 that are from the internal service funds.	(97,185)
Current year changes in accrued interest payable does not require the use of current financial resources; and therefore, are not reported as expenditures in governmental funds.	73,722
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; and therefore, are not reported as expenditures in governmental funds.	(171,709)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	32,198
Internal service funds are used by management to share the costs of capital assets to individual funds. This is the amount of change in net position allocated to governmental activities.	1,815,959
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - statement of activities	\$ 11,028,209

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

CITY OF KELLER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

					Non-Major
	Water and Wastewater Utilities	Drainage Utility	Recreation/ Aquatic Center	Total Enterprise Funds	Total Internal Service Funds
ASSETS					
Current assets					
Cash and equivalents	\$ 6,930,646	\$ 1,107,387	\$ 2,607,991	\$ 10,646,024	\$ 4,402,808
Investments	-	1,869,457	516,234	2,385,691	1,063,147
Accounts receivables (net of allowances for uncollectibles)	3,493,126	65,364	34,676	3,593,166	-
Interest receivable	64,423	17,307	5,464	87,194	5,856
Due from other funds	-	-	-	-	-
Inventories, at cost	270,888	-	-	270,888	-
Prepaid items	181,352	224	4,163	185,739	545
Restricted assets					
Investments	19,238,178	-	-	19,238,178	-
Total current assets	30,178,613	3,059,739	3,168,528	36,406,880	5,472,356
Non-current assets					
Capital assets:					
Land	1,445,081	61,272	-	1,506,353	-
Water and sewer system	104,400,786	32,046,176	-	136,446,962	-
Aquatics Building	-	-	17,123,435	17,123,435	-
Machinery and equipment	2,342,972	373,289	1,494,219	4,210,480	10,435,792
Capacity rights	6,281,781	-	-	6,281,781	-
Construction in progress	6,058,270	713,537	-	6,771,807	-
Accumulated depreciation	(52,737,656)	(21,686,732)	(7,920,711)	(82,345,099)	(7,762,603)
Total capital assets (net of accumulated depreciation)	67,791,234	11,507,542	10,696,943	89,995,719	2,673,189
Total non-current assets	67,791,234	11,507,542	10,696,943	89,995,719	2,673,189
Total assets	97,969,847	14,567,281	13,865,471	126,402,599	8,145,545
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	139,047	-	-	139,047	-
Deferred inflows related to pensions	300,569	56,761	70,725	428,055	74,262
Deferred inflows related to SDBF	5,699	1,101	1,265	8,065	1,526
Deferred inflows related to OPEB Health Benefits	9,791	1,893	2,173	13,857	2,624
Total deferred outflows of resources	455,106	59,755	74,163	589,024	78,412

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

EXHIBIT A-7

	Water and Wastewater Utilities	Drainage Utility	Recreation/ Aquatic Center	Total Enterprise Funds	Non-Major Total Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,135,508	\$ 47,179	\$ 72,573	\$ 1,255,260	\$ 164,771
Other payables and accruals	81,999	14,003	28,600	124,602	30,245
Unearned revenue	80,352	-	583,920	664,272	-
Compensated absences payable - current	164,161	44,255	-	208,416	-
General obligation bonds payable - current	1,545,954	-	-	1,545,954	-
Certificates of obligations - current	695,000	-	-	695,000	-
Accrued interest payable	101,853	-	-	101,853	-
Customer deposits	1,251,353	-	37,674	1,289,027	-
Total current liabilities	<u>5,056,180</u>	<u>105,437</u>	<u>722,767</u>	<u>5,884,384</u>	<u>195,016</u>
Non-current liabilities:					
General obligation bonds payable	7,662,118	-	-	7,662,118	-
Certificate of obligations	12,425,000	-	-	12,425,000	-
Net pension liability	1,399,646	252,524	332,021	1,984,191	334,950
Total OPEB Liability (SDBF)	70,039	13,539	15,549	99,127	18,766
Total OPEB Liability (Health Benefits)	146,974	28,410	32,630	208,014	39,381
Total noncurrent liabilities	<u>21,703,777</u>	<u>294,473</u>	<u>380,200</u>	<u>22,378,450</u>	<u>393,097</u>
Total liabilities	<u>26,759,957</u>	<u>399,910</u>	<u>1,102,967</u>	<u>28,262,834</u>	<u>588,113</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	304,447	59,245	64,502	428,194	86,314
Total deferred inflows of resources	<u>304,447</u>	<u>59,245</u>	<u>64,502</u>	<u>428,194</u>	<u>86,314</u>
NET POSITION					
Net investment in capital assets	53,619,743	11,507,542	10,696,943	75,824,228	2,673,189
Restricted for construction	17,601,201	-	-	17,601,201	-
Unrestricted	139,605	2,660,339	2,075,222	4,875,166	4,876,341
Total net position	<u>\$ 71,360,549</u>	<u>\$ 14,167,881</u>	<u>\$ 12,772,165</u>	98,300,595	<u>\$ 7,549,530</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>154,939</u>	
Total Net Position per Government-Wide Financial Statements				<u>\$ 98,455,534</u>	

CITY OF KELLER, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT A-8

	Water and Wastewater Utilities	Drainage Utility	Recreation/ Aquatic Center	Total Enterprise Funds	Non-Major Total Internal Service Funds
OPERATING REVENUES					
Water	\$ 19,169,124	\$ -	\$ -	\$ 19,169,124	\$ -
Sewer	7,974,998	-	-	7,974,998	-
Drainage revenue	-	1,455,901	-	1,455,901	-
Recreation/Aquatic center revenue	-	-	3,410,350	3,410,350	-
Tap and connection fees	61,647	-	-	61,647	-
Miscellaneous	119,696	12,000	10,739	142,435	3,188,260
Total operating revenues	27,325,465	1,467,901	3,421,089	32,214,455	3,188,260
OPERATING EXPENSES					
Personnel services	2,958,459	575,389	1,420,944	4,954,792	765,554
Supplies and maintenance	599,069	28,425	115,318	742,812	297,043
Services and other	5,312,819	504,079	1,274,719	7,091,617	868,948
Wholesale water purchases	9,225,455	-	-	9,225,455	-
Wastewater services contracted	2,884,013	-	-	2,884,013	-
Depreciation	2,686,396	1,642,563	504,139	4,833,098	954,496
Total operating expenses	23,666,211	2,750,456	3,315,120	29,731,787	2,886,041
Operating income (loss)	3,659,254	(1,282,555)	105,969	2,482,668	302,219
NON-OPERATING REVENUES (EXPENSES)					
Investment revenue	453,101	40,067	38,844	532,012	40,316
Gain on sale of property	(34,870)	-	1,265	(33,605)	13,043
Interest expense	(629,450)	-	-	(629,450)	-
Total non-operating revenues (expenses)	(211,219)	40,067	40,109	(131,043)	53,359
Net income (loss) before transfers and contributions	3,448,035	(1,242,488)	146,078	2,351,625	355,578
TRANSFERS AND CONTRIBUTIONS					
Developer contributions	699,683	287,455	-	987,138	-
Transfers in	11,299	-	-	11,299	1,587,086
Transfers out	-	(5,686)	(15,521)	(21,207)	-
Total transfers and contributions	710,982	281,769	(15,521)	977,230	1,587,086
Change in net position	4,159,017	(960,719)	130,557	3,328,855	1,942,664
Net position, October 1	67,390,733	15,165,173	12,683,613		5,657,561
Cumulative effect of change in accounting principle	(189,201)	(36,573)	(42,005)		(50,695)
Net position, September 30	\$ 71,360,549	\$ 14,167,881	\$ 12,772,165		\$ 7,549,530
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				126,705	
Change in Net Position Business-type Activities				3,455,560	

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

CITY OF KELLER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT A-9

	Water and Wastewater Utilities	Drainage Utility	Recreation/ Aquatic Center	Total Enterprise Funds	Non-Major Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 28,906,073	\$ 1,459,023	\$ 3,468,315	\$ 33,833,411	\$ 3,184,818
Cash payments to employees for services	(2,940,049)	(569,811)	(1,414,267)	(4,924,127)	(758,149)
Cash payments to other suppliers for goods and services	(18,000,168)	(532,704)	(1,404,905)	(19,937,777)	(1,047,167)
Net cash provided by operating activities	7,965,856	356,508	649,143	8,971,507	1,379,502
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	11,299	-	-	11,299	1,587,086
Transfers to other funds	-	(5,686)	(15,521)	(21,207)	-
Net cash provided by (used in) non-capital financing activities	11,299	(5,686)	(15,521)	(9,908)	1,587,086
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal and interest paid	(2,887,384)	-	-	(2,887,384)	-
Acquisition or construction of capital assets net of contributions	(1,079,999)	(52,295)	(6,396)	(1,138,690)	(586,219)
Proceeds from sale of capital assets	103,594	-	1,265	104,859	13,043
Net cash used in capital and related financing activities	(3,863,789)	(52,295)	(5,131)	(3,921,215)	(573,176)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase or sale of investments	(1,657,145)	8,302	327,882	(1,320,961)	124,902
Interest and dividends on investments	453,101	40,067	38,844	532,012	40,316
Net cash provided by (used in) investing activities	(1,204,044)	48,369	366,726	(788,949)	165,218
Net increase (decrease) in cash and cash equivalents	2,909,322	346,896	995,217	4,251,435	2,558,630
Cash and cash equivalents at beginning of year	4,021,324	760,491	1,612,774	6,394,589	1,844,178
Cash and cash equivalents at end of year	\$ 6,930,646	\$ 1,107,387	\$ 2,607,991	\$ 10,646,024	\$ 4,402,808
RECONCILIATION TO STATEMENT OF NET POSITION					
Cash and cash equivalents	\$ 6,930,646	\$ 1,107,387	\$ 2,607,991	\$ 10,646,024	\$ 4,402,808
Unrestricted and restricted investments	19,238,178	1,869,457	516,234	21,623,869	1,063,147
Total cash and investments	\$ 26,168,824	\$ 2,976,844	\$ 3,124,225	\$ 32,269,893	\$ 5,465,955
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 3,659,254	\$ (1,282,555)	\$ 105,969	\$ 2,482,668	\$ 302,219
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	2,686,396	1,642,563	504,139	4,833,098	954,496
Effects of changes in assets and liabilities:					
Decrease (increase) in receivables	1,514,241	(5,745)	(24,409)	1,484,087	-
Decrease (increase) in inventories and prepaid items	65,701	(91)	2,512	68,122	1,408
Decrease (increase) in interest receivables	(20,660)	(3,133)	(3,211)	(27,004)	(3,442)
Decrease (increase) in due from other funds	1,021,980	-	-	1,021,980	-
Decrease (increase) in deferred outflows	344,825	65,220	80,883	490,928	85,621
Increase (decrease) in accounts payable	(1,066,493)	(109)	(17,380)	(1,083,982)	117,416
Increase (decrease) in other payables and accruals	8,496	402	1,418	10,316	1,061
Increase (decrease) in compensated absences	(13,754)	597	-	(13,157)	-
Increase (decrease) in customer deposits	76,199	-	(4,895)	71,304	-
Increase (decrease) in unearned revenue	10,828	-	79,741	90,569	-
Increase (decrease) in pension and OPEB liability	(530,407)	(102,715)	(117,922)	(751,044)	(142,204)
Increase (decrease) in deferred inflows	209,250	42,074	42,298	293,622	62,927
Total adjustments	4,306,602	1,639,063	543,174	6,488,839	1,077,283
Net cash provided by operating activities	\$ 7,965,856	\$ 356,508	\$ 649,143	\$ 8,971,507	\$ 1,379,502
NONCASH ITEMS					
Developer contributions of capital assets	\$ 699,683	\$ 287,455	\$ -	\$ 987,138	\$ -

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

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide concise explanations, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses, and other information considered important to gaining a clear picture of the City's financial activities for the fiscal year ended September 30, 2018.

A. Financial Statement Presentation

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

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

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

B. Financial Reporting Entity

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

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Reporting Entity – Continued

Blended Component Unit

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

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

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

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

During 2018, the TIF formally dissolved. After satisfying any remaining obligations, the remaining fund balance, deemed unrestricted, was transferred to the general fund.

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

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

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Reporting Entity – Continued

Separate financial statements for the component units are not prepared.

C. Government-Wide and Fund Financial Statements

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

Property taxes, franchise fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the State and merchants at year-end on behalf of the City are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Accounting

The following major funds are used by the City:

1. Governmental Funds:

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

- a. The **General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.
- b. The **General Obligation Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- c. The **Crime Control Prevention District Special Revenue Fund** is used to account for collection of sales and use taxes, in accordance with Section 363 of the Texas Local Government Code, to be used for public safety crime control and prevention programs.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

- d. The **Capital Projects Fund** is used to account for construction and progress capital outlay or long term repair contract expenditures.
- e. The **TIF #1 Interest and Sinking Fund** is used to account for the accumulation of incremental property taxes from within the zone for payment of TIF debt.

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

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

Library Fund – This fund accounts for public donations and revenues restricted for Library improvements

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

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

Public Art Fund – This fund is to account for contributions, donations, and other resources that are restricted for specific uses or purposes.

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

Tree Restoration Fund – This fund accounts for public donations and charges for services restricted for the use of restoring trees around the City.

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

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

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

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

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

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

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

2. Proprietary Funds:

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

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

The following proprietary funds are reported as enterprise funds:

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

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

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

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

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

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

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

Health Insurance Fund – This fund is used to pay for the City's current employee's health insurance.

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

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Cash and Cash Equivalents

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

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

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

F. Inventories and Prepaid Items

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

Prepaid balances are for payments made by the City for which benefits extend beyond September 30, 2018, and the non-spendable fund balance has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. The cost of prepaid services are recorded based on when prepaids was consumed rather than when purchased.

G. Receivables and Payables

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

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

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

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. Restricted Assets

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

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

I. Capital Assets

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

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

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

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 40
Improvements other than buildings	20 - 40
Water, sewer, and drainage system	20 - 40
Capacity rights	40
Machinery, vehicle, and other equipment	3 - 20

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation is accrued depending on level of employment and years of service. Vacation can be accrued up to 240 to 400 hours depending on years of service with the City. Accrued vacation is paid upon retirement or termination. Sick leave is accrued at 8 hours per month with no limitations. Accrued sick leave expires and is not paid upon retirement or termination. Unused compensatory time for nonexempt employees is paid upon termination. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are matured, for example, unused reimbursable leave payable as a result of employee resignations and retirements.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Losses on refunding are deferred and amortized over the life of the new issuance or the existing debt using the effective interest method.

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

L. Pensions and Other Post-Employment Benefits (OPEB)

The City has Pension and OPEB for supplemental death benefits fund (SDBF) with the Texas Municipal Retirement System (TMRS) and has OPEB for health insurance. For purposes of measuring the net pension and total OPEB liability from TMRS, pension/OPEB related deferred outflows and inflows of resources, and pension/OPEB expense, City specific information about its Fiduciary Net Position in 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 to TMRS 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 and Total OPEB Liabilities is obtained from TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statements No. 68 and 75. The OPEB for health benefits is an unfunded plan. The same actuaries used for pensions and OPEB from TMRS are used to provide the reporting information for the OPEB for health benefits.

M. Deferred Outflows and Inflows of Resources

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

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

Pensions and OPEB – these deferred outflows result from pension and OPEB contributions after the measurement date (deferred and recognized in the following fiscal year). There are also deferred outflows and inflows based on actuarial information noted in Note 8, 9, and 10.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Fund Equity

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

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

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

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

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

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

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

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

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

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. New Accounting Pronouncement

Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" – This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are responsibly funding the benefits over time to a point-in time liability that is reflected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date. This statement became effective for the City in fiscal year 2018. See Note 15 regarding the cumulative effect of implementing this statement.

P. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2018 up through March 25, 2019, the date the financial statements were issued. During this period, there were no subsequent events requiring disclosure.

Q. Property Taxes

Property taxes are levied for appropriation for the fiscal year beginning on October 1, are due October 1, attach as an enforceable lien on property as of January 1, and become delinquent on February 1. Property taxes are accrued based on the period for which they are levied and available. Delinquent taxes estimated not to be available are treated as deferred revenue in the governmental fund financial statements. Property taxes for cities, including those applicable to debt service, are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The City's current tax rate is \$0.4275 per \$100 of assessed valuation and assessed valuation is approximately 100% of estimated value.

R. Use of Estimates

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

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 2. CASH, INVESTMENTS, AND DEPOSITS

At year end, the carrying amount of the City's interest bearing bank deposits and money market funds was \$31,232,681 and the bank balance was \$32,377,466. All of the bank balances was covered by federal deposit insurance and collateralized by the pledging financial institution's City's safekeeping account at the Federal Reserve or held by a third party custodian. The custodian serves contractually as the City's agent. The City's cash and equivalents also included cash drawers of \$4,706.

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

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

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

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

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

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

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

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 2. CASH, INVESTMENTS, AND DEPOSITS – CONTINUED

Certificates of Deposit classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

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

	Fair Value Measurements			Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk	Rating Agency
	Fair Value	Level 1 Inputs	Level 2 Inputs				
Investments measured at amortized cost							
Investment Pools							
TexPool	\$ 12,990,152	\$ -	\$ -	20.01%	28	AAAm	S&P
Investments by fair value level							
Certificates of Deposit	51,923,440	51,923,440	-	79.99%	252	AA+/Aaa	S&P
Total	<u>\$ 64,913,592</u>	<u>\$ 51,923,440</u>	<u>\$ -</u>	<u>100.00%</u>			
Portfolio Weighted Average Maturity					<u>162</u>		

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

Interest Rate Risk

In compliance with the City's Investment Policy, as of September 30, 2018, the City minimized the interest rate risk, the risk relating to the decline in market value of securities in the portfolio, by: limiting the weighted average maturity to 365 days and the stated maturity to two years or less, with the exception of securities purchases related to reserve funds; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the PFIA; and investing funds primarily in money market mutual funds, government investment pools, and shorter-term securities with a weighted average maturity of less than 200 days.

The following table details the maturity schedule for the City's investments as of September 30, 2018:

Maturity Schedule	Book Value	Fair Value	% of Portfolio
Less than 1 Month	\$ 15,490,152	\$ 15,490,152	24%
1 to 6 Months	11,164,459	11,164,459	18%
6 to 9 Months	13,101,447	13,101,447	20%
9 to 12 Months	2,010,342	2,010,342	2%
12 to 18 Months	23,147,192	23,147,192	36%
Total	<u>\$ 64,913,592</u>	<u>\$ 64,913,592</u>	<u>100%</u>

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 2. CASH, INVESTMENTS, AND DEPOSITS – CONTINUED

Credit Risk

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

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

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

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

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

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

The City is a voluntary participant in TexPool. TexPool operates in a manner consistent with the SEC's Rule 2A7 of the Investment Company Act of 1940.

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

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 3. RECEIVABLES

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

Governmental Funds	Governmental Funds						Total
	General	General Obligation Debt Service	Crime Control Prevention District	Capital Projects Fund	TIF #1 Interest & Sinking	Non Major Governmental Funds	
Receivables							
Property taxes	\$ 177,920	\$ 66,641	\$ -	\$ -	\$ 38,202	\$ 38,202	\$ 320,965
Franchise taxes	709,039	-	-	-	-	-	709,039
Sales taxes	1,101,138	-	252,223	-	-	863,217	2,216,578
Accounts	1,055,963	-	-	-	-	2,851	1,058,814
Other	64,306	5,192	8,938	28,095	-	24,018	130,549
Due from other Governments	284,812	-	-	-	-	7,479	292,291
Gross receivables	3,393,178	71,833	261,161	28,095	38,202	935,767	4,728,236
Less: allowance	(556,569)	(8,330)	-	-	-	(38,202)	(603,101)
Net total receivables	<u>\$ 2,836,609</u>	<u>\$ 63,503</u>	<u>\$ 261,161</u>	<u>\$ 28,095</u>	<u>\$ 38,202</u>	<u>\$ 897,565</u>	<u>\$ 4,125,135</u>

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

Proprietary Funds	Proprietary Funds				
	Water and Wastewater Utilities	Drainage Utility	Non-Major Recreation Aquatic Center	Total Enterprise Funds	Non-Major Internal Service Fund
Receivables					
Accounts	\$ 3,620,299	\$ 80,992	\$ 34,676	\$ 3,735,967	\$ -
Interest	64,423	17,307	5,464	87,194	5,856
Gross receivables	3,684,722	98,299	40,140	3,823,161	5,856
Less: allowance	(127,173)	(15,628)	-	(142,801)	-
Net total receivables	<u>\$ 3,557,549</u>	<u>\$ 82,671</u>	<u>\$ 40,140</u>	<u>\$ 3,680,360</u>	<u>\$ 5,856</u>

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 34,145,896	\$ -	\$ -	\$ -	\$ 34,145,896
Construction in progress	4,968,583	3,370,804	-	-	8,339,387
Total capital assets, not being depreciated	39,114,479	3,370,804	-	-	42,485,283
Capital assets being depreciated:					
Buildings	48,856,765	-	-	-	48,856,765
Improvements other than buildings	193,329,149	297,683	-	(95,172)	193,531,660
Machinery and equipment	20,709,552	991,195	(414,046)	95,172	21,381,873
Total capital assets being depreciated	262,895,466	1,288,878	(414,046)	-	263,770,298
Less accumulated depreciation for:					
Buildings	(18,433,933)	(1,221,419)	-	-	(19,655,352)
Improvements other than buildings	(129,197,161)	(6,790,393)	-	95,172	(135,892,382)
Machinery and equipment	(14,823,737)	(2,898,659)	406,110	(95,172)	(17,411,458)
Total accumulated depreciation	(162,454,831)	(10,910,471)	406,110	-	(172,959,192)
Total capital assets being depreciated, net	100,440,635	(9,621,593)	(7,936)	-	90,811,106
Governmental activities capital assets, net	\$ 139,555,114	\$ (6,250,789)	\$ (7,936)	\$ -	\$ 133,296,389

Governmental activities include internal service fund machinery and equipment of \$10,435,792 with accumulated depreciation of \$7,762,603 as of September 30, 2018.

Depreciation expense was charged to governmental activity functions as follows:

Governmental Activities:	
General government	\$ 2,949,262
Public safety	1,884,943
Public works	3,749,729
Community development	2,261,497
Recreation and cultural	65,040
Total depreciation expense - governmental activities	<u>\$ 10,910,471</u>

Governmental activities portion of the internal service fund depreciation expense of \$954,496 is allocated within each function.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 4. CAPITAL ASSETS – CONTINUED

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,642,361	\$ -	\$ (136,008)	\$ -	\$ 1,506,353
Construction in progress	5,900,294	871,513	-	-	6,771,807
Total capital assets, not being depreciated	<u>7,542,655</u>	<u>871,513</u>	<u>(136,008)</u>	<u>-</u>	<u>8,278,160</u>
Capital assets being depreciated:					
Buildings	17,117,039	6,396	-	-	17,123,435
Utility facilities	137,023,220	1,247,919	-	(1,824,177)	136,446,962
Machinery and equipment	2,481,220	-	(94,917)	1,824,177	4,210,480
Capacity rights	6,281,781	-	-	-	6,281,781
Total capital assets being depreciated	<u>162,903,260</u>	<u>1,254,315</u>	<u>(94,917)</u>	<u>-</u>	<u>164,062,658</u>
Less accumulated depreciation for:					
Buildings	(6,565,769)	(428,086)	-	-	(6,993,855)
Utility facilities	(64,919,252)	(4,104,691)	-	1,824,177	(67,199,766)
Machinery and equipment	(1,964,514)	(143,273)	92,461	(1,824,177)	(3,839,503)
Capacity rights	(4,154,927)	(157,048)	-	-	(4,311,975)
Total accumulated depreciation	<u>(77,604,462)</u>	<u>(4,833,098)</u>	<u>92,461</u>	<u>-</u>	<u>(82,345,099)</u>
Total capital assets being depreciated, net	<u>85,298,798</u>	<u>(3,578,783)</u>	<u>(2,456)</u>	<u>-</u>	<u>81,717,559</u>
Business-type activities capital assets, net	<u>\$ 92,841,453</u>	<u>\$ (2,707,270)</u>	<u>\$ (138,464)</u>	<u>\$ -</u>	<u>\$ 89,995,719</u>

Business-type activities depreciation expense as follows:

Business-type activities:	
Water and wastewater utilities	\$ 2,686,396
Drainage utility	1,642,563
Recreation / aquatic center	<u>504,139</u>
Total depreciation expense - business-type activities	<u>\$ 4,833,098</u>

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 4. CAPITAL ASSETS – CONTINUED

Construction Commitments

The City has active construction projects as of September 30, 2018. The projects include construction, park improvements, and drainage improvements.

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

Project Description	Authorized Project Amount	Project Expenditures To Date	Remaining Project Balance
Fire Station Rehab. & Remote Bays	\$ 2,987,243	\$ 2,866,795	\$ 120,448
Keller Hicks Intersection Improvements	2,195,000	311,486	1,883,514
Alta Vista Transmission Main	5,622,200	1,471,889	4,150,311
Alta Vista Pump Station	2,408,505	2,381,928	26,577
Fort Worth 47" Transmission Main	1,240,000	-	1,240,000
2017 SWIFT Project	4,000,000	909,500	3,090,500
	<u>\$ 18,452,948</u>	<u>\$ 7,941,598</u>	<u>\$ 10,511,350</u>

NOTE 5. TRANSFERS AND INTERFUND RECEIVABLES AND PAYABLES

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

Transfers In	Transfers Out	Amount	Purpose
Crime Control Prevention District	General Fund	\$ 12,915	Transfer of restricted money for crime control prevention district
Capital Projects Fund	General Fund	15,836	To contribute funding for capital projects
Capital Projects Fund	Nonmajor Governmental Funds	1,958,750	Transfer for roadway and street and sidewalk projects
Capital Projects Fund	Nonmajor Governmental Funds	1,060,903	Keller Development Corporation transfer for capital projects
TIF #1 Interest and Sinking	Debt Service Fund	245,173	Transfer to contribute to the TIF's debt service payment
Nonmajor Governmental Funds	General Fund	276,136	Transfer for public safety and tree restoration purposes
Nonmajor Governmental Funds	General Fund	813,634	Transfer for parks improvement
Internal Service Fund	General Fund	377,178	Transfer for future equipment replacement needs
Internal Service Fund	General Fund	1,200,000	Transfer to establish initial funding for the City's health insurance
Internal Service Fund	Drainage Fund	5,686	Transfer for capital assets
Internal Service Fund	Recreation/Aquatics Center	4,222	Transfer for capital assets
Water and Wastewater Fund	Recreation/Aquatics Center	11,299	Transfer for capital assets
General Fund	TIF #1 Interest and Sinking	2,339,591	Transfer out of TIF #1 since no longer restricted
	Total Transfers	<u>\$ 8,321,323</u>	

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 6. DEFERRED INFLOWS OF RESOURCES

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

	General Fund	General Obligation Debt Service	TIF#1 Interest and Sinking Fund	Nonmajor Governmental Funds	Total
Deferred inflows of resources:					
Property taxes	\$ 155,680	\$ 58,311	\$ 38,202	\$ -	\$ 252,193
Court fines	44,136	-	-	1,142	45,278
Emergency services	265,240	-	-	-	265,240
Total	<u>\$ 465,056</u>	<u>\$ 58,311</u>	<u>\$ 38,202</u>	<u>\$ 1,142</u>	<u>\$ 562,711</u>

NOTE 7. LONG-TERM DEBT

General Obligation Bonds, Certificates of Obligation and Contractual Obligations

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

General Obligation Bonds	Final Maturity	Interest Rates	Component Unit Portion	City Portion	Total Governmental	Business- Type
\$4,000,000 Series 2009 Improvements	2029	4.00 - 4.65%	\$ -	\$ 190,000	\$ 190,000	\$ -
\$3,290,000 Series 2010A Refunding	2020	2.00 - 3.50%	-	265,000	265,000	170,000
\$5,620,000 Series 2010B Refunding	2022	2.00 - 4.00%	-	1,367,276	1,367,276	1,037,724
\$9,860,000 Series 2011* Refunding	2023	0.55 - 5.00%	6,210,000	420,000	6,630,000	-
\$11,465,000 Series 2012 Refunding	2024	2.00 - 5.00%	-	2,665,000	2,665,000	4,315,000
\$10,475,000 Series 2015 Refunding	2026	2.00 - 4.00%	-	1,395,000	1,395,000	2,850,000
\$7,350,000 Series 2017 Refunding	2029	2.00 - 3.00%	-	7,320,000	7,320,000	-
Total General Obligation Bonds			<u>\$ 6,210,000</u>	<u>\$ 13,622,276</u>	<u>\$ 19,832,276</u>	<u>\$ 8,372,724</u>

*Component Unit Portion is with Keller Development Corp.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 7. LONG-TERM DEBT – CONTINUED

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

Certificates of Obligation	Final Maturity	Interest Rates	Component Unit Portion	City Portion	Total Governmental	Business-Type
\$8,310,000 Series 2009 Improvements	2029	3.00 - 4.70%	\$ -	\$ 385,000	\$ 385,000	\$ -
\$8,310,000 Series 2010 Improvements	2030	2.00 - 4.00%	-	4,685,000	4,685,000	1,115,000
\$5,835,000 Series 2012 Improvements (CWSRF)	2032	0.05 - 2.20%	-	-	-	4,310,000
\$6,000,000 Series 2012 Improvement	2027	2.00 - 5.00%	-	4,045,000	4,045,000	-
\$3,870,000 Series 2015* Improvements	2034	2.00 - 3.13%	3,225,000	-	3,225,000	-
\$4,060,000 Series 2016 Improvements	2031	0.53 - 1.93%	-	-	-	3,540,000
\$9,250,000 Series 2017 Tax and Revenue	2037	2.00 - 4.00%		4,325,000	4,325,000	4,155,000
Total Certificates of Obligation			<u>\$ 3,225,000</u>	<u>\$ 13,440,000</u>	<u>\$ 16,665,000</u>	<u>\$ 13,120,000</u>

*Component Unit Portion is with Keller Development Corp.

In June 2017, the City issued \$7,350,000 of General Obligation Refunding Bonds, Series 2017, which was used to refund \$2,520,000 of General Obligation Bonds, Series 2009, and \$5,010,000 of Combination Tax and Revenue Certificate of Obligation Bonds, Series 2009. Net proceeds from the sale of the bonds totaled \$7,872,097; which was placed with an escrow agent to provide for all future debt service payments on the refunded bonds. As of September 30, 2018 all of the debt refunded that is considered defeased to the City remained outstanding to be paid by the escrow agent.

Changes in Long-term Liabilities:

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2018, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Governmental activities:					
General obligation bonds	\$ 23,761,353	\$ -	\$ (3,929,077)	\$ 19,832,276	\$ 3,119,046
Certificate of obligations	21,015,000	-	(4,350,000)	16,665,000	1,905,000
Contractual obligation	179,000	-	(179,000)	-	-
Unamortized bond premium (discount)	2,469,547	-	(291,700)	2,177,847	-
Total bonds payable	47,424,900	-	(8,749,777)	38,675,123	5,024,046
Compensated absences	1,618,631	1,656,472	(1,484,763)	1,790,340	1,647,249
Net pension liability*	14,694,455	-	(4,551,233)	10,143,222	-
Total OPEB liability - SDBF*	477,629	93,472	-	571,101	-
Total OPEB liability health benefits*	1,066,319	132,122	-	1,198,441	-
Total governmental activities	<u>\$ 65,281,934</u>	<u>\$ 1,882,066</u>	<u>\$ (14,785,773)</u>	<u>\$ 52,378,227</u>	<u>\$ 6,671,295</u>

*Net pension and OPEB liabilities from the internal service fund are reported within governmental activities.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 7. LONG-TERM DEBT – CONTINUED

Changes in Long-term Liabilities – Continued

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Business-type activities:					
General obligation bonds	\$ 9,868,647	\$ -	\$ (1,495,923)	\$ 8,372,724	\$ 1,545,954
Certificate of obligations	13,810,000	-	(690,000)	13,120,000	695,000
Unamortized bond premium (discount)	958,834	-	(123,486)	835,348	-
Total bonds payable	24,637,481	-	(2,309,409)	22,328,072	2,240,954
Compensated absences	221,573	214,869	(228,026)	208,416	208,416
Net pension liability	2,774,392	-	(790,203)	1,984,189	-
Total OPEB for SDBF	82,903	16,224	-	99,127	-
Total OPEB for health benefits	185,082	22,934	-	208,016	-
Total business-type activities	<u>\$ 27,901,431</u>	<u>\$ 254,027</u>	<u>\$ (3,327,638)</u>	<u>\$ 24,827,820</u>	<u>\$ 2,449,370</u>

General Obligation Bonds

Fiscal Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 3,119,046	\$ 629,680	\$ 3,748,726	\$ 1,545,954	\$ 316,106	\$ 1,862,060
2020	3,381,207	519,161	3,900,368	1,623,793	251,607	1,875,400
2021	2,743,564	416,966	3,160,530	1,211,436	190,815	1,402,251
2022	2,848,459	325,613	3,174,072	1,271,541	138,781	1,410,322
2023	2,570,000	17,200	2,587,200	1,040,000	89,325	1,129,325
2024-2028	4,310,000	563,225	4,873,225	1,680,000	59,790	1,739,790
2029-2032	860,000	17,200	877,200	-	-	-
Total	<u>\$ 19,832,276</u>	<u>\$ 2,489,045</u>	<u>\$ 22,321,321</u>	<u>\$ 8,372,724</u>	<u>\$ 1,046,424</u>	<u>\$ 9,419,148</u>

Certificate of Obligations

Fiscal Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 1,905,000	\$ 531,418	\$ 2,436,418	\$ 695,000	\$ 320,480	\$ 1,015,480
2020	1,565,000	471,349	2,036,349	600,000	311,023	911,023
2021	1,620,000	418,742	2,038,742	795,000	301,034	1,096,034
2022	1,685,000	364,368	2,049,368	815,000	287,492	1,102,492
2023	1,740,000	307,774	2,047,774	825,000	272,819	1,097,819
2024-2028	5,770,000	843,672	6,613,672	4,435,000	1,084,090	5,519,090
2029-2033	2,115,000	173,421	2,288,421	3,755,000	483,024	4,238,024
2034-2036	265,000	4,141	269,141	1,200,000	98,600	1,298,600
Total	<u>\$ 16,665,000</u>	<u>\$ 3,114,885</u>	<u>\$ 19,779,885</u>	<u>\$ 13,120,000</u>	<u>\$ 3,158,562</u>	<u>\$ 16,278,562</u>

**CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT – CONTINUED

Conduit Debt

Certain revenue bonds have been issued in the past to provide financial assistance to nonprofit and public entities for acquisition and construction of educational and student housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the entities served by the bonds. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2018, there was one series of revenue bonds outstanding. The aggregate principal amount payable for the issues was \$24,405,000.

Compensated Absences

Compensated absences represent the estimated liability for employees' vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund and Enterprise Funds based on the assignment of an employee at termination. Business-type activities records all of the compensated absences balance as due within one year since the balance has typically been paid within the following year.

NOTE 8. PENSION PLAN

Plan Description

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

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

Benefits Provided

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

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

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least 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 a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began,

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 8. PENSION PLAN – CONTINUED

Benefits Provided - Continued

would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	146
Inactive employees entitled to but not yet receiving benefits	189
Activity employees	<u>287</u>
Total	<u>622</u>

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.65% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$2,919,456, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 8. PENSION PLAN – CONTINUED

Net Pension Liability - Continued

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

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2013 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2015. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation. After the Asset Allocation Study Analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

At its meeting on July 30, 2016, the TMRS Board approved a new portfolio target allocation, this allocation and best estimates of real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.5%	4.55%
International equity	17.5%	6.35%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	4.15%
Real return	10.0%	4.15%
Real estate	10.0%	4.75%
Absolute return	10.0%	4.00%
Private equity	5.0%	7.75%
Total	100.0%	

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 8. PENSION PLAN – CONTINUED

Net Pension Liability – Continued

Discount Rate

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

Allocations

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

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	\$ 91,877,452	\$ 74,408,605	\$ 17,468,847
Changes for the year:			
Service Cost	3,157,398	-	3,157,398
Interest	6,208,840	-	6,208,840
Change of benefit terms	-	-	-
Difference between expected and actual experience	(297,161)	-	(297,161)
Changes of assumptions	-	-	-
Contributions - employer	-	2,858,974	(2,858,974)
Contributions - employee	-	1,289,486	(1,289,486)
Net investment income	-	10,318,203	(10,318,203)
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(2,946,666)	(2,946,666)	-
Administrative expense	-	(53,441)	53,441
Other changes	-	(2,709)	2,709
Net Changes	6,122,411	11,463,847	(5,341,436)
Balance at 12/31/17	\$ 97,999,863	\$ 85,872,452	\$ 12,127,411

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 8. PENSION PLAN – CONTINUED

Net Pension Liability – Continued

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	\$ 27,218,267	\$ 12,127,411	\$ (138,132)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the City recognized pension expense of \$3,004,442.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 816,182
Changes in actuarial assumptions	468,232	-
Difference between projected and actual investment earnings	-	2,239,308
Contributions subsequent to the measurement date	2,214,922	-
Total	<u>\$ 2,683,154</u>	<u>\$ 3,055,490</u>

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 8. PENSION PLAN – CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

The \$2,214,922 reported as deferred outflows of resources related to pensions result from contributions subsequent to the measurement date and will reduce the net pension liability during the fiscal year ended September 30, 2019. The other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended Sept. 30:	
2019	\$ (105,882)
2020	(241,203)
2021	(1,113,029)
2022	(1,126,553)
2023	(591)
Total	<u>\$ (2,587,258)</u>

NOTE 9. OTHER POST EMPLOYMENT BENEFITS FOR HEALTH INSURANCE

Plan Description and Benefits Provided

The City provides other postemployment benefits (OPEB) in the form of health insurance benefits through a single-employer defined benefit medical plan. Regular full-time employees retiring from the City with 20 years of service or 5 years of service if over 60, have the option to continue medical insurance coverage for themselves and their families until the retiree becomes eligible for Medicare or is eligible to be covered under another medical plan. The retired employee pays 100% of the premium which was \$779 to \$2,131 depending on what plan the retiree chooses. A third-party administrator is utilized to provide claims administration and payment of claims.

The Plan does not issue a separate financial report.

Employees Covered by Benefit Terms

The following table provides a summary of the number of participants in the plan as of December 31, 2017:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	-
Activity employees	<u>276</u>
Total	<u>278</u>

Contributions

The City's plan is a pay-as-you-go plan in which the City does not contribute to a trust to fund future benefits. The City's contributions during the fiscal year ending September 30, 2018 of \$40,190 all of which were for the benefit payments and were paid by the City using its own assets. The benefit payments were determined in a manner similar to how the benefit payments for the measurement period were developed. The City through its budgeting process determines the annual contributions to the Plan based on the actuarially determined contribution and the availability of funds.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 9. OTHER POST EMPLOYMENT BENEFITS FOR HEALTH INSURANCE – CONTINUED

Total OPEB Liability

Total OPEB liability reported at September 30, 2018 was measured as of December 31, 2017, and based on actuarial valuation as of December 31, 2017.

Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Individual Entry-Age
Discount rate	3.31% as of December 31, 2017
Inflation	2.50%
Salary increases	3.50% to 10.50%, including inflation
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System.
Mortality	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used 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.
Healthcare cost trend rates	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years
Participation rates	17% for employees retiring on or after the age of 50 and 0% for employees retiring before age 50

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 3.31% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 3.81% as of the prior measurement date.

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 9. OTHER POST EMPLOYMENT BENEFITS FOR HEALTH BENEFITS – CONTINUED

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2016	\$ 1,251,401
Changes for the year:	
Service Cost	66,467
Interest on the total OPEB liability	48,385
Changes of assumptions	69,663
Benefit payments	(29,459)
Net Changes	155,056
Balance at 12/31/17	\$ 1,406,457

The benefit payments during the measurement period were determined as follows:

Age-adjusted premiums (retiree contributions * 1.733)	\$ 69,649
Retiree contributions	\$ (40,190)
Total benefit payments	\$ 29,459

The 1.733 factor equals the ratio of the expected retiree claims to the expected retiree contributions. The underlying retiree claims were estimated using age-adjusted premiums.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

Regarding the sensitivity of the total OPEB liability to changes in the Single Discount Rate, the following presents the plan's net OPEB liability, calculated using a discount rate of 3.31%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB liability	\$ 1,556,227	\$ 1,406,457	\$ 5,843,161

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Total OPEB liability	\$ 1,224,385	\$ 1,406,457	\$ 1,624,651

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 9. OTHER POST EMPLOYMENT BENEFITS FOR HEALTH BENEFITS – CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2017, the City recognized OPEB expense of \$121,663. At September 30, 2018, the reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 62,850	-
Contributions subsequent to the measurement date	30,841	-
Total	<u>\$ 93,691</u>	<u>\$ -</u>

The \$30,841 reported as deferred outflows of resources related to OPEB result from contributions subsequent to the measurement date and will reduce the total OPEB liability during the fiscal year ending September 30, 2019. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended Sept. 30:		
2019	\$	6,813
2020		6,813
2021		6,813
2022		6,813
2023		6,813
Thereafter		<u>28,785</u>
Total	<u>\$</u>	<u>62,850</u>

Differences between changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

The expected remaining service lives of all active employees in the plan were approximately 2,843 years. Additionally, the total plan membership (active employees and inactive employees) was 278. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the current measurement period is 10.2251 years.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 10. TMRS SUPPLEMENTAL DEATH BENEFIT FUND

Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

Benefits Provided

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). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	91
Inactive employees entitled to but not yet receiving benefits	45
Activity employees	<u>287</u>
Total	<u><u>423</u></u>

Contributions

The member 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.

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The retiree portion of contribution rates to the SDBF for the City was 0.01% and 0.02% in calendar years 2017 and 2018. The City's contributions to the SDBF for the year ended September 30, 2018 were \$2,831, and were equal to the required contributions.

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 10. TMRS SUPPLEMENTAL DEATH BENEFIT FUND – CONTINUED

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 10.50%, including inflation
Discount Rate	3.31%
Retiree's share of benefit-related costs	0.00%

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the 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. Mortality rates for disabled retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017, valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal Actuarial Cost Method.

The discount rate used to measure the Total OPEB Liability was 3.31% and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Changes in Total OPEB Liability

	Increase (Decrease) Total Pension Liability
Balance at 12/31/2016	\$ 560,532
Changes for the year:	
Service Cost	29,474
Interest	21,710
Changes in assumptions or other inputs	60,354
Benefit payments	(1,842)
Net Changes	109,696
Balance at 12/31/17	<u>\$ 670,228</u>

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 10. TMRS SUPPLEMENTAL DEATH BENEFIT FUND – CONTINUED

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.31%) or 1 percentage-point higher (4.31%) than the current rate:

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB liability	\$ 826,719	\$ 670,228	\$ 550,308

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized pension expense of \$59,843. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 51,695	\$ -
Contributions subsequent to the measurement date	2,831	-
Total	<u>\$ 54,526</u>	<u>\$ -</u>

The \$2,831 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will reduce the Total OPEB liability during the year ending September 30, 2019. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended Sept. 30:	
2019	\$ 8,659
2020	8,659
2021	8,659
2022	8,659
2023	8,659
Thereafter	<u>8,400</u>
Total	<u>\$ 51,695</u>

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 11. OTHER INFORMATION

A. Contingent Liabilities

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

The City periodically is a defendant in various lawsuits. At September 30, 2018, after consultation with the City's attorney, the City is not aware of any pending litigation.

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

B. Risk Management

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

NOTE 12. TAX ABATEMENT

The City enters into economic development agreements authorized under Chapter 380 of the Texas Local Government Code. These agreements are planning tools designed to stimulate economic activity, redevelopment, community improvement, and provide a return on investment for the community. These programs abate or rebate property and/or sales taxes on investment for the incentive payments such as fee reductions or construction costs reimbursements. Economic development agreements are considered on a case-by-case basis by the City Council and generally contain recapture provisions, which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

Chapter 380 of the Texas Local Government Code allows the City to provide grants for the purpose of promoting local economic development. These grants are based on a percentage of property and/or sales tax received by the City. For the fiscal year ending September 30, 2018, the City rebated \$83,366 in property taxes and \$10,788 in sales taxes.

CITY OF KELLER, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 13. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

As a result of the implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", an adjustment has been made to record the City's total OPEB liability as of October 1, 2017. As a result, beginning net position of the governmental activities and the beginning net position of the enterprise funds and business-type activities has changed by the following:

		Business-Type Activities			
	Governmental*	Water and	Drainage	Aquatics	Business-Type
	Activities	Sewer Fund	Fund	Fund	Activities
Beginning fund balance/net position before restatement	\$ 136,406,279	\$ 67,390,733	\$ 15,165,173	\$ 12,683,613	\$ 95,267,753
Changes in net position from the following implementations:					
Reverse OPEB Health GASB 45 obligation	685,760	-	-	-	-
Implementation of GASB 75					
Total OPEB liability - Health Benefits	(1,066,319)	(130,771)	(25,278)	(29,033)	(185,082)
Deferred outflow OPEB - SDBF	1,186	146	28	32	206
Total OPEB liability - SDBF	(477,629)	(58,576)	(11,323)	(13,004)	(82,903)
Total Restatement	(857,002)	(189,201)	(36,573)	(42,005)	(267,779)
Beginning fund balance/net position, as restated	<u>\$ 135,549,277</u>	<u>\$ 67,201,532</u>	<u>\$ 15,128,600</u>	<u>\$ 12,641,608</u>	<u>\$ 94,999,974</u>

*Governmental activities include the restatement within the internal service fund which included a decrease in net position of \$50,695. This decrease consists of an increase from deferred outflow from OPEB – SDBF (\$39), a decrease from OPEB liability from SDBF (\$15,695), and a decrease from OPEB liability from health benefits (\$35,039).

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KELLER, TEXAS

EXHIBIT A-10

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amount	
REVENUES				
Ad valorem taxes	\$ 17,001,516	\$ 17,001,516	\$ 17,111,557	\$ 110,041
Sales taxes	5,980,533	5,980,533	6,155,624	175,091
Franchise fees	4,254,430	4,254,430	4,225,480	(28,950)
Mixed drink tax	134,863	134,863	158,011	23,148
Licenses and permits	1,307,638	1,307,638	1,115,134	(192,504)
Intergovernmental	3,120,965	3,120,965	3,519,696	398,731
Charges for services	2,931,951	2,931,951	3,027,726	95,775
Fines and forfeitures	1,091,320	1,091,320	903,580	(187,740)
Donations	59,250	59,250	44,800	(14,450)
Interest income	99,830	99,830	322,418	222,588
Miscellaneous income	66,740	66,740	175,004	108,264
Total revenues	36,049,036	36,049,036	36,759,030	709,994
EXPENDITURES				
Current				
Administration	1,796,072	1,824,093	1,731,321	92,772
Town Hall Operations	598,405	585,126	477,501	107,625
Mayor and Council	51,474	51,474	33,956	17,518
Finance and Municipal Court	1,565,367	1,542,361	1,615,831	(73,470)
Human Resources	898,216	884,884	880,603	4,281
Police Department	9,451,319	8,925,373	8,825,857	99,516
Fire Department	8,677,604	8,360,968	8,150,724	210,244
Street Maintenance	3,546,962	3,092,461	2,837,242	255,219
Library	1,690,043	1,639,469	1,571,264	68,205
Parks and Recreation	3,570,844	3,444,920	3,380,397	64,523
Economic Development	1,856,176	1,854,353	647,350	1,207,003
Community Development	1,529,360	1,529,360	1,393,382	135,978
Total expenditures	35,231,842	33,734,842	31,545,428	2,189,414
Excess of revenues over expenditures	817,194	2,314,194	5,213,602	2,899,408
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,339,591	2,339,591
Transfers out	(811,250)	(2,676,739)	(2,695,699)	(18,960)
Proceeds from sale of property	-	-	8,238	8,238
Total other financing sources (uses)	(811,250)	(2,676,739)	(347,870)	2,328,869
Net change in fund balances	5,944	(362,545)	4,865,732	5,228,277
Fund balances, October 1	16,777,299	16,777,299	16,777,299	-
Fund balances, September 30	\$ 16,783,243	\$ 16,414,754	\$ 21,643,031	\$ 5,228,277

CITY OF KELLER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
CRIME CONTROL PREVENTION DISTRICT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT A-11

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales Taxes	\$ 1,374,446	\$ 1,374,446	\$ 1,438,354	\$ 63,908
Intergovernmental	20,000	20,000	20,000	-
Interest income	9,380	9,380	129,785	120,405
Miscellaneous	-	-	32,213	32,213
Total revenues	<u>1,403,826</u>	<u>1,403,826</u>	<u>1,620,352</u>	<u>216,526</u>
EXPENDITURES				
Current:				
Police Department	654,042	654,042	449,414	204,628
Debt service:				
Principal	355,000	355,000	355,000	-
Interest and other charges	174,500	174,500	172,075	2,425
Total expenditures	<u>1,183,542</u>	<u>1,183,542</u>	<u>976,489</u>	<u>207,053</u>
Excess of revenues over expenditures	<u>220,284</u>	<u>220,284</u>	<u>643,863</u>	<u>423,579</u>
Other financing sources				
Transfers in	-	-	12,915	12,915
Proceeds from sale of capital assets	12,777	12,777	41,170	28,393
Total other financing sources	<u>12,777</u>	<u>12,777</u>	<u>54,085</u>	<u>41,308</u>
Net change in fund balances	<u>233,061</u>	<u>233,061</u>	<u>697,948</u>	<u>464,887</u>
Fund balances, October 1	<u>4,181,677</u>	<u>4,181,677</u>	<u>4,181,677</u>	<u>-</u>
Fund balances, September 30	<u>\$ 4,414,738</u>	<u>\$ 4,414,738</u>	<u>\$ 4,879,625</u>	<u>\$ 464,887</u>

CITY OF KELLER, TEXAS
NOTES TO BUDGET COMPARISON SCHEDULES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1, the budget is legally enacted through passage of an ordinance.
3. The City Council must authorize amendments to budgeted amounts between departments within any fund. Therefore the department level is the legal level of control and budget to actual expenditure comparisons is reported at the department level.
4. All transfers to and from budgeted funds must be approved by the City Council.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2018, individual amendments were not material in relation to the original appropriations for expenditures. All budget appropriations automatically lapse at year-end.
6. Formal budgetary integration is employed as a management control device during the year. The legally adopted budget is adopted on a basis consistent with generally accepted accounting principles.

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

LAST FOUR MEASUREMENT YEARS

(UNAUDITED)

	Measurement Year 2017*	Measurement Year 2016	Measurement Year 2015	Measurement Year 2014
Total pension liability:				
Service cost	\$ 3,157,398	\$ 3,108,994	\$ 2,979,303	\$ 2,982,697
Interest	6,208,840	5,809,689	5,555,939	5,216,622
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(297,161)	(233,586)	(270,677)	(993,549)
Change in assumptions	-	-	1,065,970	-
Benefit payments, including refunds of employee contributions	(2,946,666)	(2,645,244)	(2,747,691)	(1,953,842)
Net change in total pension liability	6,122,411	6,039,853	6,582,844	5,251,928
Total pension liability - beginning	91,877,452	85,837,599	79,254,755	74,002,827
Total pension liability - ending (a)	97,999,863	91,877,452	85,837,599	79,254,755
Plan fiduciary net position:				
Contributions - employer	2,858,974	2,693,980	2,732,236	2,678,823
Contributions - employee	1,289,486	1,263,085	1,233,387	1,223,684
Net investment income	10,318,203	4,632,668	99,266	3,537,194
Benefit payments, including refunds of employee contributions	(2,946,666)	(2,645,244)	(2,747,691)	(1,953,842)
Administrative expense	(53,441)	(52,297)	(60,456)	(36,922)
Other	(2,709)	(2,818)	(2,987)	(3,036)
Net change in plan fiduciary net position	11,463,847	5,889,374	1,253,755	5,445,901
Plan fiduciary net position - beginning	74,408,605	68,519,231	67,265,476	61,819,575
Plan fiduciary net position - ending (b)	85,872,452	74,408,605	68,519,231	67,265,476
Net pension liability - ending (a) - (b)	\$ 12,127,411	\$ 17,468,847	\$ 17,318,368	\$ 11,989,279
Plan fiduciary net position as a percentage of total pension liability	87.63%	80.99%	79.82%	84.87%
Covered payroll	\$ 18,421,226	\$ 18,044,073	\$ 17,556,292	\$ 17,462,991
Net pension liability as a percentage of covered payroll	65.83%	96.81%	98.64%	68.66%

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

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

EXHIBIT A-13

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Actuarially determined contribution	\$ 2,919,456	\$ 2,842,339	\$ 2,828,969	\$ 2,711,603
Contribution in relation of the actuarially determined contribution	2,919,456	2,842,339	2,828,969	2,711,603
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 18,656,792	\$ 18,325,278	\$ 18,575,332	\$ 17,520,409
Contributions as a percentage of covered payroll	15.65%	15.51%	15.23%	15.48%

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

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

CITY OF KELLER, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FISCAL YEARS
(UNAUDITED)

EXHIBIT A-14

	Measurement Year 2017
Total OPEB liability:	
Service cost	\$ 29,474
Interest	21,710
Change in assumptions	60,354
Benefit payments	<u>(1,842)</u>
Net change in total OPEB liability	109,696
Total OPEB liability - beginning	<u>560,532</u>
Total OPEB liability - ending (a)	<u><u>\$ 670,228</u></u>
Covered payroll	\$ 18,421,226
Total OPEB liability as a percentage of covered payroll	3.64%

Note: Only one year of data is presented in accordance with GASB #75. Additional years' information will be displayed as it becomes available.

The TMRS Supplementary Death Benefit Fund (SDBF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

**CITY OF KELLER, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM FOR SDBF
SCHEDULE OF OPEB CONTRIBUTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

EXHIBIT A-15

	Fiscal Year 2018
Actuarially determined contribution	\$ 3,281
Contribution in relation of the actuarially determined contribution	<u>3,281</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Covered payroll	\$ 18,656,792
Contributions as a percentage of covered payroll	0.02%

Note: GASB #75, paragraph 57 requires that the data in this schedule be presented as of the City's fiscal year as opposed to the time period covered by the measurement date.

Note: Only one year of data is presented in accordance with GASB #75. Additional years' information will be displayed as it becomes available.

The TMRS Supplementary Death Benefit Fund (SDBF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

CITY OF KELLER, TEXAS
NOTES TO TEXAS MUNICIPAL RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY
INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

VALUATION DATE:

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

METHODS AND ASSUMPTIONS USED TO DETERMINE PENSION CONTRIBUTION RATES:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

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

OPEB Summary of Actuarial Assumptions:

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	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.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

**CITY OF KELLER, TEXAS
 RETIREE HEALTH BENEFIT PLAN
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST TEN MEASUREMENT YEARS
 (UNAUDITED)**

EXHIBIT A-16

	Measurement Year 2017*
Total OPEB liability:	
Service cost	\$ 66,467
Interest	48,385
Change in assumptions	69,663
Benefit payments	<u>(29,459)</u>
Net change in total OPEB liability	155,056
Total OPEB liability - beginning	<u>1,251,401</u>
Total OPEB liability - ending (a)	<u><u>\$ 1,406,457</u></u>
Covered payroll	\$ 18,421,226
Total OPEB liability as a percentage of covered payroll	7.63%

Note: Only one year of data is presented in accordance with GASB #75. Additional years' information will be displayed as it becomes available.

CITY OF KELLER, TEXAS
NOTES TO OPEB SCHEDULES – RETIREE HEALTH BENEFITS PLAN
(UNAUDITED)

EXHIBIT A-17

Valuation Date: December 31, 2017

Methods and Assumptions:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	3.31% as of December 31, 2017
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used 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.
Health Care Trend Rates	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years Participation Rates 17% for employees retiring on or after the age of 50 and 0% for employees retiring before age 50 Other Information: Notes The discount rate changed from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.
Participation Rates	17% for employees retiring on or after the age of 50 and 0% for employees retiring before age 50 Other Information: Notes The discount rate changed from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.
Other Information:	
Notes	The discount rate changed from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

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**COMBINING STATEMENTS AND BUDGETARY COMPARISON
SCHEDULES**

CITY OF KELLER, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
GENERAL OBLIGATION DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT A-18

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual	Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 5,369,088	\$ 5,369,088	\$ 5,404,308	\$ 35,220
Interest income	13,052	13,052	135,841	122,789
Miscellaneous income	-	-	6,140	6,140
Total revenues	<u>5,382,140</u>	<u>5,382,140</u>	<u>5,546,289</u>	<u>164,149</u>
EXPENDITURES				
Debt service				
Principal	3,578,077	3,578,077	3,578,077	-
Interest and fiscal charges	870,162	870,162	868,067	2,095
Total debt service	<u>4,448,239</u>	<u>4,448,239</u>	<u>4,446,144</u>	<u>2,095</u>
Excess of revenue over expenditures	<u>933,901</u>	<u>933,901</u>	<u>1,100,145</u>	<u>166,244</u>
Other financing sources (uses):				
Transfers out	(245,244)	(245,244)	(245,173)	71
Total other financing sources (uses)	<u>(245,244)</u>	<u>(245,244)</u>	<u>(245,173)</u>	<u>71</u>
Net change in fund balances	<u>688,657</u>	<u>688,657</u>	<u>854,972</u>	<u>166,315</u>
Fund balances, October 1	<u>1,974,383</u>	<u>1,974,383</u>	<u>1,974,383</u>	<u>-</u>
Fund balances, September 30	<u>\$ 2,663,040</u>	<u>\$ 2,663,040</u>	<u>\$ 2,829,355</u>	<u>\$ 166,315</u>

CITY OF KELLER, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
TIF #1 INTEREST AND SINKING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT A-19

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 5,076,055	\$ 5,076,055	\$ 4,998,955	\$ (77,100)
Interest income	11,384	11,384	24,783	13,399
Total revenues	<u>5,087,439</u>	<u>5,087,439</u>	<u>5,023,738</u>	<u>(63,701)</u>
EXPENDITURES				
Debt service				
Principal	2,655,000	3,235,000	3,235,000	-
Interest and other charges	129,425	129,425	129,242	183
Total expenditures	<u>2,784,425</u>	<u>3,364,425</u>	<u>3,364,242</u>	<u>183</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,303,014</u>	<u>1,723,014</u>	<u>1,659,496</u>	<u>(63,518)</u>
Other financing sources				
Transfers in	245,173	245,173	245,173	-
Transfers out	-	-	(2,339,591)	(2,339,591)
Total other financing sources	<u>245,173</u>	<u>245,173</u>	<u>(2,094,418)</u>	<u>-</u>
Net change in fund balances	<u>2,548,187</u>	<u>1,968,187</u>	<u>(434,922)</u>	<u>(2,403,109)</u>
Fund balances, October 1	<u>434,922</u>	<u>434,922</u>	<u>434,922</u>	<u>-</u>
Fund balances, September 30	<u>\$ 2,983,109</u>	<u>\$ 2,403,109</u>	<u>\$ -</u>	<u>\$ (2,403,109)</u>

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

LIBRARY FUND

This fund accounts for public donations and revenues designed for Library improvements.

MUNICIPAL COURT FUND

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

PUBLIC SAFETY FUND

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

PUBLIC ART FUND

This fund is to account for contributions, donations, and other resources that are dedicated for specific uses or purposes.

PUBLIC INFORMATION AND BROADCASTING

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

TREE RESTORATION FUND

This fund accounts for public donations and charges for services designed for Library preservation of trees throughout the City.

KELLER DEVELOPMENT CORPORATION FUND

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

CAPITAL PROJECT FUNDS

ROADWAY IMPACT FEES FUND

This fund is used to account for revenues that are restricted for roadway improvements. Authorized expenditures include improvements and engineering.

PARK DEVELOPMENT FEE FUND

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

STREET/SIDEWALK IMPROVEMENTS FUND

This fund is used to account for revenues that are restricted for street and sidewalk improvements. Authorized expenditures include improvements and engineering.

PARKS CAPITAL IMPROVEMENT FUND

This fund is to account for acquisition or construction of capital assets.

**CITY OF KELLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	Special Revenue Funds					
	Library	Municipal Court	Public Safety	Public Art	Public Information and Broadcasting	Tree Restoration
ASSETS						
Cash and equivalents	\$ 76,585	\$ 156,291	\$ 66,067	\$ 87,902	\$ 83,967	\$ 204,432
Investments	12,658	62,582	101,265	22,653	377,921	
Receivables: (net of allowances for uncollectibles)						
Sales taxes	-	-	-	-	32,299	-
Accounts	-	1,142			-	-
Other	132	642	367	155	1,242	-
Due from other governments	-	1,161	6,318	-	-	-
Prepaid items	-	-	7,500	-	-	-
Total assets	\$ 89,375	\$ 221,818	\$ 181,517	\$ 110,710	\$ 495,429	\$ 204,432
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Accounts payable	\$ 129	\$ 18,844	\$ 2,228	\$ 870	\$ 33,738	\$ -
Other payables and accruals	-	-	-	-	-	-
Customer deposits	-	-	4,422	-	-	-
Unearned revenue	-	-	89,477	-	-	-
Total liabilities	129	18,844	96,127	870	33,738	-
DEFERRED INFLOWS OF RESOURCES:						
Unavailable resources	-	1,142	-	-	-	-
Total deferred inflows of resources	-	1,142	-	-	-	-
FUND BALANCES						
Nonspendable						
Prepaid items	-	-	7,500	-	-	-
Restricted						
Capital Projects	-	-	-	-	-	-
Park Development	-	-	-	-	-	-
Municipal court	-	201,832	-	-	-	-
Law Enforcement	-	-	77,890	-	-	-
Recreation and Cultural	89,246	-	-	109,840	-	204,432
Public information and broadcasting	-	-	-	-	461,691	-
Total fund balances	89,246	201,832	85,390	109,840	461,691	204,432
Total liabilities and deferred inflows of resources and fund balances	\$ 89,375	\$ 221,818	\$ 181,517	\$ 110,710	\$ 495,429	\$ 204,432

EXHIBIT B-1

Special Revenue Fund		Capital Projects				
Keller Development Corporation	Roadway Impact Fees	Park Development Fee	Street/ Sidewalk Improvements	Parks Capital Improvements	Total Nonmajor Governmental Funds	
\$ -	\$ 1,475,142	\$ 60,155	\$ -	\$ 341,532	\$ 2,552,073	
3,449,907	5,464,173	267,751	246,584	1,422,132	11,427,626	
553,697	-	-	277,221	-	863,217	
1,709	-	-	-	-	2,851	
6,251	14,643	326	260	-	24,018	
-	-	-	-	-	7,479	
-	-	-	-	-	7,500	
<u>\$ 4,011,564</u>	<u>\$ 6,953,958</u>	<u>\$ 328,232</u>	<u>\$ 524,065</u>	<u>\$ 1,763,664</u>	<u>\$ 14,884,764</u>	
\$ 820	\$ -	\$ -	\$ -	\$ 236,298	\$ 292,927	
4,195	-	-	-	-	4,195	
-	-	-	-	-	4,422	
-	-	-	-	-	89,477	
<u>5,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,298</u>	<u>391,021</u>	
-	-	-	-	-	1,142	
-	-	-	-	-	1,142	
-	-	-	-	-	7,500	
-	6,953,958	328,232	524,065	1,527,366	9,333,621	
4,006,549	-	-	-	-	4,006,549	
-	-	-	-	-	201,832	
-	-	-	-	-	77,890	
-	-	-	-	-	403,518	
-	-	-	-	-	461,691	
<u>4,006,549</u>	<u>6,953,958</u>	<u>328,232</u>	<u>524,065</u>	<u>1,527,366</u>	<u>14,492,601</u>	
<u>\$ 4,011,564</u>	<u>\$ 6,953,958</u>	<u>\$ 328,232</u>	<u>\$ 524,065</u>	<u>\$ 1,763,664</u>	<u>\$ 14,884,764</u>	

CITY OF KELLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds					
	Library	Municipal Court	Public Safety	Public Art	Public Information and Broadcasting	Tree Restoration
REVENUES						
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise taxes	-	-	-	-	132,728	-
Permits, licenses, and fees	-	-	-	-	-	-
Intergovernmental	-	-	10,494	-	-	-
Charges for services	-	-	-	42,309	-	1,501
Fines and forfeitures	-	93,403	-	-	-	-
Special assessments and impact fees	-	-	-	-	-	-
Donations	44,831	-	9,585	-	-	-
Interest income	878	2,851	2,787	1,360	6,236	-
Miscellaneous income	-	-	-	-	-	-
Total revenues	45,709	96,254	22,866	43,669	138,964	1,501
EXPENDITURES						
Current:						
General government	-	91,081	-	11,138	109,837	-
Public safety	-	-	35,713	-	-	-
Public works	-	-	48,758	-	-	-
Community development	-	-	-	-	-	175,896
Recreation and cultural	15,299	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	15,299	91,081	84,471	11,138	109,837	175,896
Excess (deficiency) of revenues over (under) expenditures	30,410	5,173	(61,605)	32,531	29,127	(174,395)
Other financing sources (uses)						
Transfers in	-	-	2,071	-	-	274,065
Transfers (out)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	2,071	-	-	274,065
Net change in fund balances	30,410	5,173	(59,534)	32,531	29,127	99,670
Fund balances, October 1	58,836	196,659	144,924	77,309	432,564	104,762
Fund balances, September 30	<u>\$ 89,246</u>	<u>\$ 201,832</u>	<u>\$ 85,390</u>	<u>\$ 109,840</u>	<u>\$ 461,691</u>	<u>\$ 204,432</u>

EXHIBIT B-2

Special Revenue Fund	Capital Projects Funds				
Keller Development Corporation	Roadway Impact Fees	Park Development Fee	Street/ Sidewalk Improvements	Parks Capital Improvements	Total Nonmajor Governmental Funds
\$ 3,077,812	\$ -	\$ -	\$ 1,538,906	\$ -	\$ 4,616,718
-	-	-	-	-	132,728
-	-	113,773	-	-	113,773
-	-	-	-	50,681	61,175
-	-	-	-	-	43,810
-	-	-	-	-	93,403
-	454,044	-	75,085	-	529,129
-	-	-	-	-	54,416
43,184	95,636	3,512	9,864	32,223	198,531
16,000	-	-	-	-	16,000
3,136,996	549,680	117,285	1,623,855	82,904	5,859,683
-	-	-	-	-	212,056
-	-	-	-	-	35,713
-	-	-	31,762	-	80,520
68,516	-	-	-	-	244,412
-	-	-	-	-	15,299
-	-	-	-	651,327	651,327
1,290,000	-	-	-	-	1,290,000
296,184	-	-	-	-	296,184
1,654,700	-	-	31,762	651,327	2,825,511
1,482,296	549,680	117,285	1,592,093	(568,423)	3,034,172
-	-	-	-	813,634	1,089,770
(1,060,903)	(462,500)	-	(1,496,250)	-	(3,019,653)
(1,060,903)	(462,500)	-	(1,496,250)	813,634	(1,929,883)
421,393	87,180	117,285	95,843	245,211	1,104,289
3,585,156	6,866,778	210,947	428,222	1,282,155	13,388,312
\$ 4,006,549	\$ 6,953,958	\$ 328,232	\$ 524,065	\$ 1,527,366	\$ 14,492,601

**CITY OF KELLER, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
MUNICIPAL COURT FUND
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

EXHIBIT C-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 132,383	\$ 132,383	\$ 93,403	\$ (38,980)
Interest income	2,440	2,440	2,851	411
Total revenues	<u>134,823</u>	<u>134,823</u>	<u>96,254</u>	<u>(38,569)</u>
EXPENDITURES				
Current				
Finance Department and Municipal Court	121,202	121,202	91,081	30,121
Total expenditures	<u>121,202</u>	<u>121,202</u>	<u>91,081</u>	<u>30,121</u>
Net change in fund balances	13,621	13,621	5,173	(8,448)
Fund balances, October 1	<u>196,659</u>	<u>196,659</u>	<u>196,659</u>	<u>-</u>
Fund balances, September 30	<u>\$ 210,280</u>	<u>\$ 210,280</u>	<u>\$ 201,832</u>	<u>\$ (8,448)</u>

**CITY OF KELLER, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
KELLER DEVELOPMENT CORPORATION
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

EXHIBIT C-2

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales taxes	\$ 2,990,267	\$ 2,990,267	\$ 3,077,812	\$ 87,545
Interest income	4,380	4,380	43,184	38,804
Miscellaneous income	16,000	16,000	16,000	-
Total revenues	<u>3,010,647</u>	<u>3,010,647</u>	<u>3,136,996</u>	<u>126,349</u>
EXPENDITURES				
Current				
Parks and Recreation	74,927	74,927	68,516	6,411
Debt service				
Principal	1,290,000	1,290,000	1,290,000	-
Interest and other charges	296,194	296,194	296,184	10
Total expenditures	<u>1,661,121</u>	<u>1,661,121</u>	<u>1,654,700</u>	<u>6,421</u>
Excess of revenues over expenditures	<u>1,349,526</u>	<u>1,349,526</u>	<u>1,482,296</u>	<u>132,770</u>
Other financing sources (uses)				
Transfers (out)	(1,060,903)	(1,060,903)	(1,060,903)	-
Total other financing sources (uses)	<u>(1,060,903)</u>	<u>(1,060,903)</u>	<u>(1,060,903)</u>	<u>-</u>
Net change in fund balances	<u>288,623</u>	<u>288,623</u>	<u>421,393</u>	<u>132,770</u>
Fund balances, October 1	<u>3,585,156</u>	<u>3,585,156</u>	<u>3,585,156</u>	<u>-</u>
Fund balances, September 30	<u><u>\$ 3,873,779</u></u>	<u><u>\$ 3,873,779</u></u>	<u><u>\$ 4,006,549</u></u>	<u><u>\$ 132,770</u></u>

CITY OF KELLER, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
STREET/SIDEWALK IMPROVEMENT FUND
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT C-3

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Sales taxes	\$ 1,495,133	\$ 1,495,133	\$ 1,538,906	\$ 43,773
Special assessments and impact fees	36,607	36,607	75,085	38,478
Interest income	18,382	18,382	9,864	(8,518)
Total revenues	<u>1,550,122</u>	<u>1,550,122</u>	<u>1,623,855</u>	<u>73,733</u>
EXPENDITURES				
Current				
Street Maintenance	30,000	30,000	31,762	(1,762)
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>31,762</u>	<u>(1,762)</u>
Net change in fund balances	1,520,122	1,520,122	1,592,093	71,971
Other financing sources (uses)				
Transfers (out)	(1,496,250)	(1,496,250)	(1,496,250)	-
Total other financing sources (uses)	<u>(1,496,250)</u>	<u>(1,496,250)</u>	<u>(1,496,250)</u>	<u>-</u>
Net change in fund balances	23,872	23,872	95,843	71,971
Fund balances, October 1	428,222	428,222	428,222	-
Fund balances, September 30	<u>\$ 452,094</u>	<u>\$ 452,094</u>	<u>\$ 524,065</u>	<u>\$ 71,971</u>

NONMAJOR INTERNAL SERVICE FUNDS

INFORMATION TECHNOLOGY FUND

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

EQUIPMENT REPLACEMENT FUND

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

HEALTH INSURANCE FUND

This fund is used to account for the City's employee health insurance plan.

**CITY OF KELLER, TEXAS
STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

EXHIBIT D-1

	Information Technology	Equipment Replacement	Health Insurance	Total Internal Service Funds
ASSETS				
Current assets				
Cash and equivalents	\$ 1,184,538	\$ 2,018,270	\$ 1,200,000	\$ 4,402,808
Investments	186,339	876,808	-	1,063,147
Interest receivable	2,207	3,649	-	5,856
Prepaid items	545	-	-	545
Total current assets	1,373,629	2,898,727	1,200,000	5,472,356
Non-current assets				
Capital assets:				
Machinery and equipment	5,344,452	5,091,340	-	10,435,792
Accumulated depreciation	(4,893,787)	(2,868,816)	-	(7,762,603)
Total capital assets	450,665	2,222,524	-	2,673,189
(net of accumulated depreciation)				
Total assets	1,824,294	5,121,251	1,200,000	8,145,545
DEFERRED OUTFLOWS OF RESOURCES				
Deferred inflows related to pensions	74,262	-	-	74,262
Deferred inflows related to OPEB SDBF	1,526	-	-	1,526
Deferred inflows related to OPEB Health	2,624	-	-	2,624
Total deferred outflows of resources	78,412	-	-	78,412
LIABILITIES				
Current liabilities:				
Accounts payable	164,771	-	-	164,771
Other payables and accruals	30,245	-	-	30,245
Total current liabilities	195,016	-	-	195,016
Non-current liabilities:				
Net pension liability	334,950	-	-	334,950
Total OPEB liability (SDBF)	18,766	-	-	18,766
Total OPEB liability (Health)	39,381	-	-	39,381
Total noncurrent liabilities	393,097	-	-	393,097
Total liabilities	588,113	-	-	588,113
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	86,314	-	-	86,314
Total deferred inflows of resources	86,314	-	-	86,314
NET POSITION				
Net investment in capital assets	450,665	2,222,524		2,673,189
Unrestricted	777,614	2,898,727	1,200,000	4,876,341
Total net position	\$ 1,228,279	\$ 5,121,251	\$ 1,200,000	\$ 7,549,530

**CITY OF KELLER, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

EXHIBIT D-2

	Information Technology	Equipment Replacement	Health Insurance	Total Internal Service Funds
OPERATING REVENUES				
Fees	\$ 2,277,676	\$ 910,584	\$ -	\$ 3,188,260
Total operating revenues	<u>2,277,676</u>	<u>910,584</u>	<u>-</u>	<u>3,188,260</u>
OPERATING EXPENSES				
Personnel	765,554	-	-	765,554
Supplies and maintenance	297,043	-	-	297,043
Services and other	846,994	21,954	-	868,948
Depreciation and amortization	491,378	463,118	-	954,496
Total operating expenses	<u>2,400,969</u>	<u>485,072</u>	<u>-</u>	<u>2,886,041</u>
Operating income (loss)	<u>(123,293)</u>	<u>425,512</u>	<u>-</u>	<u>302,219</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment revenue	12,704	27,612	-	40,316
Gain on sale of property	-	13,043	-	13,043
Total non-operating revenues (expenses)	<u>12,704</u>	<u>40,655</u>	<u>-</u>	<u>53,359</u>
Net income (loss) before transfers and contributions	<u>(110,589)</u>	<u>466,167</u>	<u>-</u>	<u>355,578</u>
TRANSFERS AND CONTRIBUTIONS				
Transfers in	-	387,086	1,200,000	1,587,086
Total transfers and contributions	<u>-</u>	<u>387,086</u>	<u>1,200,000</u>	<u>1,587,086</u>
Change in net position	(110,589)	853,253	1,200,000	1,942,664
Net position, October 1	<u>1,389,563</u>	<u>4,267,998</u>	<u>-</u>	<u>5,657,561</u>
Cumulative effect of change in accounting principle	(50,695)	-	-	(50,695)
Net position, September 30	<u>\$ 1,228,279</u>	<u>\$ 5,121,251</u>	<u>\$ 1,200,000</u>	<u>\$ 7,549,530</u>

**CITY OF KELLER, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

EXHIBIT D-3

	Information Technology	Equipment Replacement	Health Insurance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,276,505	\$ 908,313	\$ -	\$ 3,184,818
Cash payments to employees for services	(758,149)	-	-	(758,149)
Cash payments to other suppliers for goods and services	(1,025,213)	(21,954)	-	(1,047,167)
Net cash provided by operating activities	493,143	886,359	-	1,379,502
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	387,086	1,200,000	1,587,086
Net cash provided by non-capital financing activities	-	387,086	1,200,000	1,587,086
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition or construction of capital assets	(187,677)	(398,542)	-	(586,219)
Proceeds from sale of capital assets	-	13,043	-	13,043
Net cash used in capital and related financing activities	(187,677)	(385,499)	-	(573,176)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase or sale of investments	135,695	(10,793)	-	124,902
Interest and dividends on investments	12,704	27,612	-	40,316
Net cash provided by investing activities	148,399	16,819	-	165,218
Net increase in cash and cash equivalents	453,865	904,765	1,200,000	2,558,630
Cash and cash equivalents at beginning of year	730,673	1,113,505	-	1,844,178
Cash and cash equivalents at end of year	\$ 1,184,538	\$ 2,018,270	\$ 1,200,000	\$ 4,402,808
RECONCILIATION TO STATEMENT OF NET POSITION				
Cash and cash equivalents	\$ 1,184,538	\$ 2,018,270	\$ 1,200,000	\$ 4,402,808
Restricted and unrestricted investments	186,339	876,808	-	1,063,147
Total cash and investments	\$ 1,370,877	\$ 2,895,078	\$ 1,200,000	\$ 5,465,955
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (123,293)	\$ 425,512	\$ -	\$ 302,219
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	491,378	463,118	-	954,496
Effects of changes in assets and liabilities:				
Decrease (increase) in inventories and prepaid items	1,408	-	-	1,408
Decrease (increase) in interest receivables	(1,171)	(2,271)	-	(3,442)
Decrease (increase) in deferred outflows	85,621	-	-	85,621
Increase (decrease) in accounts payable	117,416	-	-	117,416
Increase (decrease) in other payables and accruals	1,061	-	-	1,061
Increase (decrease) in pension liability	(142,204)	-	-	(142,204)
Increase (decrease) in deferred inflows	62,927	-	-	62,927
Total adjustments	616,436	460,847	-	1,077,283
Net cash provided by operating activities	\$ 493,143	\$ 886,359	\$ -	\$ 1,379,502

STATISTICAL SECTION

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

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

<u>Contents</u>	<u>Table #s</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-5
Revenue Capacity These tables contain information to help the reader assess the City's two most significant local revenue sources, the property and sales taxes.	6-14
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	15-19
Economic and Demographic Information These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	20-21
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.	22-24

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

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental Activities				
Net Investment in Capital Assets	\$ 70,395,104	\$ 71,137,063	\$ 75,942,510	\$ 77,053,091
Restricted	10,502,026	10,707,393	17,554,282	20,931,028
Unrestricted	9,709,689	12,066,456	7,784,575	10,160,534
Total Governmental Activities Net Position	<u>\$ 90,606,819</u>	<u>\$ 93,910,912</u>	<u>\$ 101,281,367</u>	<u>\$ 108,144,653</u>
Business-type Activities				
Net Investment in Capital Assets	\$ 59,189,455	\$ 58,426,495	\$ 61,139,904	\$ 60,610,385
Restricted	9,453,952	9,287,306	9,453,952	8,219,575
Unrestricted	7,658,655	8,006,813	9,177,880	11,001,160
Total Business-type Activities Net Position	<u>\$ 76,302,062</u>	<u>\$ 75,720,614</u>	<u>\$ 79,771,736</u>	<u>\$ 79,831,120</u>
Primary Government				
Net Investment in Capital Assets	\$129,584,559	\$129,563,558	\$ 137,082,414	\$ 137,663,476
Restricted	19,955,978	19,994,699	27,008,234	29,150,603
Unrestricted	17,368,344	20,073,269	16,962,455	21,161,694
Total Primary Government Net Position	<u>\$166,908,881</u>	<u>\$169,631,526</u>	<u>\$ 181,053,103</u>	<u>\$ 187,975,773</u>

Note: The City began to report pension and OPEB liability after implementing GASB Statement 68 in fiscal year 2015 and GASB Statement 75 in fiscal year 2018.

TABLE 1

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 81,997,316	\$ 96,268,556	\$ 94,005,152	\$100,930,811	\$ 97,480,242	\$ 97,675,021
22,640,243	22,061,750	29,873,687	32,312,302	32,049,412	36,243,225
9,007,099	7,672,607	2,960,576	3,568,719	6,876,625	12,659,240
<u>\$113,644,658</u>	<u>\$126,002,913</u>	<u>\$126,839,415</u>	<u>\$136,811,832</u>	<u>\$136,406,279</u>	<u>\$146,577,486</u>
\$ 60,654,886	\$ 58,172,320	\$ 61,280,272	\$ 63,273,352	\$ 76,865,272	\$ 75,824,228
8,219,575	7,781,518	1,169,197	4,777,236	17,275,318	17,601,201
11,139,589	18,030,492	17,251,401	11,509,850	1,127,163	5,030,105
<u>\$ 80,014,050</u>	<u>\$ 83,984,330</u>	<u>\$ 79,700,870</u>	<u>\$ 79,560,438</u>	<u>\$ 95,267,753</u>	<u>\$ 98,455,534</u>
\$142,652,202	\$154,440,876	\$155,285,424	\$164,204,163	\$174,345,514	\$173,499,249
30,859,818	29,843,268	31,042,884	37,089,538	49,324,730	53,844,426
20,146,688	25,703,099	20,211,977	15,078,569	8,003,788	17,689,345
<u>\$193,658,708</u>	<u>\$209,987,243</u>	<u>\$206,540,285</u>	<u>\$216,372,270</u>	<u>\$231,674,032</u>	<u>\$245,033,020</u>

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

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental Activities:				
General Government	\$ 7,413,655	\$ 7,389,603	\$ 7,618,197	\$ 7,470,050
Public Safety	14,740,695	14,258,649	17,358,623	18,753,263
Public Works	8,260,487	7,189,802	2,560,006	2,823,250
Community Development	1,161,434	1,100,186	1,183,353	1,283,179
Recreation and Leisure	9,483,618	7,546,936	4,866,264	5,125,705
Interest and Fiscal Charges	3,723,887	3,790,680	3,632,289	3,213,594
Total Governmental Activities Expenses	<u>44,783,776</u>	<u>41,275,856</u>	<u>37,218,732</u>	<u>38,669,041</u>
Business-type Activities				
Water and Wastewater utilities	15,146,621	15,214,564	17,807,093	16,757,059
Drainage Utility	1,869,860	1,972,553	1,987,027	2,054,396
Recreation / Aquatic Center	-	-	2,854,913	2,892,151
Total Business-type Activities Expenses	<u>17,016,481</u>	<u>17,187,117</u>	<u>22,649,033</u>	<u>21,703,606</u>
Total Primary Government Expenses	<u>\$ 61,800,257</u>	<u>\$ 58,462,973</u>	<u>\$ 59,867,765</u>	<u>\$ 60,372,647</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
Public Works	\$ 15,200	\$ 11,354	\$ 35,207	\$ 39,828
Recreation and Leisure	3,172,091	3,166,420	329,768	283,440
Other Activities	3,215,505	3,622,406	3,442,865	3,501,127
Operating Grants and Contributions	2,400,191	2,358,986	5,300,350	2,301,766
Capital Grants and Contributions	497,454	445,168	630,960	3,969,333
Total Governmental Activities Program Revenues	<u>9,300,441</u>	<u>9,604,334</u>	<u>9,739,150</u>	<u>10,095,494</u>
Business-type Activities:				
Charges for Services:				
Water and Wastewater Utilities	17,785,742	17,301,977	21,461,471	20,316,352
Drainage Utility	929,902	1,507,699	1,484,183	1,505,930
Recreation / Aquatic Center	-	-	3,002,013	3,026,909
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	1,332,860	1,517,538	3,902,205	294,957
Total Business-type Activities Program Revenues	<u>20,048,504</u>	<u>20,327,214</u>	<u>29,849,872</u>	<u>25,144,148</u>
Total Primary Government Programs Revenues	<u>\$ 29,348,945</u>	<u>\$ 29,931,548</u>	<u>\$ 39,589,022</u>	<u>\$ 35,239,642</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (35,483,335)	\$ (31,671,522)	\$ (27,479,582)	\$ (28,573,547)
Business-type Activities	<u>3,032,023</u>	<u>3,140,097</u>	<u>7,200,839</u>	<u>3,440,542</u>
Total Primary Government Net Expense	<u>\$ (32,451,312)</u>	<u>\$ (28,531,425)</u>	<u>\$ (20,278,743)</u>	<u>\$ (25,133,005)</u>

Note: The City began to report pension and OPEB liability after implementing GASB Statement 68 in fiscal year 2015 and GASB Statement 75 in fiscal year 2018.

TABLE 2

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 7,973,740	\$ 7,011,362	\$ 9,224,860	\$ 6,606,428	\$ 6,592,982	\$ 7,921,283
19,415,960	16,756,956	20,941,821	20,789,609	21,542,266	19,093,622
2,981,588	2,490,468	3,138,376	5,715,323	4,289,043	6,722,250
1,425,851	1,357,417	1,870,887	3,073,034	2,387,006	2,004,708
5,345,157	4,938,515	5,855,468	6,130,399	6,457,773	7,115,961
3,277,731	2,882,936	1,841,830	2,068,775	2,027,789	1,299,198
<u>40,420,027</u>	<u>35,437,654</u>	<u>42,873,242</u>	<u>44,383,568</u>	<u>43,296,859</u>	<u>44,157,022</u>
17,055,816	18,496,707	20,294,433	23,446,287	23,661,400	24,203,826
2,004,342	2,040,218	2,172,976	2,391,244	2,352,482	2,750,456
3,080,094	2,669,471	2,600,639	3,041,177	3,357,215	3,315,120
<u>22,140,252</u>	<u>23,206,396</u>	<u>25,068,048</u>	<u>28,878,708</u>	<u>29,371,097</u>	<u>30,269,402</u>
<u>\$ 62,560,279</u>	<u>\$ 58,644,050</u>	<u>\$ 67,941,290</u>	<u>\$ 73,262,276</u>	<u>\$ 72,667,956</u>	<u>\$ 74,426,424</u>
\$ 56,267	\$ 79,719	\$ 82,024	\$ 93,881	\$ 105,136	\$ 100,696
628,121	915,060	544,882	566,112	453,852	511,755
4,004,921	4,891,778	4,334,299	6,081,145	5,629,579	4,739,512
2,751,993	3,590,362	3,373,672	3,878,523	3,620,161	4,209,216
1,117,756	251,533	285,924	1,881,643	1,242,726	20,227
<u>8,559,058</u>	<u>9,728,452</u>	<u>8,620,801</u>	<u>12,501,304</u>	<u>11,051,454</u>	<u>9,581,406</u>
20,518,382	21,546,501	21,483,165	20,659,409	26,261,738	27,205,769
1,540,590	1,569,419	1,610,683	1,633,244	1,441,816	1,455,901
3,087,021	3,029,667	2,982,350	3,095,309	3,408,147	3,410,350
-	-	-	-	53,222	-
1,010,366	4,977,753	1,243,665	3,994,015	2,012,753	987,138
<u>26,156,359</u>	<u>31,123,340</u>	<u>27,319,863</u>	<u>29,381,977</u>	<u>33,177,676</u>	<u>33,059,158</u>
<u>\$ 34,715,417</u>	<u>\$ 40,851,792</u>	<u>\$ 35,940,664</u>	<u>\$ 41,883,281</u>	<u>\$ 44,229,130</u>	<u>\$ 42,640,564</u>
\$ (31,860,969)	\$ (25,709,202)	\$ (34,252,441)	\$ (31,882,264)	\$ (32,245,405)	\$ (34,575,616)
4,016,107	7,916,944	2,251,815	503,269	3,806,579	2,789,756
<u>\$ (27,844,862)</u>	<u>\$ (17,792,258)</u>	<u>\$ (32,000,626)</u>	<u>\$ (31,378,995)</u>	<u>\$ (28,438,826)</u>	<u>\$ (31,785,860)</u>

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

	Fiscal Year			
	2009	2010	2011	2012
Net (Expense)/Revenue				
Governmental Activities	\$ (35,483,335)	\$ (31,671,522)	\$ (27,479,582)	\$ (28,573,547)
Business-type Activities	3,032,023	3,140,097	7,200,839	3,440,542
Total Primary Government Net Expense	<u>(32,451,312)</u>	<u>(28,531,425)</u>	<u>(20,278,743)</u>	<u>(25,133,005)</u>
Governmental Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes				
Property Taxes	19,156,565	20,250,125	19,794,916	20,036,667
Sales Taxes	8,045,471	7,939,671	8,087,781	8,615,790
Franchise Taxes	2,520,961	2,788,527	2,988,616	2,830,981
Mixed Beverage	55,350	60,935	64,242	61,567
Unrestricted Investment Earnings	565,181	232,082	280,809	192,931
Miscellaneous Income	128,425	292,685	295,808	270,763
Gain (loss) on disposal of capital assets	-	-	-	18,508
Litigation Settlement	-	-	-	-
Transfers	3,191,285	3,411,590	3,652,445	3,549,470
Total Governmental Activities	<u>33,663,238</u>	<u>34,975,615</u>	<u>35,164,617</u>	<u>35,576,677</u>
Business-type Activities:				
Investment Earnings	395,290	92,367	137,567	122,036
Miscellaneous Revenue (Expense)	40,255	30,943	59,619	46,276
Gain (loss) on sale of capital assets	17,345.00	(433,265.00)	-	-
Transfers	(3,191,285)	(3,411,590)	(3,661,483)	(3,549,470)
Total Business-type Activities	<u>(2,738,395)</u>	<u>(3,721,545)</u>	<u>(3,464,297)</u>	<u>(3,381,158)</u>
Total Primary Government	<u>\$ 30,924,843</u>	<u>\$ 31,254,070</u>	<u>\$ 31,700,320</u>	<u>\$ 32,195,519</u>
Change in Net Position				
Governmental Activities	\$ (1,820,097)	\$ 3,304,093	\$ 7,685,035	\$ 7,003,130
Business-type Activities	293,628	(581,448)	3,736,542	59,384
Total Primary Government	<u>\$ (1,526,469)</u>	<u>\$ 2,722,645</u>	<u>\$ 11,421,577</u>	<u>\$ 7,062,514</u>

Note: The city began to report pension and OPEB liability after implementing GASB Statement 68 in fiscal year 2015 and GASB Statement 75 in fiscal year 2018.

TABLE 3

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ (31,860,969)	\$ (25,709,202)	\$ (34,252,441)	\$ (31,882,264)	\$ (32,245,405)	\$ (34,575,616)
4,016,107	7,916,944	2,251,815	503,269	3,806,579	2,789,756
<u>(27,844,862)</u>	<u>(17,792,258)</u>	<u>(32,000,626)</u>	<u>(31,378,995)</u>	<u>(28,438,826)</u>	<u>(31,785,860)</u>
20,691,721	21,526,556	22,777,252	24,046,908	26,040,551	27,517,501
9,184,887	9,817,716	10,660,047	11,312,683	11,812,756	12,210,696
2,850,968	3,157,388	3,421,518	4,369,222	4,287,666	4,358,208
92,029	128,832	192,912	176,434	147,297	158,011
153,767	180,677	160,938	153,866	733,658	1,070,649
295,807	240,932	164,711	208,575	286,954	278,852
104,855	98,274	15,891	727,056	-	-
-	-	-	-	-	-
3,986,940	3,826,555	3,342,990	859,937	(11,469,030)	9,908
<u>37,360,974</u>	<u>38,976,930</u>	<u>40,736,259</u>	<u>41,854,681</u>	<u>31,839,852</u>	<u>45,603,825</u>
102,252	121,260	80,990	61,385	297,571	532,012
51,511	42,688	54,614	153,955	134,135	143,700
-	-	-	896	-	-
<u>(3,986,940)</u>	<u>(3,826,555)</u>	<u>(3,342,990)</u>	<u>(859,937)</u>	<u>11,469,030</u>	<u>(9,908)</u>
<u>(3,833,177)</u>	<u>(3,662,607)</u>	<u>(3,207,386)</u>	<u>(643,701)</u>	<u>11,900,736</u>	<u>665,804</u>
<u>\$ 33,527,797</u>	<u>\$ 35,314,323</u>	<u>\$ 37,528,873</u>	<u>\$ 41,210,980</u>	<u>\$ 43,740,588</u>	<u>\$ 46,269,629</u>
\$ 5,500,005	\$ 13,267,728	\$ 6,483,818	\$ 9,972,417	\$ (405,553)	\$ 11,028,209
182,930	4,254,337	(955,571)	(140,432)	15,707,315	3,455,560
<u>\$ 5,682,935</u>	<u>\$ 17,522,065</u>	<u>\$ 5,528,247</u>	<u>\$ 9,831,985</u>	<u>\$ 15,301,762</u>	<u>\$ 14,483,769</u>

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

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
Reserved	\$ 713,187	\$ 852,300	\$ -	\$ -
Nondspendable	-	-	437,749	70,120
Assigned	-	-	655,573	941,993
Unreserved	8,356,777	9,951,738	-	-
Unassigned	-	-	11,596,853	11,375,745
Total General Fund	<u>\$ 9,069,964</u>	<u>\$ 10,804,038</u>	<u>\$ 12,690,175</u>	<u>\$ 12,387,858</u>
All Other Governmental Funds				
Reserved				
Debt Service	\$ 752,552	\$ 626,785	\$ -	\$ -
Other	10,279,593	7,004,255	-	-
Unreserved, Reported in:				
Special Revenue Funds	8,529,094	12,737,304	-	-
Capital Projects Funds	(3,001,569)	584,935	-	-
Assigned	-	-	-	-
Nondspendable	-	-	1,251	1,771
Restricted				
Debt service	-	-	564,353	545,493
Capital Projects	-	-	12,410,163	9,985,464
Other	-	-	4,579,766	11,083,156
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 16,559,670</u>	<u>\$ 20,953,279</u>	<u>\$ 17,555,533</u>	<u>\$ 21,615,884</u>

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

TABLE 4

Fiscal Year					
(1)					
2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
72,597	108,298	127,462	487,348	138,601	130,875
5,646,441	6,849,905	10,081,509	-	-	-
-	-	-	515,348	565,045	660,444
9,362,608	9,380,730	9,923,578	11,891,652	16,073,653	20,851,712
<u>\$ 15,081,646</u>	<u>\$ 16,338,933</u>	<u>\$ 20,132,549</u>	<u>\$ 12,894,348</u>	<u>\$ 16,777,299</u>	<u>\$ 21,643,031</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,056,122	2,007,357	2,660,466	-	-	-
125	-	-	-	-	7,500
690,229	931,773	1,382,935	3,700,651	2,409,305	2,829,355
11,114,335	12,480,371	15,784,265	21,088,314	24,572,209	24,834,143
6,296,968	3,274,935	3,671,650	7,166,769	8,781,887	10,031,105
-	(156,535)	-	-	-	-
<u>\$ 19,157,779</u>	<u>\$ 18,537,901</u>	<u>\$ 23,499,316</u>	<u>\$ 31,955,734</u>	<u>\$ 35,763,401</u>	<u>\$ 37,702,103</u>

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

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Taxes	\$ 29,764,912	\$ 30,875,274	\$ 30,917,467	\$ 31,604,211
Licenses, fees and permits	1,119,177	1,492,765	1,271,576	1,313,373
Intergovernmental	2,220,113	2,243,917	5,521,904	5,752,557
Charges for services	4,068,661	4,225,420	1,473,354	1,429,532
Fines	996,203	946,204	883,816	923,809
Special assessments and impact fees	533,903	530,996	406,801	576,455
Donations	179,433	116,425	65,986	75,915
Interest income	565,181	232,082	280,479	192,931
Miscellaneous income	411,048	345,339	350,563	325,397
Total Revenues	<u>39,858,631</u>	<u>41,008,422</u>	<u>41,171,946</u>	<u>42,194,180</u>
Expenditures				
General government	5,664,989	5,912,363	6,029,397	5,770,520
Public safety	13,464,699	13,245,554	14,183,759	14,486,660
Public works	2,078,623	2,167,078	2,091,785	2,180,925
Community development	1,148,647	1,082,844	966,920	991,240
Recreation and leisure	6,901,084	6,594,491	3,976,232	3,959,543
Capital Outlay	9,769,903	5,649,594	8,784,499	11,072,371
Debt Service				
Principal	3,418,491	6,597,743	6,555,603	6,876,829
Interest and fiscal charges	6,481,007	3,648,886	3,486,895	2,925,696
Bond issuance costs	-	428,737	-	331,775
Advance refunding escrow	-	108,360	-	14,549,637
Total Expenditures	<u>48,927,443</u>	<u>45,435,650</u>	<u>46,075,090</u>	<u>63,145,196</u>
Excess of Revenues				
Over (Under) Expenditures	<u>(9,068,812)</u>	<u>(4,427,228)</u>	<u>(4,903,144)</u>	<u>(20,951,016)</u>
Other Financing Sources (Uses)				
Sale of capital assets	24,826	44,599	53,670	80,100
Transfers In	5,131,231	5,462,515	5,094,970	4,620,375
Transfers Out	(1,939,946)	(2,054,120)	(1,442,525)	(1,070,905)
Bonds issued	12,310,000	20,629,997	-	19,450,000
Bond premium	-	842,858	-	1,769,323
Payment to refunded bond escrow agent	-	(14,370,938)	-	-
Total Other Financing				
Sources (Uses)	<u>15,526,111</u>	<u>10,554,911</u>	<u>3,706,115</u>	<u>24,848,893</u>
Net Change in Fund Balances	<u>\$ 6,457,299</u>	<u>\$ 6,127,683</u>	<u>\$ (1,197,029)</u>	<u>\$ 3,897,877</u>
Debt Service as a Percentage of Noncapital Expenditures	25.3%	25.8%	26.9%	18.8%

TABLE 5

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 32,846,813	\$ 34,626,731	\$ 37,018,059	\$ 40,009,553	\$ 42,379,848	\$ 44,241,735
2,214,199	2,300,895	2,079,019	1,771,594	1,218,057	1,228,907
2,915,931	3,611,678	3,101,589	3,009,267	3,059,876	3,600,871
1,409,324	1,498,686	1,565,049	3,394,410	3,587,619	3,071,536
901,147	1,326,291	1,143,499	1,313,744	1,445,115	996,983
906,533	885,077	576,321	964,589	468,342	529,129
102,617	96,580	108,456	132,944	132,988	99,216
153,767	180,496	861,762	146,360	710,497	1,030,333
350,608	295,074	224,804	208,575	191,609	229,357
41,800,939	44,821,508	46,678,558	50,951,036	53,193,951	55,028,067
6,077,590	6,269,082	6,753,694	4,939,940	5,315,834	5,221,329
14,628,765	14,968,628	15,281,088	15,547,033	16,490,424	17,091,966
2,272,568	2,224,682	2,289,850	4,463,711	2,841,693	2,628,395
1,086,784	1,212,552	1,365,628	2,327,242	1,958,408	2,285,144
4,074,082	4,411,469	4,272,027	4,627,717	4,903,681	4,966,960
8,219,386	9,000,163	4,791,333	7,471,482	4,840,540	4,578,424
6,730,769	7,156,404	7,583,160	7,273,304	12,100,180	8,458,077
3,200,476	2,871,535	2,340,333	2,136,540	2,091,739	1,465,568
-	-	-	-	-	-
-	-	-	-	-	-
46,290,420	48,114,515	44,677,113	48,786,969	50,542,499	46,695,863
(4,489,481)	(3,293,007)	2,001,445	2,164,067	2,651,452	8,332,204
110,724	103,861	97,503	732,629	70,204	49,408
4,924,073	5,200,474	4,546,770	16,789,409	1,827,507	6,722,938
(910,633)	(1,373,919)	(1,203,780)	(16,578,599)	(2,227,507)	(8,300,116)
601,000	-	19,580,000	-	12,340,000	-
-	-	294,213	-	901,059	-
-	-	(16,561,118)	-	(7,872,097)	-
4,725,164	3,930,416	6,753,588	943,439	5,039,166	(1,527,770)
\$ 235,683	\$ 637,409	\$ 8,755,033	\$ 3,107,506	\$ 7,690,618	\$ 6,804,434
26.1%	25.6%	24.9%	24.1%	31.1%	23.3%

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

TABLE 6

Fiscal Year	Property Tax	Sales and Use Tax	Franchise Tax	Mixed Beverage Tax	Total
2009	19,143,130	8,045,471	2,520,961	55,350	29,764,912
2010	20,086,141	7,939,671	2,788,527	60,935	30,875,274
2011	19,543,407	8,087,781	2,988,616	64,242	30,684,046
2012	19,631,878	8,670,174	2,695,881	61,567	31,059,500
2013	19,625,642	9,184,887	2,842,453	92,029	31,745,011
2014	21,522,795	9,817,716	3,157,388	128,832	34,626,731
2015	22,743,582	10,660,047	3,421,518	192,912	37,018,059
2016	20,571,134	11,312,683	4,369,222	176,434	36,429,473
2017	21,501,554	11,812,756	4,287,666	147,297	37,749,273
2018	23,443,551	12,210,696	3,112,256	158,011	38,924,513
Percent Change 2009-2018	22.5%	51.8%	23.5%	185.5%	30.8%

Note: ¹ Percent Change 2009-2018

TABLE 7

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

Fiscal Year	Residential Property	Commercial and Industrial Property	Undeveloped Vacant Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2009	3,493,759,894	658,179,613	7,575,366	317,110,873	3,842,404,000	0.43219	3,842,404,000	100.00%
2010	3,651,461,344	649,812,152	10,017,017	334,742,514	3,976,548,000	0.44219	3,976,548,000	100.00%
2011	3,544,492,548	577,254,245	3,857,525	349,431,177	3,776,173,141	0.44219	3,776,173,141	100.00%
2012	3,649,451,333	584,583,948	3,431,274	391,880,182	3,845,586,374	0.44219	3,845,586,374	100.00%
2013	3,722,050,463	616,284,918	2,739,515	401,546,015	3,939,528,881	0.44219	3,939,528,881	100.00%
2014	3,812,539,101	639,069,078	1,526,679	409,246,091	4,043,888,767	0.44219	4,043,888,767	100.00%
2015	4,041,133,695	676,781,328	1,336,029	415,216,470	4,304,034,582	0.43719	4,304,034,582	100.00%
2016	4,459,324,882	685,548,240	3,984,800	666,074,543	4,482,783,379	0.43469	4,482,783,379	100.00%
2017	4,759,535,434	800,619,329	567,960	569,549,333	4,991,173,390	0.43000	4,991,173,390	100.00%
2018	4,541,681,247	692,354,454	430,477	336,580,669	5,234,466,178	0.42750	5,234,466,178	100.00%

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

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

Source: Tarrant Appraisal District.
Budget

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

TABLE 8

Fiscal Year	City Direct Rates			Overlapping Rates						Total Direct & Overlapping Rates
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Carroll Independent School District	Keller Independent School District	Northwest Independent School District	Tarrant County	Tarrant County Community College District	Tarrant County Hospital District	
2009	0.31175	0.12044	0.43219	0.0000	1.4169	1.3500	0.2640	0.2640	0.227897	2.451004
2010	0.31009	0.13210	0.44219	1.4150	1.4863	1.3500	0.2640	0.2640	0.227897	2.490524
2011	0.29278	0.14941	0.44219	1.4150	1.5306	1.3750	0.2640	0.2640	0.227897	2.490524
2012	0.32552	0.12864	0.45416	1.4150	1.5400	1.3750	0.2640	0.2640	0.227897	2.526390
2013	0.32552	0.11667	0.44219	1.4000	1.5400	1.4525	0.2640	0.2640	0.227897	2.547754
2014	0.32646	0.11573	0.44219	1.4000	1.5400	1.4525	0.2640	0.2640	0.227897	2.547754
2015	0.31676	0.12043	0.43719	1.4000	1.5400	1.4525	0.2640	0.1495	0.227897	2.542754
2016	0.33638	0.09831	0.43469	1.3950	1.5400	1.4525	0.2640	0.1495	0.227897	2.538587
2017	0.31358	0.11642	0.43000	1.3950	1.5200	1.4525	0.2640	0.1447	0.227897	2.576627
2018	0.31899	0.10852	0.42750	1.3850	1.5200	1.4900	0.2440	0.1401	0.224429	2.555989

Note 1: Rates are per \$100 valuation.

Note 2: Tax Rates for the Carroll, Keller and Northwest Independent School Districts have been averaged in determining the Direct and Overlapping Rates.

Each Keller taxpayer remits school district taxes to only one school district.

Source: Tarrant Appraisal District

Budget

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

TABLE 9

FY2018				FY2009			
<u>Taxpayer¹</u>	<u>Market Value</u>	<u>Percentage of Total City Market Value</u>	<u>Rank</u>	<u>Taxpayer¹</u>	<u>Market Value</u>	<u>Percentage of Total City Market Value</u>	
WW 1300 Keller Parkway LLC/WW				Capr W Dtc			
400/300 Bourland Rd	\$ 100,100,000	1.91%	1	GTE Southwest Inc	\$ 47,030,212	1.22%	
T Arthouse Tx LLC	33,160,000	0.63%	2	Ktc Seniors Ltd	22,101,095	0.58%	
Grand Estates At Keller LP	23,280,000	0.44%	3	Amstar/Southern Art House	17,577,800	0.46%	
Conservatory Senior Housing	22,560,000	0.43%	4	Regency Centers LP	17,350,032	0.45%	
Regency Centers LP	17,727,000	0.34%	5	Lo Land Assets	16,875,160	0.44%	
Atmos Energy/Mid Tex Division	15,339,630	0.29%	6	Grand Estates at Keller LP	14,570,534	0.38%	
Bear Creek Plaza LTD	14,666,851	0.28%	7	Oncor Electric Delivery Co	14,245,000	0.37%	
Jahco Keller Crossing LLC	14,449,151	0.28%	8		13,956,890	0.36%	
Lennar Homes of Texas Land and				Lowe's Home Centers	13,453,178	0.35%	
Construction Ltd	13,505,998	0.26%	9	Home Depot USA	11,884,426	0.31%	
GTE Southwest Inc.	13,226,910	0.25%	10				
Subtotal	268,015,540	5.12%			189,044,327	4.92%	
Remaining Taxpayers	4,966,450,638	94.88%		Remaining Taxpayers	3,653,359,673	95.08%	
Total	<u>\$ 5,234,466,178</u>	<u>100.00%</u>			<u>\$ 3,842,404,000</u>	<u>100.00%</u>	

Source: ¹ Tarrant Appraisal District

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

TABLE 10

Fiscal Year Ended September 30	Taxes Levied for the Fiscal Year ¹	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	15,271,712	15,142,043	99.15%	122,766	15,264,809	99.95%
2009	16,624,386	16,462,169	99.02%	150,431	16,612,600	99.93%
2010	17,597,422	17,424,740	99.02%	157,394	17,582,134	99.91%
2011	17,370,019	17,212,260	99.09%	149,966	17,362,226	99.96%
2012	17,645,180	17,538,272	99.39%	99,458	17,637,730	99.96%
2013	18,026,485	17,946,631	99.56%	76,057	18,022,688	99.98%
2014	18,671,558	18,595,909	99.59%	71,492	18,667,401	99.98%
2015	19,605,135	19,504,832	99.49%	60,015	19,564,847	99.79%
2016	20,447,244	20,353,791	99.54%	13,340	20,367,131	99.61%
2017	22,298,907	22,198,977	99.55%	-	22,198,977	99.55%
2018	23,132,822	22,209,513	96.01%	-	22,209,513	96.01%

Note: ¹ Adjusted through September 30, 2018

Tarrant County Report

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

	2009	2010	2011	2012
Agriculture	\$ -	\$ -	\$ -	\$ -
Construction	7,653,377	5,644,566	7,487,590	5,690,397
Transportation, communications	-	123,993	6,981,819	11,695,882
Utilities	-	39,979,714	38,586,553	523,381
Manufacturing	2,940,779	6,419,863	320,998	523,381
Wholesale Trade	5,890,013	8,956,140	7,824,042	7,861,903
Retail Trade	159,769,554	100,766,160	108,724,134	116,508,313
Information	1,309,930	53,397,031	40,204,903	41,788,728
Finance and insurance	1,344,111	1,361,454	3,418,573	4,544,921
Real estate, rental and leasing	6,712,679	4,594,903	9,610,727	12,667,771
Professional, scientific and technical services	4,095,448	4,017,325	4,585,668	5,642,146
Administrative and support services	6,347,933	9,821,471	11,397,517	11,689,606
Educational services	78,540	466,628	437,575	269,071
Arts, entertainment and recreation	8,810,317	3,915,255	4,379,237	4,522,275
Accommodation and food services	47,316,633	40,617,242	38,757,393	42,932,278
Other Services except PA	9,806,464	10,843,370	6,876,945	8,273,649
Other	1,406,225	108,891,431	53,445,162	56,115,562
Total	<u>\$ 263,482,003</u>	<u>\$ 399,816,546</u>	<u>\$ 343,038,836</u>	<u>\$ 331,249,264</u>

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

TABLE 11

2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ 5,900	\$ 66,313,184	\$ 354,215
8,628,139	7,891,854	8,227,863	17,318,300	1,416,621	22,437,124
12,048,822	12,219,719	-	68,650	377,911	121,666
34,432,043	32,061,719	34,119,759	40,835,100	-	-
337,657	273,857	175,751	20,484,700	8,596,886	8,842,496
9,018,601	9,763,717	11,905,554	13,110,300	7,834,486	7,102,587
124,257,630	129,472,431	71,784,004	213,679,100	258,550,951	241,668,903
44,491,839	42,655,529	56,500,069	60,823,900	11,984,851	12,105,665
4,732,909	4,114,482	842,937	1,479,000	1,071,443	675,216
13,332,200	12,632,715	15,573,215	14,439,800	12,909,269	11,524,520
5,334,402	5,987,358	8,375,138	11,407,500	6,301,190	5,465,816
14,142,641	14,024,258	12,613,163	15,017,200	11,666,315	11,925,764
351,655	406,363	391,465	627,700	634,024	378,473
4,207,107	3,086,830	4,623,197	5,984,500	7,386,058	6,689,947
47,229,686	49,744,779	55,162,234	65,804,650	81,506,768	71,617,172
8,864,231	9,012,614	8,425,228	17,774,900	18,934,815	17,651,261
61,564,107	73,637,665	194,592,471	4,772,600	-	-
<u>\$ 392,973,669</u>	<u>\$ 406,985,890</u>	<u>\$ 483,312,048</u>	<u>\$ 503,627,900</u>	<u>\$ 429,171,587</u>	<u>\$ 418,206,610</u>

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

TABLE 12

<u>Fiscal Year</u>	<u>State of Texas</u>	<u>Keller Direct Rate</u>	<u>Keller Development Corporation</u>	<u>Keller Crime Control District (2)</u>	<u>Keller Street Maintenance (3)</u>	<u>Totals</u>
2009	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2010	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2011	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2012	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2013	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2014	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2015	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2016	6.25%	1.00%	0.50%	0.375%	0.125%	8.25%
2017	6.25%	1.00%	0.50%	0.250%	0.250%	8.25%
2018	6.25%	1.00%	0.50%	0.250%	0.250%	8.25%

Note 1: Effective 1992

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

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

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

TABLE 13

Sector	2018				2009		
	Number of Payers	Percent of Total	Tax*	Percentage of Total	Number of Payers	Percent of Total	Tax **
Construction	140	4.10%	\$ (103,209)	-0.96%	9.43%	\$ 233,655	2.90%
Transportation, Communications & Warehousing	0	0.00%	-	0.00%	0.20%	-	0.00%
Utilities, Mining	46	1.35%	578,912	5.40%	0.00%	-	0.00%
Manufacturing	197	5.77%	209,767	1.96%	5.12%	89,781	1.12%
Wholesale Trade	410	12.00%	244,912	2.28%	5.43%	179,820	2.24%
Retail Trade	1,121	32.80%	3,686,480	34.39%	31.97%	4,877,707	60.63%
Information	313	9.15%	845,787	7.89%	2.25%	39,992	0.50%
Finance & Insurance	39	1.15%	17,995	0.17%	0.61%	41,035	0.51%
Real Estate, Rental & Leasing	70	2.04%	294,911	2.75%	1.95%	204,936	2.55%
Professional, Scientific, and Technical Services	190	5.56%	163,853	1.53%	11.17%	187,707	2.33%
Admin & Support Svcs	181	5.30%	361,051	3.37%	9.84%	193,800	2.41%
Educational Services	13	0.39%	3,096	0.03%	1.43%	2,398	0.03%
Arts, Entertainment & Recreation	11	0.31%	56,219	0.52%	1.64%	268,976	3.34%
Accommodation & Food Services	85	2.47%	1,224,377	11.42%	8.30%	1,444,560	17.95%
Other Services except PA ³	92	2.68%	217,506	2.03%	9.84%	236,714	2.94%
Other	511	14.94%	2,916,969	27.21%	0.82%	44,392	0.55%
Total	<u>3,418</u>	100.00%	<u>\$ 10,718,627</u>	100.00%	100.00%	<u>\$ 8,045,473</u>	100.00%

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

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

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

³ PA- Public Administration, per naics.com

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

TABLE 14

2017				2013			
<u>Customer</u>	<u>Total 2017 Consumption</u>	<u>Sales</u>	<u>Pct of Total Usage</u>	<u>Customer</u>	<u>Total 2013 Consumption</u>	<u>Sales</u>	<u>Pct of Total Usage</u>
City of Keller	59,442	\$ 269,440	2.01%	City of Keller	77,765	\$ 231,192	2.49%
Keller Independent School District	39,210	310,025	1.33%	Keller Independent School District	46,539	269,081	1.49%
Hidden Lakes Home Owner Ass'n	19,272	142,689	0.65%	Hidden Lakes Home Owner Ass'n	20,293	110,167	0.65%
City of Keller Town Center Lakes Well	13,124	20,894	0.44%	Keller ENID, LTD	14,951	81,539	0.48%
Grand Estates at Keller, LP	9,374	71,029	0.32%	Capri W DTC, LLC	11,020	61,612	0.35%
Conservatory Senior Housing	8,739	64,883	0.30%	Grand Estates at Keller, LP	9,281	52,215	0.30%
Keller Senior Community, LP	8,446	62,648	0.29%	Keller Senior Community, LP	8,963	49,108	0.29%
Olympus Town Center	8,434	64,009	0.29%	Keller Oaks Healthcare Center	5,684	30,488	0.18%
Olympus Stone Glen	7,352	56,104	0.25%	SC Stone Glen LP	5,484	30,769	0.18%
Keller Oaks Healthcare Center	5,833	42,575	0.20%	Kwik Car Wash	4,521	24,858	0.15%
Subtotal	179,226	1,104,296	5.75%	Subtotal	204,500	941,029	6.56%
Other customers	2,779,474	18,288,252	93.94%	Other customers	2,912,946	13,466,453	93.44%
TOTAL	<u>2,958,700</u>	<u>\$19,392,548</u>	<u>100.00%</u>	TOTAL	<u>3,117,446</u>	<u>\$14,407,482</u>	<u>100.00%</u>

Source: City of Keller

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

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Certificates of Obligation	KDC Revenue Bonds	Premiums / Discounts
2009	\$ 20,048,603	\$ 64,755,000	\$ 535,000	\$ -
2010	24,105,000	61,179,997	405,000	-
2011	21,945,000	56,923,550	275,000	-
2012	24,580,000	53,730,020	140,000	-
2013	22,415,000	50,002,894	-	2,384,865
2014	19,970,000	45,353,000	-	2,144,397
2015	31,033,777	28,485,060	-	1,965,055
2016	27,300,533	24,945,000	-	1,762,737
2017	23,661,353	21,014,940	-	2,469,547
2018	22,542,351	19,779,881	-	2,177,847

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

TABLE 15

Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
General Obligation Bonds	Certificates of Obligation	Revenue Bonds	TRA - Other	Premiums / Discounts			
\$ 6,981,398	\$ 13,370,000	\$ -	\$ 303,537	\$ -	\$ 105,993,538	6.52%	2,695
5,995,000	14,385,000	-	501,420	-	106,571,417	6.83%	2,698
5,585,000	21,040,000	-	521,228	-	106,289,778	6.16%	2,669
10,560,000	11,765,000	-	139,037	-	100,914,057	5.32%	2,460
9,700,000	11,042,000	-	241,691	885,923	96,672,373	5.29%	2,355
9,145,000	9,959,000	-	-	794,714	87,366,111	4.72%	2,037
12,476,223	6,653,940	-	-	962,073	81,576,128	4.19%	1,902
11,299,467	6,080,000	-	-	849,666	72,237,403	3.71%	1,640
9,868,647	13,810,000	-	-	958,834	71,783,321	3.71%	1,640
9,419,099	16,278,563	-	-	835,348	68,019,894	2.87%	1,514

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

TABLE 16

Fiscal Year	General Bonded Debt Outstanding		Less: Debt Service	Total	Percentage Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificates of Obligation				
2009	\$ 27,030,001	\$ 78,125,000	\$ 752,552	\$ 104,402,449	2.72%	2,691
2010	30,100,000	75,564,997	626,785	105,038,212	2.64%	2,700
2011	27,530,000	77,963,550	564,353	104,929,197	2.78%	2,666
2012	35,140,000	65,495,000	545,493	100,089,507	2.60%	2,505
2013	32,115,000	61,044,894	690,229	92,469,665	2.35%	2,283
2014	29,115,000	55,312,000	931,771	83,495,229	2.06%	2,025
2015	29,115,000	55,312,000	1,382,935	83,044,065	1.93%	1,855
2016	43,510,000	35,139,000	3,541,871	75,107,129	1.68%	1,581
2017	33,530,000	34,824,940	2,268,163	66,086,777	1.32%	1,581
2018	31,961,450	36,058,444		68,019,894	1.30%	1,514

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

TABLE 17

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Carroll Independent School District	\$ 254,924,999	0.42%	\$ 1,070,685
Keller Independent School District	680,508,707	35.59%	242,193,049
Northwest Independent School District	870,670,379	0.17%	1,480,140
Tarrant County General Obligation Debt	294,500,000	2.96%	8,717,200
Tarrant County Hospital District	19,300,000	2.96%	571,280
Subtotal, overlapping debt			<u>254,032,353</u>
City of Keller direct debt		100.00%	<u>42,322,232</u>
Total direct and overlapping debt			<u>\$ 296,354,585</u>

Notes:

¹ Percentage of government unit's total the property value located within Keller city limits.

² Includes both tax-supported self-supported debt of the water and wastewater utility, drainage utility, Keller Development Corporation, Keller Crime Control and Prevention District and the Tax Increment Reinvestment Zone No. 1.

³ www.mactexas.com

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

	2009	2010	2011	2012
Debt Limit	\$ 2.500000	\$ 2.500000	\$ 2.500000	\$ 2.500000
Adopted Tax Rate	0.43219	0.44219	0.44219	0.44219
Additional Rate Available	2.06781	2.05781	2.05781	2.05781
Legal Debt Margin	<u>\$ 77,696,131</u>	<u>\$ 77,320,390</u>	<u>\$ 81,114,904</u>	<u>\$ 82,600,785</u>
Total Net Debt Applicable to the Limit				
As a percentage of Debt Limit	17.29%	17.69%	17.69%	17.69%

Legal Debt Margin Calculation for the Current Fiscal Year

Maximum allowable tax rate
Adopted tax rate
Additional rate available
Total taxable value
Additional tax levy available
Less: amount set aside for repayment of general obligation debt
Legal Debt Margin

As a home rule city, the City of Keller is not legally limited by law in the amount of debt it may issue.

The City's Charter Section 8.16., states:

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

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

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

Legal debt margin presented at fiscal year 2016, 2017, and 2018 and will be added to going forward.

TABLE 18

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 2.500000	\$ 2.500000	\$ 2.500000	\$ 2.500000	\$ 2.500000	\$ 2.500000
<u>0.44219</u>	<u>0.44219</u>	<u>0.44219</u>	<u>0.43469</u>	<u>0.43000</u>	<u>0.42750</u>
<u>2.05781</u>	<u>2.05781</u>	<u>2.05781</u>	<u>2.06531</u>	<u>2.07000</u>	<u>2.07250</u>
<u>\$ 84,589,531</u>	<u>\$ 84,589,531</u>	<u>\$ 93,614,599</u>	<u>\$ 106,705,557</u>	<u>\$ 92,793,616</u>	<u>\$ 103,442,069</u>
17.69%	17.69%	17.49%	17.39%	17.20%	17.10%

\$ 2.50000	\$ 2.50000	\$ 2.50000
<u>0.43469</u>	<u>0.43000</u>	<u>0.42750</u>
<u>\$ 2.06531</u>	<u>\$ 2.07000</u>	<u>\$ 2.07250</u>
\$ 5,166,563,735	\$ 4,991,173,391	\$ 5,234,466,178
106,705,557	92,793,616	103,442,069
<u>3,703,875</u>	<u>1,974,383</u>	<u>2,829,365</u>
<u>\$103,001,682</u>	<u>\$90,819,233</u>	<u>\$100,612,704</u>

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

TABLE 19

Fiscal Year	Water Revenue Bonds			Debt Service (3)		Total	Coverage
	Utility Service Charges (1)	Less: Operating Expenses (2)	Net Available Revenue	Principal	Interest		
2009	\$ 17,825,997	\$ 11,263,357	\$ 6,562,640	\$ -	\$ -	\$ -	N/A
2010	17,332,920	11,393,852	5,939,068	-	-	-	N/A
2011	21,507,180	13,675,260	7,831,920	-	-	-	N/A
2012	19,856,182	15,515,102	4,341,080	-	-	-	N/A
2013	20,017,810	12,010,745	8,007,065	-	-	-	N/A
2014	21,578,141	17,816,373	3,761,768	-	-	-	N/A
2015	21,521,901	20,092,236	1,429,665	-	-	-	N/A
2016	20,988,935	19,926,117	1,062,818	-	-	-	N/A
2017	26,432,673	20,050,056	6,382,617	-	-	-	N/A
2018	27,325,465	20,979,815	6,345,650	-	-	-	N/A

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

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

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

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

TABLE 21

Calendar Year	Population (1)	Personal Income	Per Capita Personal Income	Median Age	School Enrollment (KISD)	National Unemployment (3)
2008	38,402	1,632,085,000	42,500 ⁷	35.0 ⁵	29,424	7.3%
2009	39,450	1,558,827,300	39,514 ⁷	35.0 ⁵	30,299	9.9%
2010	39,627	1,565,821,278	39,514 ⁷	35.0 ⁶	32,808	9.3%
2011	39,920	1,730,172,720	43,341 ⁸	32.0 ⁶	32,796	8.5%
2012	40,440	1,896,838,200	46,905 ⁸	36.9 ⁹	33,130	7.8%
2013	41,090	1,828,422,820	44,498 ³	39.9 ⁹	33,367	7.2%
2014	42,040	1,852,618,720	44,068 ³	41.1	33,440	5.9%
2015	42,890	1,947,849,350	45,415	41.3	33,616	5.1%
2016	44,050	1,945,820,650	44,173	40.3	34,180	4.7%
2017	44,620 ¹	2,213,865,920	49,616 ³	40.2	34,600	4.1%
2018	44,940 ¹	2,368,652,580	52,707 ³	38.1 ⁹	34,937	3.7%

Source:

¹ North Central Texas Council of Governments (NCTCOG)

² Keller Independent School District (KISD)

³ Bureau of Census

⁴ Bureau of Labor Statistics

⁵ www.idcide.com, © 2008

⁶ US Census 2007 Data and *American Community Survey*

⁷ Dallas Morning News, Business Section D, 11-1-10

⁸ BEA.gov

⁹ IndexMundi

¹⁰ US Census 2010

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

TABLE 21

2018				2017		
<u>Local Area Employers</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Rank</u>	<u>Local Area Employers</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Keller ISD	4000	13.97%	1	Keller ISD	4285	10.50%
City of Keller	285	1.00%	2	City of Keller	320	0.78%
Lowe's	150	0.52%	3	Lowe's	159	0.39%
Movie House & Eatery	150	0.52%	4	Kohl's Department Store	150	0.37%
Home Depot	130	0.45%	5	Keller Oaks Healthcare Center	150	0.37%
Heritage House at Keller	126	0.44%	6	Sam's Club	150	0.37%
Creekside Pet Care	100	0.35%	7	Home Depot	143	0.35%
Sam's Club	100	0.35%	8	Kroger	120	0.29%
Kroger(Keller Pkwy)	62	0.22%	9	Heritage House at Keller	120	0.29%
Kroger(Rufe Snow)	60	0.21%	10	Tom Thumb	100	0.24%
		0.00%	10	Walmart Neighborhood Market	100	0.24%
Subtotal	5,163	18.0%		Subtotal	5,797	14.2%
Total Employment	28,642	100.00%		Total Employment	40,286	100.00%

Sources:

Texas Workforce Commission

Keller Business Human Resource Departments

Demographics provided by The Retail Coach

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

TABLE 22

Function/Program	Full-Time Equivalent Employees as of Year End									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Administration	10.00	10.00	8.00	8.00	8.00	8.00	8.00	9.48	9.48	7.48
Finance	7.50	6.50	6.50	7.00	7.00	7.00	7.00	7.50	7.50	8.00
Planning	14.00	11.00	11.00	11.00	12.00	11.96	12.41	12.66	12.45	12.27
Town Hall operations	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Other	19.00	16.50	16.50	16.50	14.75	15.50	13.78	14.26	14.26	14.96
Police										
Officers	78.00	77.00	79.00	50.50	51.50	50.00	49.00	49.00	49.00	49
Civilians	4.00	4.00	4.00	34.00	34.00	35.48	37.48	37.48	38.48	39.44
Fire										
Firefighters and officers	60.50	54.00	57.00	57.00	57.00	57.00	55.00	55.00	55.00	55.00
Civilians	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Public works										
Engineering	3.50	3.50	3.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Other	13.83	10.83	10.83	10.83	11.73	12.10	12.33	12.33	12.33	12.50
Parks and recreation	84.05	77.65	71.64	74.16	76.22	75.22	74.07	70.86	70.90	71.85
Library	15.97	15.42	15.42	15.42	15.42	15.42	15.48	15.48	15.49	15.49
Water	37.92	33.67	33.67	30.30	30.67	30.67	31.17	30.17	32.17	31.50
Wastewater	9.50	9.50	9.50	9.50	9.50	9.50	11.50	11.50	10.50	10.50
Drainage	8.75	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
Total	<u>370.52</u>	<u>342.07</u>	<u>340.06</u>	<u>340.71</u>	<u>344.29</u>	<u>344.35</u>	<u>343.72</u>	<u>342.22</u>	<u>344.06</u>	<u>344.49</u>

Source: City of Keller

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

Function/Program	2009	2010	2011	2012
General Government				
Council and work sessions held	58	42	45	32
Cable broadcasts	5,109	7,118	7,338	406
Birth/death certificates issued	935	396	833	
Building Permits Issued	183	248	250	250
New construction plan review	256	346	350	350
Police				
Physical Arrests	1,800	1,600	1,625	1,550
Total citations issued	11,750	11,438	11,800	10,000
Total emergency 911 calls	30,029	32,500	36,400	39,000
Calls for service	174,669	155,124	220,000	232,180
Animal control				
Animals adopted/redeemed	819	552	556	724
Animals impounded	1,334	1,108	1,293	1,114
Animal bite investigations	63	63	70	68
Fire				
Emergency responses	2,706	2,844	2,980	2,180
Calls for service, excludes EMS	914	1,018	1,139	1,225
Fire hydrants maintained	2,050	2,065	2,063	2,077
Inspections	697	731	720	300
Finance				
Accounts payable checks processed	5,476	5,269	5,600	3,500
Payroll checks processed	11,624	11,320	11,800	10,200
Journal entries posted	5,795	5,510	5,500	5,000
Purchase orders processed	323	336	357	300

TABLE 23

2013	2014	2015	2016	2017	2018
33	32	52	39	29	29
7,305	7,305	7,646	7,646	7,436	7,465
364	436	195	200	81	-
250	300	275	290	310	170
315	385	325	370	385	176
1,190	1,540	1,324	1,334	1,011	832
9,300	10,500	11,271	11,271	12,485	7,255
30,000	39,764	40,738	40,939	41,200	38,505
245,484	257,664	292,784	294,000	115,434	79,852
811	720	641	660	624	1,588
970	850	886	832	695	704
68	82	105	100	56	62
2,124	3,288	3,369	3,556	3,714	1,426
1,217	1,244	1,098	1,150	1,327	2,472
2,077	2,150	2,237	4,190	2,723	1,915
300	1,316	1,998	2,300	1,738	
4,400	4,400	4,100	4,200	4,138	4,028
11,700	11,650	10,900	11,000	11,375	11,283
5,000	4,450	4,300	4,500	4,548	4,480
300	300	285	300	261	278

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

	2009	2010	2011	2012
Human resources				
Applications processed	1,190	730	750	1,550
Vacancies filled	26	25	130	147
Turnover rate	7.49%	9.30%	10.00%	15.00%
Safety classes conducted	6	5	5	5
Workers compensation claims	49	55	40	40
Municipal court				
Citations processed	10,524	11,438	11,800	11,000
Warrants processed	1,967	2,000	2,000	2,000
Court sessions	212	189	189	208
Defendant requests for court date	6915	6950	6950	6300
Public Works				
Review CIP designated by others	14	10	12	12
Street Resurfacing (miles)	12.00	12.00	14.00	14.00
Sidewalks repaired (linear feet)	725	750	750	1,000
Parks and Recreation				
Park acreage	456	456	456	456
Facility reservations	814	825	840	975
Program attendance (incl. Sr. programs)	27,359	21,200	22,000	18,307
Athletic field permits issued	N/A	N/A	N/A	N/A
Recreation programs provided (incl. Sr. programs)	975	975	1,050	1,012
Library				
Library customer visits	191,739	280,000	300,000	232,000
Total volumes borrowed	317,834	411,930	450,000	579,500
Volumes in collection	128,979	139,954	84,358	100,363
Water				
New customers (net)	127	242	201	179
Water Main Breaks	31	29	42	29
Average Daily Consumption (gallons)	7,804	7,482	9,784	8,838
Peak daily consumption (million gallons)	18,973	18,204	22,565	20,551
Water purchased (million gallons)	2,848.3	2,731.0	2,571.3	3,225.9
Wastewater				
Average daily sewage treatment (million gallons)	2,800	2,975	2,865	2,866

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

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

³ Trinity River Authority-annual audits

TABLE 23

2013	2014	2015	2016	2017	2018
1,350	1,800	1,650	1,700	3,596	4,625
153	200	230	245	237	257
14.00%	18.00%	18.00%	19.00%	0	0
5	4	4	4	38	254
40	37	45	40	33	4
10,800	10,400	10,526	10,800	12,801	8,449
2,275	2,000	2,000	2,275	3,150	2,100
100	47	47	70	70	70
4350	4200	4200	4,350	4,100	3,005
12	12	10	10	10	48
14.00	16.00	10.00	16	20	1
1,700	1,500	1,500	1,000	4,000	1,872
491	491	491	491	491	491
1,000	975	978	1,000	1,192	1,128
15,007	34,226	41,985	44,000	51,526	37,838
N/A	N/A	N/A	N/A	N/A	n/a
410	1,658	1,828	1,850	1,850	1,816
231,500	238,000	227,000	228,000	227,227	213,252
563,000	562,000	495,396	500,000	438,874	465,921
114,363	127,663	138,663	149,663	117,158	82,549
254	326	255	240	155	151
22	27	14	14	17	25
8,297	8,400	7,692	7,868	8,018	8,392
23,465	22,000	21,591	18,299	19,360	20
3,028.5	3,029.4	2,807.7	2,871.9	2,927	3,063
2,876	2,972	2,950	2,290	3,390	3.446

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

TABLE 24

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police Stations										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	23	21	21	23	23	23	29	29	29	10
Fire Stations										
Stations	4	4	3	3	3	3	3	3	3	3
Engines/trucks	6	5	5	4	5	5	5	5	5	5
Public Works										
Streets (miles)	414	418	418	477	477	475	485	495	497	447
Alleys (miles)	2,045	2,048	2,500	2,505	2,585	2,487	2,605	2,625	2,752	3,167
Traffic Signals	6	6	6	10	10	-	10	10	11	11
Parks and Recreation										
Acreage	456	456	456	456	491	491	491	491	491	491
Playgrounds	9	9	9	9	9	9	9	9	9	9
Baseball/softball fields	11	11	11	11	11	11	11	11	11	11
Soccer/football fields	9	9	9	9	9	9	9	9	9	9
Community Centers	1	1	1	1	1	1	2	2	1	1
Water										
Water mains (miles)	256	258	260	190	290	288	286	288	284	275
Storage capacity (million gallons)	10	10	10	10	10	10	10	10	10	10
Wastewater										
Sanitary Sewers (miles)	183	183	193	193	192	192	196	197	210	208
Storm sewers (miles)	50	50	50	50	50	50	50	50	75	71
Treatment capacity (million gallons)	10	10	10	10	10	10	10	10	10	10